



Annual Report 2012

INDEPENDENT OIL & RESOURCES PLC/ INDEPENDENT OIL & RESOURCES ASA

DIRECTORS REPORT 2012

Activities

Independent Oil & Resources main activity is investments in other companies. The company's administrative office is in Limassol, Cyprus

As a result of the resolution which was passed on the annual meeting in 2012, the company is in the process of relocating to Cyprus. On 14. February 2013 the company obtained a temporary registration in the Cyprus Registrar of Companies for Independent Oil & Resources Plc (a continuation of Independent Oil & Resources ASA). Furthermore, On 17. April 2013 the company was registered for dissolution with the Norwegian Register of Business Enterprises. It is expected that the company will obtain a permanent registration in Cyprus and be deregistered in Norway within August 2013.

For tax purposes the company will report under Cyprus tax legislation from November 25th 2012 and onwards.

Consolidated financial statements have been prepared for 2012, as the company directly and indirectly has increased its ownership in Heavy Minerals Ltd. to become a subsidiary. The company now comprises the parent company and its subsidiary Heavy Minerals Ltd. Heavy Minerals Ltd. is engaged in mining activities in Malawi.

Net income and operating result

The result for the parent company shows an operating result of NOK -4.5 mill. in 2012, compared with NOK - 10.9 mill. in 2011. Consolidated operating result is NOK -13.7 mill. compared to NOK -12.6 mill. in 2011.

Net result after tax was NOK - 13.1 mill. compared to NOK - 60.2 mill. in 2011 Consolidated result shows a loss of NOK -42.0 mill. compared to NOK -61.4 in 2011. The consolidated result for 2012 is heavily impacted by foreign exchange loss and does not have any cash effect.

The operation in Malawi consist of a coal mine and a mineral sands license. The coal mine is now fully operational and the investment program has been concluded. It is expected that the coal mine will show a positive cash flow from second half 2013.

The license for extraction of minerals has not been developed. The company is focusing on discussions with major industrial players for partnership and development.

The Board is not satisfied with the result for the year 2012.

Cash

No major changes in net cash positions.

Balance and Equity

Both the parent company and the Group are mainly equity financed with an equity ratio of close to 100%. Total capital is reduced by NOK 11 mill. for the parent company and NOK 17 mill. for the Group. This is due to write-downs on investments in short-term and long-term investments / losses in subsidiaries. Cash and cash equivalents is still satisfactory. The company has an equity of NOK 228 mill. while debt amounts to NOK 2 mill.

The Board is of the opinion that the income statement and the balance sheet and notes give a true expression of the company's financial position and results of operations for the year.

Financial and liquidity risk

The Company is exposed to financial risk in terms of share price movements on the company's investments. Risk is in the board's view, dealt with in a satisfactory manner.

Going Concern

The financial statements have been prepared on a going concern basis. The basis for this is the company's solid equity, the evaluation of future market outlook, as well as expected share price development of the company's shares.

Future development

The company is the largest shareholder in Petrolia SE, and its development is consequently largely linked to the development of Petrolia SE

Corporate Governance

The Board believes that good corporate governance creates growth and lasting value for the benefit of shareholders, employees and other stakeholders. The Board work to build trust in the company of all groups of stakeholders, based on the principles enshrined in the Norwegian Code of Practice for Corporate Governance. In its work, the Board emphasize on equal treatment of all shareholders, expertise in the company's governing bodies, independent auditors and that company information at any time gives a correct view on operation. The Board ensures that the company always has sufficient equity taking into account the strategy, objectives and risk. Ethical guidelines are contained in a separate policy to ensure high standards of integrity and business practices in general.

Shares and shareholders

The company earlier announced that it would make use of the Public Limited Companies Act § 4-24 2 paragraph to apply to the Ministry of Trade and Industry for permission to carry out a compulsory acquisition of shares from shareholders whose shares have a total value not exceeding NOK 500. Such a permission was obtained on 6. February 2013, and the shares were acquired on March 19th 2013.

A total of 2.497.283 shares were acquired from 5.563 shareholders. Following the acquisition the company had 779 shareholders.

Independent Oil & Resources is listed on the OTC under the ticker code IOTA.

The working environment, employees and equality

There are no employees.

As a result of the relocation process, two of the Norwegian board members have been replaced by two members with Cyprus citizenship.

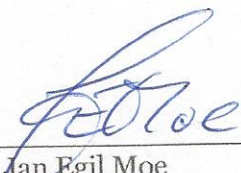
Environmental reporting

The parent company's operations do not affect the environment. The Group is involved in mining business through its subsidiary Heavy Minerals Ltd.. In connection with this business it is implemented measures to limit the impact on the environment

Allocation of net loss for the year

The Board of Directors proposes to the general meeting that the net loss of NOKT 13.103 be covered by transfer from other reserves. Other paid in capital of NOK 182.7 mill can be distributed as dividends.

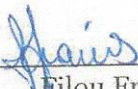
Limassol/Bergen/Stavanger
24. May 2013



Jan Egil Moe
Chairman of the Board



Anastasia Dimosthenous
Board Member



Filou Fransis
Board Member



Demos Demou
Managing Director

**Independent Oil & Resources ASA/
Independent Oil & Resources PLC**
Income statement
(NOK 1000)

Independent Oil & Resources ASA/PLC			Independent Oil & Resources Group	
<u>2011</u>	<u>2012</u>		<u>2012</u>	<u>2011</u>
2 918	0	Revenue	6 809	1 155
<u>2 918</u>	<u>0</u>	Total revenue	<u>6 809</u>	<u>1 155</u>
0	0	Cost of goods sold	6 954	0
742	742	Employee expenses	2	4 238
1 873	0	Depreciation, amortization and impairment	10	2 232
<u>11 168</u>	<u>3 792</u>	Other operating expenses	3	<u>7 088</u>
<u>13 783</u>	<u>4 534</u>	Total operating expenses		<u>20 511</u>
-10 865	-4 534	Operating result		-13 703
		Financial income and expenses		-12 634
-670	-14 419	Gain/loss sale of shares in associates	9	10 092
-18 062	3 545	Value Increase / decrease marketable investments	9	3 545
3 655	6 117	Interest income		6 117
602	562	Other financial income		562
0	0	Share of profit/ (loss) of associates	9	-35 344
-39 253	-6 873	Value Increase / decrease associates	9	3 968
-3 448	0	Value Increase / decrease subsidiaries	9	0
-791	-294	Value Increase / decrease long-term financial assets	9	-294
<u>13 932</u>	<u>2 830</u>	Gain/loss sale of shares	9	2 830
-122	0	Interest expense		-369
186	-37	Net foreign exchange gain/loss		-35 447
<u>-3</u>	<u>0</u>	Other financial expense		<u>0</u>
-43 974	-8 569	Total financial income and expenses		-44 339
-54 839	-13 103	Profit (loss) before income tax		-58 042
<u>-5 320</u>	<u>0</u>	Tax expense	4	<u>0</u>
-60 159	-13 103	Net profit (loss) before minority interests	7	-58 042
		Minority interests		<u>16 046</u>
		Net profit (loss) to shareholders		-41 996
-0,08	-0,01	Earnings per share	7	-0,08


**Independent Oil & Resources ASA/
Independent Oil & Resources PLC
Balance sheet
(NOK 1000)**

Independent Oil & Resources ASA/PLC		Independent Oil & Resources Group			
31.12.11	31.12.12	Assets	Notes	31.12.12	31.12.11
		Long term assets			
0	0	Intangible assets		0	0
0	0	Deferred tax asset	4	0	0
<u>0</u>	<u>0</u>	Total intangible assets		<u>0</u>	<u>0</u>
0	0	Fixed assets	10	5 237	82 566
82 574	11 690	Shares in subsidiaries	9	0	0
51 590	91 071	Shares in associates	9	87 329	47 414
12 941	12 647	Investment in shares	9	12 647	12 941
0	0	Other receivables		306	1 081
<u>147 105</u>	<u>115 408</u>	Total tangible assets		<u>105 519</u>	<u>144 002</u>
147 105	115 408	Total long term assets		105 519	144 002
		Current assets			
0	0	Inventories		1 423	4 376
1 240	1 266	Accounts receivable		1 266	1 240
4 133	416	Other receivables	5	1 044	2 635
<u>5 373</u>	<u>1 682</u>	Total inventories and receivables		<u>3 733</u>	<u>8 251</u>
62 617	89 785	Investments at market value	9,11	89 785	62 617
<u>26 843</u>	<u>23 559</u>	Cash and cash equivalents	6,11	<u>26 931</u>	<u>28 761</u>
94 833	115 026	Total current assets		120 450	99 629
241 938	230 434	Total assets		225 969	243 631

**Independent Oil & Resources ASA/
Independent Oil & Resources PLC
Balance Sheet
(NOK 1000)**

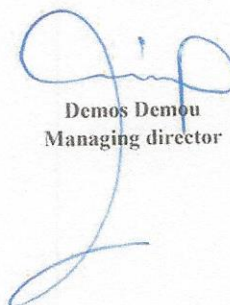
Independent Oil & Resources ASA/PLC				Independent Oil & Resources Group	
31.12.11	31.12.12	Equity and liabilities	Notes	31.12.12	31.12.11
		Owners equity			
23,963	23,963	Issued capital	7,8	23,963	23,963
-621	-621	Own shares	7	-621	-621
22,424	22,424	Share premium fund	7	22,424	22,424
195,820	182,717	Other paid in capital	7	170,440	188,513
<u>241,586</u>	<u>228,483</u>	Total owners equity		<u>216,206</u>	<u>234,279</u>
		Accumulated profits			
0	0	Other equity	7	0	0
<u>0</u>	<u>0</u>	Total accumulated profits		<u>0</u>	<u>0</u>
		Minority interests		3,461	5,389
<u>241,586</u>	<u>228,483</u>	Total equity	7	<u>219,666</u>	<u>239,668</u>
		Liabilities			
		Current liabilities			
352	1,471	Accounts payable		1,503	707
0	0	Income tax payable	4	0	0
0	480	Other liabilities		4,799	3,256
<u>352</u>	<u>1,951</u>	Total current liabilities		<u>6,302</u>	<u>3,963</u>
<u>352</u>	<u>1,951</u>	Total liabilities		<u>6,302</u>	<u>3,963</u>
<u>241,938</u>	<u>230,434</u>	Total equity and liabilities		<u>225,969</u>	<u>243,631</u>

Limassol/Bergen/Stavanger
24th May 2013


Jan Egil Moe
Chairman


Filou Fransis
Board member


Anastasia Dimosthenous
Board member


Demos Demou
Managing director

**Independent Oil & Resources ASA/
Independent Oil & Resources PLC
Cash flow statement
(NOK 1000)**

Independent Oil & Resources ASA/PLC			Independent Oil & Resources Group	
2011	2012		2012	2011
Cash flow from operating activities				
1 953	2 108	Cash flow from operations *)	-6 015	-14 438
-6 134	1 093	Change in inventories, accounts receivable and payable	3 722	-6 133
-6 547	0	Paid income tax for previous years	0	-987
405	4 197	Endring i andre tidsavgrensingsposter	7 951	8 790
<u>-10 323</u>	<u>7 398</u>	= (A) Net cash flow from operating activities	<u>5 659</u>	<u>-12 768</u>
Cash flow from investing activities				
0	0	Investment in fixed assets	0	0
-127 549	-10 682	Net cash flow from investment/purchase of shares	-3 284	-49 562
0	0	Investment in fixed assets	-8 025	-68 004
11 480	0	Sale of fixed assets	0	0
-4 040	0	Change short term receivables	0	0
0	0	Change short term receivables	0	0
<u>-120 109</u>	<u>-10 682</u>	= (B) Net cash flow from investing activities	<u>-11 309</u>	<u>-117 566</u>
Cash flow from financing activities				
0	0	Repayment of borrowings	0	0
0	0	Change in pension assets	0	0
0	0	Minority share of equity increase in subsidiaries	3 921	0
30 411	0	Equity increase	0	30 412
<u>30 411</u>	<u>0</u>	= (C) Net cash flow from financing activities	<u>3 921</u>	<u>30 412</u>
-100 021	-3 284	A+B+C Net change in cash and cash equivalents	-1 730	-99 922
126 864	26 843	Cash and cash equivalents sold/acquired subsidiaries	-100	1 818
<u>26 843</u>	<u>23 559</u>	Cash and cash equivalents 1.1.	<u>28 761</u>	<u>126 864</u>
		Cash and cash equivalents 31.12.	<u>26 931</u>	<u>28 761</u>
*) This figure is calculated as follows:				
-60 159	-13 103	Net profit (loss)	-58 042	(61 464)
0	0	Income taxes paid	0	(6 548)
50 895	7 167	+ Value Increase / decrease long-term financial assets	-3 674	791
18 062	-3 545	+/- Value Increase / decrease marketable investments	-3 545	18 062
1 873	0	- Depreciation, amortization and impairment	2 232	1 873
-1 763	0	Gain sale of fixed assets	0	(1 763)
0	14 419	+/- Gain/loss sale of shares in associates	-10 092	0
-13 262	-2 830	- Gain/loss sale of shares	-2 830	(13 932)
0	0	+/- Share of profit/ (loss) of associates	35 344	42 236
0	0	+/- Unrealized foreign exchange gain (loss)	34 593	0
6 307	0	+/- Change deferred tax/deferred tax asset	0	6 307
<u>1 953</u>	<u>2 108</u>	= Cash flow from operations	<u>-6 015</u>	<u>-14 438</u>

Independent Oil & Resources ASA/PLC

Notes to the financial statements for 2012

Note 1 – Accounting principles

The financial statements are prepared in accordance with the Accounting Act in Norway and general accepted accounting principles. All figures are presented in NOK 1 000 unless otherwise stated.

Consolidation

The Group's consolidated financial statements comprise Independent Oil & Resources ASA/PLC and companies in which Independent Oil & Resources ASA/PLC has a controlling interest. A controlling interest is normally obtained when the Group owns more than 50% of the shares in the company and can exercise control over the company. Minority interests are included in the Group's equity. Transactions between group companies have been eliminated in the consolidated financial statement. The consolidated financial statement has been prepared in accordance with the same accounting principles for both parent and subsidiary.

The purchase method is applied when accounting for business combinations. Companies which have been bought or sold during the year are included in the consolidated financial statements from the date when control is achieved and until the date when control ceases.

An associate is an entity in which the Group has a significant influence but does not exercise control the management of its finances and operations (normally when the Group owns 20%-50% of the company). The consolidated financial statements include the Group's share of the profits/losses from associates, accounted for using the equity method, from the date when a significant influence is achieved and until the date when such influence ceases.

When the Group's share of a loss exceeds the Group's investment in an associate, the amount carried in the Group's balance sheet is reduced to zero and further losses are not recognised unless the Group has an obligation to cover any such loss.

Use of estimates

The management has used estimates and assumptions that have affected assets, liabilities, incomes, expenses and information on potential liabilities in accordance with generally accepted accounting principles in Norway

Foreign currency translation

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognised in the income statement as they occur during the accounting period.

Independent Oil & Resources ASA/PLC

Revenue recognition

Revenues from the sale of goods are recognised in the income statement once delivery has taken place and most of the risk and return has been transferred. Revenues from the sale of services are recognised in the income statement when earned.

Balance sheet classification

Current assets and short term liabilities consist of receivables and payables due within one year, and items related to the inventory cycle. Other balance sheet items are classified as fixed assets / long term liabilities.

Current assets are valued at the lower of cost and fair value. Short term liabilities are recognized at nominal value.

Fixed assets are valued at cost, less depreciation and impairment losses. Long term liabilities are recognized at nominal value.

Receivables

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected loss.

Shares and other investments

Long-term shares, warrants and convertible bonds are valued at the lower of cost and fair value at balance sheet date. Associates are assessed according to the same principle as long-term investments. Short-term investments are valued at the lower of cost and net realizable value. Short-term investments are classified as market-based investments if they are part of a portfolio for resale and traded on a stock exchange. These investments are stated at market value at the year end

Fixed assets

Fixed assets are capitalized and depreciated linearly over the estimated useful life. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property plant and equipment are added to the acquisition cost and depreciated with the related asset. If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realisable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are discounted are used.

Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 28 percent of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized.

Cash flow statement

The cash flow statement is presented using the indirect method.

Independent Oil & Resources ASA/PLC

Note 2 – Salary and personnel costs, number of employees and auditor's fee

Independent Oil & Resources ASA/PLC	2012	2011
Remuneration Board of Directors	650	650
Payroll tax	<u>92</u>	<u>92</u>
Total	<u>742</u>	<u>742</u>

Independent Oil & Resources ASA/PLC has no employees. The company is not obliged to have a pension scheme in accordance with the Norwegian Act on Mandatory Pension Schemes.

Independent Oil & Resources Group	2012	2011
Remuneration Board of Directors	650	650
Payroll tax	92	92
Staff cost Heavy Minerals Ltd Group	<u>3 496</u>	<u>0</u>
Total	<u>4 238</u>	<u>742</u>

Management remuneration	Managing Director	Board
Remuneration	0	650
Other benefits	0	0

Managing Director of Independent Oil & Resources ASA is employed in Larsen Oil & Gas AS. Fees for administrative services from Larsen Oil & Gas AS is NOK 1 250 000 annually (including vat). There is no severance agreement with the Managing Director. The agreement with Larsen Oil & Gas has been terminated in connection with relocation to Cyprus,

Remuneration to the Chairman of the Board is NOK 250 000 and to the members of the Board NOK 200 000 adjusted for the actual period of service. See Note 12 for information about agreements between the company and members of the Board.

Guidelines for determination of salary and other remuneration to the management

The main principle for determining the salaries of key personnel in the Independent Oil & Resources ASA/PLC is that they should be offered competitive conditions in order to create continuity in management.

Specification of auditors fee, incl VAT - Independent Oil & Resources ASA

Statutory audit fee	314
Other services	<u>0</u>
Total fees expensed in 2012	<u>314</u>

Specification of auditors fee, incl VAT - Independent Oil & Resources Group

Statutory audit fee	421
Other services	<u>0</u>
Total fees expensed in 2012	<u>421</u>

Independent Oil & Resources ASA/PLC

Note 3 – Other operating expenses

Independent Oil & Resources ASA/PLC was up to relocation to Cyprus, located in the same offices as Larsen Oil & Gas AS. The company has no other lease agreements.

Specification of other operating expenses	Independent Oil & Resources ASA/PLC		Independent Oil & Resources ASA Group	
	2012	2011	2012	2011
Audit fees (ref. note 2)	479	325	596	325
Administrative services (ref. note 12)	2 054	1 927	2 054	1 927
Loss on receivables	-	7 403	130	7 403
Other expenses	1 259	1 513	4 308	1 513
Total other operating expenses	3 792	11 168	7 088	11 168

Note 4 – Income tax

Deferred tax is calculated based on temporary differences between book values and tax values at 31 December. This note specifies the temporary differences and the calculation of deferred tax, and reconciliation of profit (loss) before income tax and taxable income.

Taxable income	Independent Oil & Resources ASA/PLC		Independent Oil & Resources ASA Group	
	2012	2011	2012	2011
Profit (loss) before income tax	-13 103	-54 839	-58 042	-56 144
Share of profit/ (loss) of associates	-	-	35 344	42 236
Permanent differences	7 778	-2 540	7 778	-2 540
Dividend	-407	-505	-407	-505
Permanent differences investments	5 081	48 293	-30 271	7 362
3% tax on dividend / gain sale of shares	12	410	12	410
Change in temporary differences	-5 602	-14 223	-5 602	-14 223

Income tax expense	Independent Oil & Resources ASA/PLC		Independent Oil & Resources ASA Group	
	2012	2011	2012	2011
Income tax payable	-	-	-	-
Income tax payable previous years	-	-987	-	-987
Change deferred tax	-	6 307	-	6 307
Income tax expense	-	5 320	-	5 320

Independent Oil & Resources ASA/PLC

	Independent Oil & Resources ASA/PLC		Independent Oil & Resources ASA Group	
	2012	2011	2012	2011
<i>Income tax payable</i>				
Income tax payable this year	-	-	-	-
Income tax payable previous years	-	-	-	-
Income tax payable	-	-	-	-

	Independent Oil & Resources ASA/PLC		Independent Oil & Resources ASA Group	
	2012	2011	2012	2011
<i>Tempary differences</i>				
Gain / loss account	-	161	-	161
Fixed assets	-	230	-	230
Receivables	-	-7 403	-	-7 403
Tax loss carry forward	-30 115	-24 695	-30 115	-24 695
Net temporary differences	-30 115	-31 707	-30 115	-31 707
Deferred tax asset (-)	-8 432	-8 878	-8 432	-8 878
Recognized deferred tax asset (-)	-	-	-	-

Deferred tax asset is not recognized in the balance sheet as of 31.12.12, due to uncertainty related to the utilization both in Norway and the foreign subsidiaries. Accumulated tax loss carry forward in subsidiaries is approximately NOK 33 mill. The tax rate varies from 0% to 5%, and deferred tax asset related to this is not significant of the financial statements. The table above only contain temporary differences for Norway.

Note 5 – Current receivables (Independent Oil & Recovery ASA and Group):

None of the Group's receivables are due more than one year ahead. Provision for loss is as follows:

Provision for loss on receivables 31.12.2011	7 403
Realised losses on receivables in 2012	0
Provision for loss in 2012	0
Provision for loss on receivables 31.12.2012	<u>7 403</u>

Note 6 – Bank deposits

Independent Oil & Recovery ASA and Group have no restricted bank deposits.

Independent Oil & Resources ASA/PLC

Note 7 – Equity and earnings per share

Independent Oil & Resources ASA/PLC	Issued capital	Own shares	Share premium fund	Other paid in capital	Other equity	Total
Equity 31.12.11	23 963	-621	22 424	195 820	-	241 586
Net profit (loss)				-13 103	-	-13 103
Equity 31.12.12	23 963	-621	22 424	182 717	-	228 483

Independent Oil & Resources ASA Group	Issued capital	Own shares	Share premium fund	Other paid in capital	Other equity	Minority interests	Total
Equity 31.12.11	23 963	-621	22 424	188 513	-	5 389	239 668
Net profit (loss)				-41 996		-16 046	-58 042
New capital from minority interests						3 921	3 921
Translation differences				23 922		10 197	34 119
Equity 31.12.12	23 963	-621	22 424	170 440	-	3 461	219 666

At 31 December 2012 the Company has 24,828,040 shares, representing 2.59% of the total outstanding shares.

Earnings per share are calculated based on profit after tax. When calculated earnings per share, the average number of shares 704,672,993 for 2011 and 958,513,828 for 2012 is used. The change in the average number of shares is due to share issue in 2011.

Independent Oil & Resources ASA/PLC

Note 8 – Issued capital

The issued capital consists of 958,513,828 shares of NOK 0,025, totaling NOK 23 962 846. All shares have equal voting rights. The company's shareholders at 31.12.12 were:

Shareholder	Shares	%
Increased Oil Recovery AS	413 908 066	43,18
NET AS	163 510 902	17,06
Independent Oilfield Rental (IOR) Ltd	134 894 721	14,07
Bernh Larsen Holding AS	75 185 758	7,84
Independent Oil & Resources ASA (treasury shares)	24 828 040	2,59
Askeladden Invest AS	12 502 370	1,30
Skaret Invest AS	10 837 706	1,13
Bjørn Dahle	6 403 709	0,67
Nesttun Invest A/S	6 000 000	0,63
Silvercoin Industries AS	5 960 548	0,62
AS Arealutvikling	5 385 071	0,56
T Lien Holding AS	4 342 734	0,45
Havli AS	3 620 010	0,38
Lars Hagen	3 446 438	0,36
Forus Holding AS	3 230 423	0,34
Janem AS	3 150 000	0,33
MP Pensjon PK	3 147 525	0,33
Neumann Invest As	3 129 000	0,33
Karl Johan Vaksvik	2 878 226	0,30
Tore Andre Pedersen	2 760 277	0,29
Other shareholders	69 376 679	7,24
Total	958 513 828	100,00

The table above is based on VPS-noted shares.

Overview of the shares held by directors:

Shareholder	Shares	%
Jan Egil Moe (indirect ownership)	3 150 000	0,33
Total	3 150 000	0,33

Independent Oil & Resources ASA/PLC

Note 9 – Investment in shares

Company	Office-location	Number of shares	Ownership interest	Book value
<i>Shares in associates (Independent Oil & Resources ASA/PLC):</i>				
Petrolia SE:				
Shares 31.12.2011	Bergen	50 609 392	30,1%	23 786
Share consolidation 26.10.2012*		4 557 159		
Net purchase/sale 2012		8 824 480	19,0 %	11 774
Net realised gain 2012				5 218
Write down 2012				-19 637
Shares 31.12.2012		13 381 639	49,1 %	61 556

*One new share equals 11,10547 old shares.

The shares in Petrolia SE is written down to market value at 31 December 2012. Original cost of the shares is NOK 81.2 million

Epsis AS	Bergen	105 420	23,3%	5 357
Petroresources Ltd*	Cyprus	19 469	49,8%	24 158
Other associates				29 574
Total associates				91 071

Shares in subsidiaries (Independent Oil & Resources ASA)

Heavy Minerals Ltd*	Isle of Man	772 801	64,3%	11 690
Total subsidiaries				11 690

*Direct ownership interests (30,0%) and indirect ownership interests through Petroresources Ltd (34,3%).

Other long term investments (Independent Oil & Resources ASA and Group):

Opra Technologies ASA	Stavanger	9 654 000	6,8%	12 647
Total				12 647

Total long-term investments (Independent Oil & Resources ASA/PLC) 115 408

Independent Oil & Resources ASA/PLC

Shares in associates (Independent Oil & Resources ASA Group):

Petrolia SE:	
Book value 31.12.2011	23 786
Net purchase/sale	60 511
Share of profit (loss)	-33 498
Translation differences	6 789
Reversal previous impairments	3 968
Book value 31.12.2012	61 556

The investment in Petrolia SE is booked at market value on the stock exchange as of 31 December 2012.

Petroresources Ltd:	
Book value 31.12.2011	20 020
Net purchase/sale	4 691
Share of profit (loss)	- 486
Translation differences	- 830
Book value 31.12.2012	23 395

Epsis AS:	
Book value 31.12.2011	3 608
Share of profit (loss)	- 1 359
Translation differences	128
Book value 31.12.2012	2 378

Total investments associates (Independent Oil & Resources Group)	87 329
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Investments at market value - Independent Oil & Resources ASA and Group

	Cost	Value increase/ decrease	Market value
Investment in shares	42 162	-7 747	34 515
Investment in bonds	54 405	965	55 370
Total	96 567	6 782	89 785

All investments are traded on the stock exchange. Change in fair value adjustment is NOK 6,8 million in 2012. Market value is based on market price on the stock exchange at 31 December 2012.

Independent Oil & Resources ASA/PLC

Note 10 Fixed assets

Independent Oil & Resources Group	Fixed assets
Cost at 31.12.2011	84 635
Additions	8 030
Disposals/transfers	-76 559
Translation differences	- 8 331
Cost at 31.12.2012	7 775
Accumulated depreciation 31.12 2011	196
Depreciation 2012	2 232
Translation differences	- 1 763
Accumulated depreciation 31.12.2012	2 538
Depreciation 2012	2 232
Book value 31.12.2012	5 237

Note 11 – Financial market risk

The Group is exposed to fluctuations in the level of activity in the oil industry, indirectly through investments in other companies.

Interest rate risk

The Company has no significant interest rate risk. Interest rate on loans is adjusted for significant movements in market interest rates.

Liquidity risk

The Company has available liquidity through bank deposits and short-term investments of NOK 117 million.

Note 12 – Transactions with related parties

The company has a contract for the delivery of administrative services from Larsen Oil & Gas AS, with an annually charge of NOK 1.25 million including VAT. Following the relocation to Cyprus this agreement is no longer in effect.

The company has an agreement with janem as, a company owned by Chairman Jan Egil Moe, regarding monitoring of investments. Charged services in 2012 amounted to NOK 804 000 including VAT.

The company owns bonds issued by Petrolia SE at a nominal value of NOK 56,5 mill. These bonds are booked at fair value and classified as investments at market value.

Independent Oil & Resources ASA/PLC

During 2012 the company has sold bonds and shares in Petrolia SE to Larsen Oil & Gas AS as follows:

- Sold bonds 12 November 2012, nominal value NOK 8 mill / sales price = NOK 7,8 mill
- Sold shares 7 June 2012, 37 mill shares / sales price = NOK 22,2 mill

Note 13 – Subsequent events

No major subsequent events.

To the Annual Shareholders' Meeting of
Independent Oil & Resources ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Independent Oil & Resources ASA, comprising the financial statements for the Parent Company and the Group. The financial statements for the Parent Company and the Group comprise the balance sheet as at 31 December 2012, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Managing Director's responsibility for the financial statements

The Board of Directors and Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion

In our opinion, the financial statements of Independent Oil & Resources ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2012 and their financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Report on other legal and regulatory requirements*Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Managing Director have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 28. may 2013
ERNST & YOUNG AS

Asbjørn Rødal
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)