Company no 4196004

Brady Exploration Plc

Report and Financial Statements

Year ended

31 December 2012

Contents

Directors	Michael Alexander Borrelli (Chairman)
	Nicholas Lee (Non-Executive Director)
Secretary	Michael Alexander Borrelli
Company number	4196004
Auditor	BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA

Our Business

Highlights

- Implementation of investing policy in September 2012 to invest in natural resources companies
- Low overhead base maintained with a tight control over costs
- Identification of a potential acquisition opportunity in the oil & gas sector

Chairman's statement

I am pleased to report on the Company's audited results for the year ended 31 December 2012.

The results for the year show a loss before taxation of £237,035, principally comprising administrative expenses, and a loss per share of 0.4p. Net assets at 31 December 2012 amounted to £227,160 while cash and cash equivalents, at that date, were £64,984.

During the period under review the Company, which had adopted an investing policy to invest in companies operating in the natural resources sector, made a number of such investments in quoted companies operating across a range of countries. Consequently, on 25 September 2012, the Company announced that it had substantially implemented its investing policy within the period required under Rule 15 of the AIM Rules for Companies. Certain of these investments were subsequently sold prior to the year end and contributed £5,909 to the operating loss for the year.

The Board has continued to seek to identify a suitable acquisition or investment where we believe value can be generated for shareholders. We remain, however, conscious that the Company has limited cash resources and we continue to maintain a tight control over costs.

On 30 April 2013, the Company announced that it is at an advanced stage of acquiring the entire issued share capital of Energy Equity Resources (Norway) Limited ("EERNL"). EERNL is a UK incorporated company with oil and gas interests in Nigeria. The consideration for the proposed acquisition (the "Proposed Acquisition") is to be satisfied through the issue of new ordinary shares in Brady to the shareholders of EERNL.

The Proposed Acquisition would constitute a reverse takeover under Rule 14 of the AIM Rules for Companies and will therefore be conditional, *inter alia*, upon the publication of an admission document by the Company and the approval of Brady's shareholders at a general meeting. The Proposed Acquisition will also be conditional on the raising of additional equity finance. Simultaneous with the announcement of the Proposed Acquisition the Company's shares were suspended from trading on AIM and the shares remain suspended pending publication of an admission document by the Company or an announcement that the Proposed Acquisition is no longer proceeding.

EERNL was founded in 2004 and is focused on identifying, acquiring and developing interests in oil and gas assets in Nigeria, including the prolific Niger Delta, and developing and bringing acquired oil and gas assets into production. Nigeria holds the 10th largest proven oil reserves in the world with over 80 billion barrels.

EERNL has worked with a number of the international oil companies and major independent companies including Chevron, Essar and Afren. EERNL currently has interests in four assets with net contingent resources of around 40 million barrels of oil equivalent. Since 2008, EERNL has drilled, or participated in the drilling of, a total of four wells, the engineering and construction of an offshore facility and the development of two fields. Over recent years, EERNL has raised over US$30 million of equity investment from a number of major institutional and private investors in both Nigeria and the UK.

Whilst the Proposed Acquisition is at an advanced stage, there can be no certainty that it will be concluded successfully.

Since the year end the Company has also disposed of the remainder of the investments held which were acquired in 2012.

I look forward to updating shareholders on our progress with this potential acquisition opportunity which we believe is capable of generating significant value for the Company and its shareholders.

Alex Borrelli
Chairman

7 June 2013

Board of Directors

Alex Borrelli (Non-Executive Chairman)

Alex Borrelli initially studied medicine and then qualified as a chartered accountant with Deloitte, Haskins & Sells, London in 1982. He has subsequently been active within the investment banking sector and has acted on a wide variety of corporate transactions in a senior role for over 20 years, including flotations, takeovers, mergers and acquisitions for private and quoted companies (on the Official List, AIM and PLUS now ISDX). He is currently a director of various listed and private companies.

Nicholas Lee (Non-Executive Director)

Nicholas Lee read Engineering at St. John's College, Cambridge and began his career at Coopers & Lybrand where he qualified as a chartered accountant. He then joined Dresdner Kleinwort where he worked in their corporate finance department advising a range of companies across a number of different sectors and most recently was a Managing Director and Head of Investment Banking for Dresdner Kleinwort's hedge fund/alternative asset manager clients. Nicholas is currently Chairman of AIM quoted Paternoster Resources plc and a Non-Executive Director of a number of other AIM listed companies.

Report of the Directors for the year ended 31 December 2012

The Directors present their report together with the audited financial statements for the year ended 31 December 2012.

In the previous year the Company changed its year end from 30 September to 31 December resulting in an extended accounting period.

Results and dividends

The results of the Company for the year ended 31 December 2012 are set out on page 9 and show a loss before taxation for the year ended 31 December 2012 of £237,035 (15 months ended 31 December 2011 – profit £1,208,749).

No interim dividend was paid (2011 – £nil) and the Directors do not propose a final dividend (2011 – £nil) for the year ended 31 December 2012.

Principal activities

The Directors have continued with the policy to invest in companies that are active in the natural resources sector.

Principal developments, business review and future developments

Brady Exploration plc is an investing company (under rule 15 of the AIM Rules for Companies) and the Directors intend to utilise the Company's cash resources in line with the investing policy which covers a company, joint venture, partnership or direct interest involved in the exploration and/or development of natural resources extraction.

Principal risks and uncertainties

The main business risk is considered to be investment risk. The Directors intend to mitigate this risk by carrying out a comprehensive and thorough project review of any potential investment in which all material aspects will be subject to rigorous due diligence. The Directors believe that the Company's current cash resources, together with the loan from Paternoster Resources plc for £60,000, will enable it to pursue its investment strategy.

Policy on the payment of creditors

The Company's policy is to pay its creditors promptly and within their credit terms.

It is the Company's policy to agree the terms of payment at the time the contract supply is made, to ensure that suppliers are aware of the terms of payment and to make payments in accordance therewith, subject to terms and conditions being met by suppliers. At the end of the year, the Company had creditor days of 46 days (2011- 46 days).

Key Performance Indicators

No key performance indicators have been calculated as the Company is not yet trading.

Directors

The Directors of the Company who held office during the year were as follows:

Michael Alexander Borrelli
Nicholas Lee

Further details of the Directors' interests in transactions of the Company are given in note 15, and details of the Directors' remuneration and share options are given in note 4.

Financial instruments

Details of the Company's financial instruments are given in note 11.

Significant Shareholders

As at 23 April 2013 the following were, as far as the Directors are aware, interested in 3% or more of the issued share capital of the Company:

Name	Number of Ordinary Shares	% of Issued Share Capital
Paternoster Resources plc *	*16,977,675	27.43%
Paul Jackson	7,293,950	11.78%
Ken Dulieu	6,095,225	9.85%
Peel Hunt LLP	5,980,792	9.66%
Charles Hall	3,200,000	5.17%
Ian Jefferson	2,635,986	4.26%

* Note: Nicholas Lee, a Director of the Company, is also Chairman of Paternoster Resources plc.

Auditors

All of the current Directors have taken steps to make themselves aware of any information needed by the Company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

A resolution to reappoint BDO LLP as auditors will be proposed at the next annual general meeting.

Corporate Governance

We seek to act in accordance with the principles of the UK Corporate Governance Code issued by the Financial Reporting Council and comply with its terms.

Our Board of Directors has complete responsibility for the management of the Company. Its primary focus is on strategic, policy and risk issues in pursuit of the Company's aims.

By order of the Board

M A Borrelli
Secretary

7 June 2013

Statement of Directors' responsibilities

Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Company accounts have been prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website (www.bradyexploration.com) in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibilities also extend to the ongoing integrity of the financial statements contained therein.

By order of the Board

Secretary

Independent auditor's report to the members of Brady Exploration plc

To the shareholders of Brady Exploration plc

We have audited the financial statements of Brady Exploration plc for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Directors are confident that they will be able to achieve any necessary funding that will be required by the Company in the foreseeable future; however there is no commitment agreed at the date of signing of the financial statements to this effect. These conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Brady Exploration plc (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

John Everingham (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor
Gatwick
United Kingdom

7 June 2013

BDO LLP is a limited liability partnership registered in England and Wales
(with registered number OC305127).

Profit and loss account
for the year ended 31 December 2012

	Note	Year ended 31 December 2012 £	15 months ended 31 December 2011 £
Loss on sale of shares		**(5,909)**	–
Loss on revaluation of shares		**(13,300)**	–
Gross loss		**(19,209)**	–
Administrative expenses		**(218,814)**	(50,735)
Operating loss	2	**(238,023)**	(50,735)
Non operating exceptional items			
Profit on disposal of subsidiary companies		**–**	1,381,412
(Loss)/profit before interest		**(238,023)**	1,330,677
Other interest receivable and similar income		**1,611**	–
Interest payable and similar charges	5	**(623)**	(121,928)
(Loss)/profit on ordinary activities before taxation		**(237,035)**	1,208,749
Taxation on (loss)/profit from ordinary activities	6	**–**	–
(Loss)/profit on ordinary activities after taxation		**(237,035)**	1,208,749

All amounts relate to continuing activities.

All recognised gains and losses and other movements in shareholders' funds are included in the profit and loss account.

	Note		
Earnings per share	7		
Basic		(0.4)p	6.4p
Diluted		(0.4)p	5.8p

The notes on pages 12 to 21 form part of these financial statements.

Balance sheet
at 31 December 2012

Company no 4196004

	Note	2012 £	2012 £	2011 £	2011 £
Current assets					
Debtors	8	190,345		13,592	
Investments	9	46,616		–	
Cash at bank and in hand		64,984		463,816	
		301,945		477,408	
Creditors:					
Amounts falling due within one year	10	(74,785)		(70,366)	
Net current assets			227,160		407,042
Total assets less current liabilities			227,160		407,042
Net assets			227,160		407,042
Capital and reserves					
Called up share capital	12		619,058		577,472
Share premium account	13		2,893,565		2,887,296
Share based payment reserve	13		9,298		8,260
Profit and loss account	13		(3,294,761)		(3,065,986)
Shareholders' funds	14		227,160		407,042

The financial statements were approved by the Board and authorised for issue on 7 June 2013.

Alex Borrelli
Director

7 June 2013

The notes on pages 12 to 21 form part of these financial statements.

Cash flow statement
for the year ended 31 December 2012

	Note	2012 £	2012 £	2011 £	2011 £
Net cash outflow from operating activities	17		(356,850)		(11,155)
Returns on investments and servicing of finance					
Interest received		1,611		–	
Interest paid		(623)		–	
Net cash inflow from returns on investment and servicing of finance			988		–
Capital expenditure and financial investments					
Purchase of share investments		(300,233)		–	
Sale of subsidiary company		–		1	
Receipts from sale of share investments		234,408		–	
Net cash (outflow)/ inflow from capital expenditure and financial investments			(65,825)		1
Cash outflow before financing			(421,687)		(11,154)
Financing					
Repayment of loan stock		(25,000)		–	
Issue of shares		47,855		500,000	
Share issue costs		–		(25,030)	
Cash inflow from financing			22,855		474,970
(Decrease)/increase in cash in the year	19		(398,832)		463,816

Notes forming part of the financial statements
for the year ended 31 December 2012

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with United Kingdom Generally Accepted Accounting Practice.

The principal accounting policies are:

Basis of consolidation

At year end Brady Exploration plc had one wholly owned subsidiary, Brady Exploration (Operations) Limited. Since incorporation, Brady Exploration (Operations) Limited has not commenced operations and has no material assets or liabilities. As such, no consolidated financial statements have been prepared on the basis that in accordance with section 405 of the Companies Act 2006 its inclusion is not material for the purpose of giving a true and fair view.

Going concern

The financial statements have been prepared on the going concern basis as, in the opinion of the Directors, at the time of approving the financial statements, there is a reasonable expectation that the Company will continue in operational existence for the foreseeable future. The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate. While the loan from Paternoster Resources plc is due to be repaid by the end of April 2014, the Directors are confident that the Company will be able to achieve any necessary additional funding from its major shareholder although there is no commitment to this effect. This indicates a material uncertainty that may cast doubt on the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment in value. Investments held as current asset investments are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred tax is provided in full on timing differences that have originated but not reversed by the balance sheet date. The recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Financial Instruments

Financial instruments are measured initially and subsequently at cost. Finance costs are charged to the profit and loss account over the term of the debt so that the amount charged is at the constant rate on the carrying amount of the debt. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument. Loan stock interest accruals are rolled up and included in the loan stock balance.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of the grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit and loss account over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with the fair value of goods and services received.

Where warrants are issued for services of Directors and employees the accounting treatment is consistent with the above.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as current assets investments and short term deposits.

2 Operating loss

	Year ended 31 December 2012 £	15 months ended 31 December 2011 £
This is arrived at after charging:		
Audit remuneration: fees payable for the audit of the Company's annual accounts	**12,000**	8,000
Audit remuneration: fees payable for corporate finance services	**12,000**	–
Share based remuneration payment (note 20)	**9,298**	8,260

3 Employees

	Year ended 31 December 2012 £	15 months ended 31 December 2011 £
Staff costs, including Directors' remuneration, consist of:		
Wages and salaries	**53,739**	6,071
Social security costs	**1,608**	350
Pension costs	**1,500**	250
Share based remuneration (note 20)	**9,298**	8,260
	66,145	14,931

The average number of employees during the period was as follows:

	Number	**Number**
Administration and management	**3**	4
	3	4

4 Directors

Remuneration paid to Directors by Brady Exploration plc:

	Salary/Fee £	Pension £	Benefits £	**Year ended 31 December 2012 £ Total**	15 months ended 31 December 2011 £ Total
Chairman					
M A Borrelli	24,000	–	–	**24,000**	2,142
Non-Executive Director					
N Lee	22,000	–	–	**22,000**	2,142
	46,000	–	–	**46,000**	4,284

In addition to the above Alex Borrelli and Nick Lee were issued share options on 9 May 2012 to subscribe for 2,900,000 ordinary shares each at an exercise price of 1.55p per ordinary share (see note 12 for further details).

5 Interest payable and similar charges

	Year ended 31 December 2012 £	15 months ended 31 December 2011 £
Interest payable on loan stock	**623**	104,171
Interest payable on other loans	**–**	17,757
	623	121,928

6 Taxation on (loss)/profit from ordinary activities

The tax assessed for the year differs from the standard rate of corporation tax in the UK. Differences are explained below:

	Year ended 31 December 2012 £	15 months ended 31 December 2011 £
(Loss)/profit on ordinary activities before tax	**(237,035)**	1,208,749
(Loss) /profit on ordinary activities at the standard rate of corporation tax in the UK of 20% (2011 – 20%)	**(47,407)**	241,750
Effects of:		
Amounts not taxable (write off of loans)	**–**	(276,282)
Expense not allowable for tax purposes	**4,520**	1,652
Other short term timing differences	**–**	23,224
Unrelieved tax losses	**42,887**	9,656
Current tax credit for period	**–**	–

There were no significant factors that may affect future charges other than the availability of tax losses and the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. The tax losses carried forward are £948,606 (2011 – £734,171).

7 Earnings per share

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue is 58,839,864 (2011 – 18,865,307) and the earnings, being loss after tax, are £237,035 (2011 – £1,208,749, profit).

	Year ended 31 December 2012 £	15 months ended 31 December 2011 £
Reconciliation of (loss)/profit		
(Loss)/profit used for calculation of basic and diluted EPS	**(237,035)**	1,208,749
Reconciliation of denominator		
Shares used for calculation of basic EPS	**58,839,864**	18,865,307
Dilutive effect of shares, warrants and options	**5,464,491**	2,115,685
Shares used in calculation of diluted EPS	**64,304,355**	20,980,992
(Loss)/earnings per share		
Basic	**(0.4)p**	6.4p
Diluted	**(0.4)p**	5.8p

8 Debtors

	2012 £	2011 £
Other debtors	**–**	9,000
Prepayments and accrued income	**190,345**	4,592
	190,345	13,592

9 Current investments

	2012 £	2011 £
Listed investments: Cost	**59,916**	–
Listed investments: Market value	**46,616**	–

Investments have been disclosed in the balance sheet at the lower of cost and net realisable value and the resulting loss in value of £13,300 has been written off in the profit and loss.

10 Creditors

Amounts falling due within one year

	2012 £	2011 £
Taxation and social security creditor	**2,771**	1,670
Other creditors	**38,031**	32,934
Accruals and deferred income	**33,983**	10,762
Redeemable loan stock	**–**	25,000
	74,785	70,366

11 Financial Instruments

The Directors recognise that the Company faces certain interest rate and liquidity risks, which are discussed below.

(a) *Interest rate risk*

The Company's principal financial assets comprise other debtors and cash at bank, neither of which attract interest.

The interest rate profile, maturity and categories of the Company's financial liabilities are as follows:

	Fixed rate financial liabilities		**Financial liabilities for which no interest is payable**	
	2012	**2011**	**2012**	**2011**
	£	**£**	**£**	**£**
Financial liabilities due in less than 1 year				
Redeemable loan stock	**–**	25,000	**–**	–
Other creditors	**–**	–	**38,031**	32,934
Total current financial liabilities	**–**	25,000	**38,031**	32,934
Total financial liabilities	**–**	25,000	**38,031**	32,934

The fair values of the financial assets and financial liabilities are not materially different to their carrying amounts.

The principal terms of the Company's loans are as follows:

The interest rate applying to the 10% Redeemable Guaranteed Loan stock is 10% of the capital balance outstanding from time to time. £25,000 outstanding at the beginning of the year was repaid on 1 April 2012.

(b) *Currency Exposure*

The Company is non-trading and therefore has no currency risk at this time.

(c) *Liquidity Risk*

The Company has sufficient cash resources to fund administrative costs and the cost of investment appraisal in the medium term. Post year end Brady also received a £60,000 loan from Paternoster Resources plc, a major shareholder of the Company. The Company monitors cash flow as part of its normal control procedures. Brady's investments are made up of shares traded on the London stock exchange (see note 9 for further details), so are highly liquid and subject to variations in market value. There is therefore a potential risk of a further write down in value of these investments.

12 Share capital

Ordinary shares of 1p each	**Number**	**£**
In issue at 1 January 2012	57,747,192	577,472
Shares issued during the year	4,158,611	41,586
In issue at 31 December 2012	61,905,803	619,058

During the year 4,158,611 shares were issued at a price of 1.15p on the exercise of shareholder warrants.

Share option scheme

At 9 May 2012, the Company granted, under the company's share option scheme, options over 5,800,000 ordinary shares to the directors of the Company. Each option carries the right to subscribe for one Ordinary Share in the capital of the Company at a price of 1.55 pence per Ordinary Share. These options vest over a period of three years from the date of the Grant, with a third of the options becoming exercisable on the first, second and third anniversaries of the Grant respectively. These options are exercisable for a period of ten years from the date of the Grant.

	2012 Weighted average exercise price (pence)	**2012 Number**	**2011 Weighted average exercise price (pence)**	**2011 Number**
Outstanding at the beginning of the year	**–**	**–**	6.25	125,000
Exercised during the year	**–**	**–**	–	–
Lapsed during the year	**–**	**–**	6.25	(125,000)
Granted during the year:				
Alex Borrelli	**1.55**	**2,900,000**	–	–
Nicholas Lee	**1.55**	**2,900,000**	–	–
Outstanding at the end of the year	**1.55**	**5,800,000**	–	–

On 26 October 2011 a warrant instrument was executed by the Company and it issued warrants to subscribe for up to 18,341,757 new ordinary shares at an exercise price of 1.15p per ordinary share. Each warrant was exercisable for a period of 12 months from issue date. 4,158,611 warrants were exercised in the period ended 31 December 2012. Rights under the remaining warrants lapsed on 26 October 2012.

13 Reserves

Company	Share premium account £	Share based payment reserve £	Profit and loss account £
At 1 January 2012	2,887,296	8,260	(3,065,986)
Shares issued during the year	6,269	–	–
Share option reserve	–	9,298	–
Share option reserves transfer	–	(8,260)	8,260
Loss for the year	–	–	(237,035)
At 31 December 2012	2,893,565	9,298	(3,294,761)

14 Reconciliation of movements in shareholders' funds

	2012 £	2011 £
(Loss)/profit for the year	**(237,035)**	1,208,749
Shares issued during the year	**47,855**	525,000
Share issue expenses	**–**	(25,030)
Employee share options issued during the period	**9,298**	8,260
Net (reduction)/increase in shareholders' funds	**(170,122)**	1,716,979
Opening shareholders' funds/(deficit)	**407,042**	(1,309,937)
Closing shareholders' funds	**227,160**	407,042

15 Related party transactions

During the period under review, consultancy fees amounting to £12,000 including VAT were payable to Borrelli Capital Limited, a company connected with Alex Borrelli, director and £10,000 were payable to ACL Capital Limited, a company connected with Nicholas Lee, director. These amounts have been included in the Directors' remuneration note 4.

On 11 September 2012 Paternoster Resources plc provided a short-term loan of £90,000 to Brady. The loan was unsecured, bore no interest and was repaid on 1 October 2012. Paternoster is the largest shareholder of the Company (holding 27.4% of the shares) and Nicholas Lee, Director of Brady, is also Executive Chairman of Paternoster Resources plc.

16 Subsidiary undertakings

The following were subsidiary undertakings at the end of the year. As discussed in note 1, these have not been included in consolidated financial statements.

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Brady Exploration (Operations) Limited	England and Wales	100%	Non-trading

Since incorporation, Brady Exploration (Operations) Limited has not commenced operations and has no material assets or liabilities therefore no consolidated financial statements have been prepared as at 31 December 2012.

17 Reconciliation of operating loss to net cash outflow from operating activities

	2012 £	2011 £
Operating loss	**(238,023)**	(50,735)
Increase in debtors	**(176,753)**	(13,592)
Increase/(decrease) in creditors	**29,419**	(234,101)
Write back of intercompany creditors	**–**	279,013
Share based payment charge for the year	**9,298**	8,260
Loss on disposal of shares	**5,909**	–
Loss on revaluation of shares	**13,300**	–
Net cash outflow from operating activities	**(356,850)**	(11,155)

18 Reconciliation of net cash (outflow)/inflow to movement in funds

	2012 £	2011 £
(Decrease)/increase in cash in the year	**(398,832)**	463,816
Non–cash movements	**–**	1,055,470
Cash outflow from changes in debt	**25,000**	–
Movement in net debt in the year	**(373,832)**	1,519,286
Net funds/(debt) at start of year	**438,816**	(1,080,470)
Net funds at end of year (note 19)	**64,984**	438,816

19 Analysis of net funds/(debt)

	1 January 2012 £	Cash flow £	Other non-cash movements £	At 31 December 2012 £
Cash at bank and in hand	463,816	(398,832)	–	**64,984**
Cash	463,816	(398,832)	–	**64,984**
Debt due after one year	–	–	–	**–**
Debt due within one year	(25,000)	25,000	–	**–**
Other loans	–	–	–	**–**
Financing	(25,000)	25,000	–	**–**
Total	438,816	(373,832)	–	**64,984**

20 Share based payments

Employee equity based payments

On 26 October 2011 Alex Borrelli, Director and Chairman, was issued warrants to subscribe for 4,347,826 new ordinary shares at an exercise price of 1.15p per ordinary share exercisable for a period of 12 months from issue date. These warrants lapsed on 26 October 2012 without being exercised.

On 9 May 2012, the Company granted, under the company's share option scheme, options over 5,800,000 ordinary shares to the directors of the Company (see note 12 for further details).

Using the Black and Scholes option pricing model, and assuming an average market price of Brady shares of 1.7p, a risk free interest rate of 0.5% and a share volatility of 40%, the fair value of these options on issue is 0.93p per share option. (2011: warrants were valued at 0.19p using an average market price of 1.15p, risk free interest of 0.5% and volatility of 40%). The options are due to vest over a three year period from when they were granted so the pro-rata fair value of the transaction charged to profit and loss as share based remuneration is £9,298. Expected volatility was estimated using historic volatility rates.

	2012 Weighted average exercise price (pence)	**2012 Number**	2011 Weighted average exercise price (pence)	2011 Number
Outstanding at the beginning of the year	**1.15**	**4,347,826**	–	–
Lapsed during the year	**1.15**	**(4,347,826)**	–	–
Granted during the year	**1.55**	**5,800,000**	1.15	4,347,826
Outstanding at the end of the year	**1.55**	**5,800,000**	1.15	4,347,826

21 Post balance sheet event

Following the end of the year, the Company has reached an advanced stage of acquiring the entire issued share capital of Energy Equity Resources (Norway) Limited ("EERNL"). EERNL is a UK incorporated company with oil and gas interests in Nigeria. The consideration for the proposed acquisition (the "Proposed Acquisition") is to be satisfied through the issue of new ordinary shares in Brady to the shareholders of EERNL. As there is no certainty that this deal will be finalised, there is no financial impact to the Company at this time.

Further details of the Proposed Acquisition are given in the report of the Directors.

Professional advisors

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