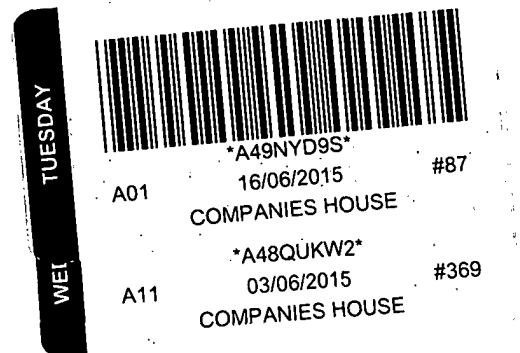


**TRAP OIL GROUP PLC**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**  
**REGISTERED NUMBER: 07503957 (England and Wales)**



**TRAP OIL GROUP PLC**  
**CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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|                                                       | <b>Page</b>  |
|-------------------------------------------------------|--------------|
| <b>Highlights and Outlook</b>                         | <b>1</b>     |
| <b>Chairman's Report</b>                              | <b>2-3</b>   |
| <b>Strategic Report</b>                               | <b>4-5</b>   |
| <b>Finance Director's Report</b>                      | <b>6-7</b>   |
| <b>Board of Directors</b>                             | <b>8</b>     |
| <b>Corporate Governance</b>                           | <b>9-11</b>  |
| <b>Report of the Directors</b>                        | <b>12-13</b> |
| <b>Remuneration Report</b>                            | <b>14-15</b> |
| <b>Directors' Responsibilities</b>                    | <b>16</b>    |
| <b>Independent Auditors' Report</b>                   | <b>17-18</b> |
| <b>Consolidated Statement of Comprehensive Loss</b>   | <b>19</b>    |
| <b>Consolidated Statement of Financial Position</b>   | <b>20</b>    |
| <b>Consolidated Statement of Changes in Equity</b>    | <b>21</b>    |
| <b>Consolidated Statement of Cash Flows</b>           | <b>22</b>    |
| <b>Notes to the Consolidated Financial Statements</b> | <b>23-37</b> |
| <b>Independent Auditors' Report</b>                   | <b>38-39</b> |
| <b>Company Statement of Financial Position</b>        | <b>40</b>    |
| <b>Company Statement of Changes in Equity</b>         | <b>41</b>    |
| <b>Company Statement of Cash Flows</b>                | <b>42</b>    |
| <b>Notes to the Company Financial Statements</b>      | <b>43-46</b> |

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**TRAP OIL GROUP PLC**  
**HIGHLIGHTS AND OUTLOOK**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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**Highlights**

- £3.0m paid to fund the drilling of a well on Licence P.1889, Blocks 12/26b and 27 ("Niobe"), planned for June 2015
- Continued assessment of the possibility that Licence P.1610, Block 13/23a ("Magnolia") may contain an extension of the adjacent Liberator discovery well
- Awarded Licence P.2170, Block 20/5b ("Cortina") in the Department of Energy & Climate Change's ("DECC's") 28<sup>th</sup> Seaward Licensing Round
- Relinquishment of various licence interests considered to be uneconomic, resulting in impairment charges of approximately £12.5m
- Significant losses incurred on Licence P.1293, Block 14/18b ("Athena"), resulting in an impairment charge of £15.1m
- Contract with the Athena FPSO provider renegotiated, resulting in a cost reduction but requirement for a payment of US\$3.0m by the Company in July 2015
- Reduction of the Company's overhead base down to £1.3m per annum from £5.1m 2 years ago (2014: £3.5m)
- Loss (before and after tax) for the year of £44.4m (2013: £10.3m)

**Outlook**

- Although we look forward to the drilling of Niobe and despite the overhead reductions achieved, in the absence of additional funding the Group has insufficient resources to continue operating beyond the short term
- The Board, in conjunction with its advisers, is urgently assessing a number of potential funding alternatives and/or asset sales
- In the absence of a viable funding solution, the board considers that it is highly likely that the Company will become insolvent, and appropriate insolvency proceedings, such as administration or liquidation, will consequently need to be commenced

**TRAP OIL GROUP PLC**  
**CHAIRMAN'S STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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## **Introduction**

The year ended 31 December 2014 was one of great change for the Company. In the latter part of the year, further to reviewing a number of strategic options with our major shareholders, we announced that operating costs would be reduced to a minimum in order to maintain the Group's existing assets whilst seeking to maximise returns from such assets for our stakeholders. As part of the implementation of this strategy, on 12 August 2014, Simon Bragg stood down as Chairman and I agreed to assume the role of Non-Executive Chairman to oversee the Group's transitioning. In addition, Mark Groves Gidney (Chief Executive Officer) and Paul Collins (Chief Operating Officer) both resigned from the Board with effect from 31 October 2014.

In the subsequent months, we significantly cut the Group's overheads from approximately £3.5m in 2014 to a currently anticipated level of approximately £1.3m for 2015. We also relinquished a number of our exploration licence interests as they reached the end of their scheduled terms, which has accordingly resulted in a significant impairment charge being recognised in our final results for 2014.

We are actively seeking to advance the remainder of the Group's attractive exploration portfolio, which includes a well expected to be drilled on the Niobe prospect during the second quarter of 2015. As set out below, however, such activities have been overshadowed by the significant cash outflows currently being incurred in respect of our interest in the producing Athena oil field, principally a reflection of the depressed oil price.

## **Financial Results**

Our results for the year show revenue of £13.4m (2013: £30.3m) and a loss before tax of £44.4m (2013: £10.3m), principally reflecting the adverse weather conditions experienced on Athena in the first half of the year, downtime to complete the requisite workover in the fourth quarter, a depressed Brent oil price and the abovementioned significant impairment of certain of our licence interests. As at 31 December 2014, total cash reserves (excluding restricted cash) were approximately £7.1m (2013: £16.1m). As at 31 March 2015, the Company's net unrestricted cash reserves amounted to approximately £3.2m. Further details of the changes in our financial position in 2014, and subsequent developments in 2015 to the date of this report, are set out below and in the Finance Director's Report.

## **Licence Interests**

In the fourth quarter of 2014, the Company, alongside the other relevant licence holders, fully funded the expected drilling costs (£10.7m gross; £3.0m net to Trapoil) in relation to a planned well on Licence P.1889, Blocks 12/26b & 27 (the "Niobe prospect"), in respect of which we are currently anticipating a spud date in or around June 2015. We hold a 28 per cent. equity interest (25.5 per cent. paying interest and a 2.5 per cent. carried interest) in this licence.

We continue to assess the possibility that Licence P.1610, Block 13/23a ("Magnolia"), in which we hold a 10 per cent. carried interest, may contain an extension of the Liberator discovery (well 13/23d-8) drilled by Dana Petroleum (E&P) Limited in its adjacent block (Licence P.1987, Block 13/23d). Our P.1610 licence group is currently awaiting delivery of recently acquired speculative seismic data in order to undertake an evaluation of the potential Liberator discovery extension into Block 13/23a before formulating plans for potential appraisal drilling. In the event a decision is made to drill an appraisal well we currently anticipate that such drilling would take place in 2016.

In May 2014, the Company agreed revised terms with Suncor Energy UK Limited ("Suncor") in respect of the Romeo discovery (Licence P.1666, Block 30/11c) ("Romeo"), whereby the Company assumed a majority ownership position in the licence in return for the extinguishment of Suncor's 5.5 per cent. share of Trapoil's existing carried interest in the Niobe prospect. Trapoil therefore acquired Suncor's entire 50.625 per cent. equity interest in Romeo resulting in a total interest of 73.125 per cent. (including a 2.143 per cent. carried interest). We continue to actively explore means to potentially secure value for our sizeable interest in this licence.

In December 2014, further to our participation in the Department of Energy and Climate Changes' ("DECC's") 28th Seaward Licensing Round, we were awarded Licence P.2170, Blocks 20/5b and 21/1d ("Cortina") alongside our consortium partner, CIECO Exploration and Production Limited, with each party holding a 50 per cent. paying interest (Trapoil 60 per cent. working interest of which 10 per cent. is carried). As required under the terms of the licence award, we are currently evaluating recently obtained, reprocessed seismic data over these blocks.

Licence P.1989, Blocks 14/11, 12 & 16 ("Homer") was awarded in October 2012 in DECC's 27th Seaward Licensing Round and Trapoil holds a 50 per cent. working interest of which 5 per cent. is carried. We have recently taken delivery of new 3D seismic data which fulfils our work obligations. The licence has a four year "drill or drop" commitment.

## **Licence Relinquishments**

A number of licence interests in our portfolio reached the end of their term during the reporting period and despite rigorous attempts to farm such licences out, we were obliged to relinquish them in accordance with DECC's licencing terms. The relinquishments included Licence P.1267, Blocks 12/25a & 13/21b ("Surprise & Nutmeg"), Licence P.2026, Block 16/18c ("Savannah"), Licence P.2032, Blocks 21/8c, 9c, 10c, 14a & 15b ("Valleys"), Licence P.1938, Blocks 3/2c, 4c, 7d, 9c, 13b, 14h, 14j, 16/12b, 17c, 211/22b, 27d, 28b & 29e ("Unconventional"). Shortly following the year-end, both Licence P.1768, Blocks 14/14b, 18c & 19c ("Bordeaux/Brule") and Licence P.1556, Block 29/1c ("Orchid") were also relinquished, as again no farm-outs had been secured, and in order to save on licence fees going forward. The total impairment expense associated with such relinquishments amounted to £12.5m (2013: £3.2m).

**TRAP OIL GROUP PLC**  
**CHAIRMAN'S STATEMENT - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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**Athena Oilfield**

Our sole producing asset is our 15 per cent. equity interest in the Athena oil field (Licence P.1293, Block 14/18b) ("Athena"). As reported previously, during the first half of the year production from the field was adversely affected by bad weather, which restricted the lifting of crude from the FPSO vessel, and also by pump failures in the P2 production well. In the fourth quarter, a workover was completed on the P4 well, in addition to certain intervention work on the P1 and P3 wells, which resulted in the payment of an additional £2.25m for Trapoil's share of the costs over and above the amount that had originally been budgeted. Following completion of these works, stabilised production flow rates of approximately 4,800 barrels of oil per day ("bopd") (720 bopd net to Trapoil) were established in January 2015. In light of this lower flow rate, the significant drop in global oil prices and the fixed nature of certain of the field's key operating costs, at the then prevailing Brent oil price of approximately US\$58/barrel, the field was significantly loss making and incurring a cash outflow of approximately £380,000 per month net to Trapoil.

Accordingly, on 31 March 2015, the Company announced that the Athena partnership group (the "Athena Consortium") had entered into an agreement to amend the terms of its existing contract with BW Offshore (UK) Limited ("BW Offshore"), the provider and operator of the Athena FPSO vessel. Under the terms of the amended contract the Athena Consortium will make a payment of a demobilisation fee (US\$3m net to Trapoil) in July 2015 and from June 2015 will share net cashflow from the field with BW Offshore. Both parties have the right to terminate on a 60 day notice period. Whilst the amended contract reduces the Athena Consortium's overall loss exposure and currently anticipated cash outflows going forward to the scheduled expiry of the existing contract's term in June 2016, it necessitates a larger cash outflow in the near term than under the previous contract. Most importantly, at the currently prevailing depressed Brent oil price, the Company's on-going monthly liabilities in respect of Athena will be reduced as a consequence of the amended contract. During March 2015 flow rates were on average approximately 4,600 bopd (690 bopd net to Trapoil) and we continue to work closely with the other consortium members to minimise costs as far as possible going forward.

**Overhead Reductions**

As part of the abovementioned cost cutting process, we have significantly reduced the number of full time employees and those working on a contracted basis. In February 2015, we also assigned the remaining four year term of our lease at 35 King Street to a third party and moved to alternative, smaller office premises on a lower cost 12 month rental term.

**Outlook**

Although we look forward to the results from the forthcoming drilling of the Niobe prospect, scheduled for the second quarter of 2015, the Directors consider that despite the significant overhead reductions achieved, the Group is currently under capitalised due to the depressed Brent oil price and consequently significant losses incurred in respect of its 15 per cent. equity interest in Athena representing its sole producing asset. As a result of such losses and the abovementioned demobilisation fee payable to BW Offshore in July 2015, and as set out in more detail in the Finance Director's report, the Group has insufficient financial resources to continue in operation other than in the short term in the absence of additional funding.

The Directors, in conjunction with the Company's advisers, are therefore continuing to urgently assess a number of potential funding sources, including the potential disposal of certain of the Group's licence interests. The Directors believe that the Company currently only has adequate working capital to support its activities until around July 2015 but are comfortable with preparing the financial statements on the going concern basis as there is a reasonable prospect that drilling of Niobe may be successful and, that asset sales may be undertaken, in addition to which the Directors are actively holding conversations to seek additional shareholder support to secure further funding.

The Directors are taking appropriate advice as to the options available to the Company and are cognisant of their obligations to all stakeholders. However, in the event that further funding is not secured in the short term, the Board believes that it is highly likely that the Company will become insolvent, and appropriate insolvency proceedings, such as administration or liquidation, will consequently need to be commenced. A further announcement will be made in due course as appropriate.



**M J Stanton**  
Non-Executive Chairman  
23 April 2015

**TRAP OIL GROUP PLC  
STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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**Business Review and Future Activities**

The principal activity of the Company is oil and gas exploration, appraisal, development and production in the United Kingdom. The Company is a public limited Company incorporated in England and Wales (Company number 07503957) and is listed in London on AIM under the designation TRAP. The Company is required by the Companies Act 2006 to set out in this report a review of the business of the Group during the year ended 31 December 2014 and the position of the Group at the end of the year and principal risks and uncertainties facing the Group. The information that fulfils these requirements, including discussion of the business and future developments, is set out in the Chairman's Statement, the Strategic Report and the Finance Director's Report.

**Risks**

The Group operates in an environment that has substantial risks, albeit ones that it aims to mitigate and manage. These risks have to be carefully balanced to maximise the chances of providing good returns for our shareholders.

**Financial Risks:**

The key financial risks relate to:

- Availability of funding and access to capital and debt markets
- Cost inflation
- Oil and gas price movements
- Adverse taxation legislative changes
- Co-venturer and third-party counterparty credit risk
- Adverse foreign exchange movements

**Managed:**

Close relationships are maintained with banks and the investor community as the Group requires access to new loan facilities and equity although at the current time the Group's ability to borrow further funds is extremely limited. However, the Group is in ongoing discussions with various third parties and shareholders about further possible fund raising, which would be assisted if Niobe turns out to be commercially viable after being drilled in Q2.

The Group relies for funding on its own cash reserves and operating cash flow, however our cash reserves are being depleted rapidly by the losses at Athena and Group overheads. Budgets and cash flow projections taking account of a range of cost inflation, oil and gas prices, taxation, production volume and joint venture investment scenarios are prepared and updated regularly, circulated to all Directors and reviewed at Board meetings.

The Group is fully exposed to oil price fluctuations since there is no longer any hedging in place. As a result, the very large reduction in the Brent oil price over the last 6 months has had a very significant impact on the Group, turning the Athena oil field from generating positive monthly cash flow to a large negative out flows.

The Group also continuously reviews its portfolio of assets and considers farming-out and the selling of assets as part of its financial planning process. During 2014, the Group significantly reduced its asset base and relinquished certain licences and is constantly looking at ways of farming-out its existing licences. The Group is exposed to changes in the UK tax regime and supports the work of industry bodies in influencing government policy to encourage investment in oil exploration and production, in addition to the management of tax planning and compliance. The Group has exposure to US Dollar exchange rate risk through deposits as well as oil being sold in US Dollars. We keep a close eye on matching our exposure to our liabilities and this will continue to be reviewed as part of the on-going business risk appraisal process by the Board.

**Operational Risks:**

- Loss of key employees
- Delay and cost overrun on projects, including weather related delays
- HSE incidents
- Poor reservoir performance
- Exploration and appraisal well failures
- Failure of third-party services
- Lack or failure of operational production resources
- Inherent uncertainties as to the precise geology and location of hydrocarbons under the earth's surface

**Managed:**

The Group recognises that to achieve its long-term strategy it will need to continue to take an active approach through its Nomination and Remuneration Committees to identify, attract and retain the skills and expertise needed and to incentivise employees appropriately. The oil and gas sector is a particularly expensive sector in which to operate from a personnel perspective.

The Group has shared equity and carried interests in its assets and operates certain assets. As a result, it will have to rely on third-party contractors and service suppliers. Joint venture partner ability to fund their own share of developments and manage projects to effectively cover other operational risks is also monitored, together with relationships with government and regulators as part of the on-going Board review process. During 2014 the Group saw weather related delays early in the year on the Athena oil field which led to production being shut in for a number of weeks. Additionally, after a pump failure, the Athena consortium decided to undertake a workover on the P4 production well in order to replace the two failed pumps and restart enhanced production from this well. This led to production returning to around 4,800 boepd following the restart of the P4 well (720 boepd net to Trapoil).

**TRAP OIL GROUP PLC**  
**STRATEGIC REPORT - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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Full operational risk cover and advice is provided through the Group's insurance brokers. The Group monitors and evaluates all aspects of Health and Safety Executive (HSE) performance and has adopted continuous improvement business practices and processes, monitored and evaluated at every level of the organisation. The Group will continue to conduct its operations in a responsible manner that protects the health and safety of employees, contractors and the public and minimises the impact on the environment.

**Strategic and External Risks:**

- Deterioration of capital markets, inhibiting efficient equity and/or debt raising for projects
- Commercial misalignment with, or default of co-venturers
- Material fall in oil price
- Material changes in the abandonment costs of oil and gas fields

**Managed:**

Close relationships are maintained with the capital market and equity investor community although at the current time the Group's ability to borrow further funds is extremely limited. However, we are in discussions with shareholders regarding possible further equity funding, which would be assisted if Niobe turns out to be commercially viable.

The risks set out above are not exhaustive and additional risks and uncertainties may arise or become material in the future. Any of these risks, as well as other risks and uncertainties discussed in this report, could have a material adverse effect on the business.

There is no absolute assurance that the Group's exploration and appraisal activities will be successful. The Group's activities may also be curtailed, delayed or cancelled, not only as a result of adverse weather conditions but also as a result of shortage or delays in the delivery of drilling rigs and other equipment, which at times are in short supply. The Group seeks to manage these risks through portfolio management, balancing them across a range of prospects and leads, which carry varying technical and commercial risks, and carefully managing the financial exposure to each asset in the portfolio through arrangements agreed with joint venture partners. Given our limited asset base following relinquishments and difficulties in attracting interest in North Sea exploration, the Group has a very limited range of potential investors in the current economic climate for the industry.

The Group competes with other exploration and production companies, some of whom have much greater financial resources for the identification and acquisition of oil and gas licences and properties and also for the recruitment and retention of skilled personnel. The market price of hydrocarbon products can be volatile and is not within the control of the Group. If significant sustained declines occur in the price of oil, or detrimental changes occur to the UK fiscal regime, the economic commerciality of the Group's projects may be significantly reduced or rendered uneconomic.

The successful progression of the Group's oil and gas assets depends not only on technical success, but also on the ability of the Group to obtain appropriate financing through equity financing, debt financing, farm-outs and other means. The availability of funding may continue to be influenced by macroeconomic events, such as oil price fluctuations or the overall state of the economy, both of which remain outside the control of the Group. There is no assurance that the Group will be successful in obtaining the required financing going forward. If the Group is unable to obtain the additional financing required to fulfil its planned work programmes, some interests may be relinquished and/or the scope of its operations reduced and the current carrying values of the licences currently held will be subject to impairments. The financial risk management policies are set out in note 4.

**TRAP OIL GROUP PLC  
FINANCE DIRECTOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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#### **Cash Resources and Short-Term Investments**

We ended 2014 in a very poor financial position having endured what can only be described as a disastrous year for the Company and its shareholders. As at 31 December 2014 we had just over £7m of cash in the bank having sold our entire holding of IGas Energy plc shares during the year. The Group, however, has a significant drain on its remaining cash reserves as Athena is currently expected to incur further operating losses in 2015, which without an injection of new capital the Group will have insufficient cash to cover, along with extra abandonment liabilities of £4.2m, as well as the Group's annual running costs of approximately £1.3m.

#### **Statement of Comprehensive Loss**

2014 saw a significant reduction in our revenues to £13.4m from £30.3m in 2013. Our revenue was largely derived via production from the Athena oil field (Licence P.1293, Block 14/18b) which continued to decline naturally but also suffered from having to be shut in due to poor weather early in the year and experienced a pump failure in the P2 well. Operating costs for the Athena field amounted to £12.9m but we have also had to incur a significant number of impairments in 2014, firstly writing down our investment in Athena at the mid year stage to £2m and then subsequently to zero at the year end, resulting in a total impairment expense of £15.1m. The relinquishment of certain of our exploration and evaluation assets led to additional impairment expenses of £12.5m and, with depreciation and other costs, the Group posted an overall loss of £44.4m for the year compared to a loss of £10.3m in 2013.

#### **Financing & Disposal of Investments**

In 2014, we terminated a US\$20m senior secured debt facility taken out in January 2013 with G E Capital. Although cancellation fees of US\$0.3m were incurred, it was more cost effective to cancel the facility than to pay the on-going facility fees for a facility that had little remaining purpose and restricted ability to actually be drawn upon. The Group also cancelled a swap position taken out with Britannic Trading Limited, a subsidiary of BP International Limited, a requirement of the G E Capital facility under which the Group had entered into certain oil price swap arrangements for a significant proportion of our production from January 2013 through to January 2016.

During 2014 the Group also disposed of all of its shares held as an investment in IGas Energy plc which were all sold at a significant multiple to their current trading value, which resulted in additional cash of £4.1m for the Group. We sold these shares at various prices ranging from just over 70p up to 130p per share at a book loss of £0.2m.

#### **Administrative Expenses**

We have undertaken multiple cost cutting exercises since late 2013 to constantly seek to realign our cost base to the future prospects of the Company. We now have a "G&A" cost base of around £1.3m and only two full time employees, a reduction of more than £3.8m in only 18 months. Part of these cost savings arose from moving from a long term lease on our offices in King Street to significantly smaller premises in Gresham Street, which is on a short one year contract. We were able to exit our lease in King Street at a minimal cost to shareholders.

#### **Assets**

Our asset portfolio at the year end has seen substantial relinquishments as we have been unsuccessful in farming out any of our assets during the year, despite rigorous attempts to do so. We are now seeking to achieve value from our remaining five non-producing assets being:

- 1) Licence P.1989, Blocks 14/11, 12 & 16 ("Homer")
- 2) Licence P.2170, Blocks 20/5b and 21/1d ("Cortina")
- 3) Licence P.1889, Blocks 12/26b & 27 ("Niobe prospect")
- 4) Licence P.1610 Block 13/23a ("Magnolia")
- 5) Licence P.1666, Block 30/11c ("Romeo discovery")

The carrying values of these remaining licences are only supportable if the Group is able to improve its current trading position. Based upon our cash flow forecasts, the Group is currently expected to run out of cash in July 2015 and consequently, the licences could be subject to future impairments, as the Group cannot currently afford to fulfil the operational plans for the various licences. There can be no certainty that we will have any success with farming out or disposing of the remaining portfolio but we are actively reviewing all of our options.

#### **Exceptional Items**

During the year there were £15.1m of impairments incurred in respect of our Athena asset as a result of lower performance levels and the substantial reduction in the Brent oil price. We have also had to make a provision of £6.5m relating to our interest in the Athena oil field, which continues to make a loss under the terms of the long term contract currently in place.

The sale of our holding of IGas Energy plc shares resulted in a loss of £0.2m.

#### **Outlook**

The Directors consider that the Group remains under capitalised due to the recent collapse in the Brent oil price and the significant losses that are being incurred in respect of our Athena asset. Having significantly reduced the Company's cost base and relinquished assets where it was believed there was little ability to generate value for shareholders, we remain hopeful that our remaining assets might offer near term upside. The work commitments of the Group remain minimal, with only one well at Niobe remaining, being an obligation to DECC, and we have pre-funded our share of approximately £3m for the estimated dry hole costs of this well.

**TRAP OIL GROUP PLC**  
**FINANCE DIRECTOR'S REPORT - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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Despite these measures, the Group currently has insufficient financial resources to continue in operation other than in the short term without further capital, by virtue of our remaining cash reserves being quickly eroded through losses in respect of our producing field, Athena, and also further costs associated with the abandonment of the field due in mid 2015. Abandonment costs for the Athena oil field increased significantly in the year after the Athena consortium reviewed and revised the previous estimates, which saw the costs rise from £36m to £60m. The sharp fall in the oil price and resulting reduction in demand for oil service companies services leads us to believe that there is a high likelihood that the total abandonment costs could, in fact, be lower than this estimate should abandonment take place in the current oil price environment. In the fourth quarter of 2014 we put £3.9m in trust to cover our share of the majority of the net after tax cost of abandonment. In 2015, we currently expect to have to fund a final instalment of around £1.3m.

At present with oil prices in the low US\$60 range for Brent the Group will need to rely on its remaining assets in order to be able to satisfy its expected liabilities as they fall due, which may well not provide sufficient value to cover all of our liabilities. As such, the Directors are striving to ensure that we maximise the asset value of the Group and seek to achieve fair value for our remaining assets. The Directors are assessing means of potentially realising value from our existing asset base through the potential sale or farm-out of such assets as well as seeking to mitigate the continued losses from the Athena oil field.

The Niobe exploration prospect, although high risk, with a 20% chance of success, does have the potential to be very valuable to the Group with estimated oil reserves of 20-25 mmbbl. In addition, discussions are being had with a number of parties regarding possible additional funding for the Group.



**S J Richardson Brown**  
Finance Director  
23 April 2015

**TRAP OIL GROUP PLC  
BOARD OF DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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**M Groves Gidney (resigned 31 October 2014)**

Chief Executive Officer

Mark Groves Gidney has over 30 years' experience in petroleum exploration, development and finance. Previous roles held in UK onshore, offshore and international basin analyses and prospect generation led to discoveries in the UK, Holland and Canada. Before setting up Trapoil he established and developed over 20 years the niche consultancy Exploration Geosciences. He was formerly a Non-Executive Director of SeaEnergy plc (formerly named Ramco Energy plc) and advised a small cap Canadian public company exploring in the NWT, Canada.

**P Collins (resigned 31 October 2014)**

Chief Operating Officer

Paul Collins joined Trapoil in 2008 and has 28 years' experience in the oil and gas industry, across drilling and engineering disciplines including production, facilities installation, completion of wells and an extensive array of sub-sea production systems. He has been responsible for budget preparation and cost control for operated fields and projects. Previously he managed an international business for Palace Exploration Company, a US company holding exploration and production assets on the UKCS.

**M David (resigned 29 May 2014)**

Technical Director

Martin David has 37 years' experience in the oil industry, including technical, operational, financial and commercial management of exploration portfolios and new venture evaluations. Previously held positions with Unocal UK Limited, Deminex UK Oil & Gas Limited, Veba Oil & Gas UK Limited, and as Exploration Director of North West Europe with Petro-Canada UK Limited and Suncor Energy Incorporated. He has chaired the UK Offshore Operators Association Exploration Committee and has been Secretary of the Petroleum Exploration Society of Great Britain. On stepping down from the Board in May 2014, Martin David became Managing Director of the group's operating subsidiaries.

**S J Richardson Brown**

Finance Director

Scott Richardson Brown is a Chartered Accountant and has spent more than 15 years working with public companies, first in a corporate finance advisory role and more recently as a Director in industry positions. He was a Partner in the Corporate Broking/Finance division of Oriel Securities Limited and joined CSR, a FTSE 250 semiconductor company, as M&A and Investor Relations Director. He joined the Group in June 2013 and is a Fellow of the Institute of Chartered Accountants in England and Wales.

**K Watts (resigned 1 May 2014)**

Non-Executive Chairman

Kevin Watts is a Chartered Accountant with more than 20 years' experience in the oil industry. He was most recently the President and Chief Executive Officer of Stratic Energy Corporation, from 2005 until 2010. Previously held roles in senior positions in finance and business development at Enterprise Oil plc from 1984, serving on its executive committee from 1995 to 2002 and on the main board, as Corporate Development Director, from early 1998 through to 2002. He is a member of the Institute of Chartered Accountants in England and Wales.

**E Jones**

Non-Executive Director

Elwyn Jones is the founder and Managing Director of GeoPartners Limited, a consultancy company specialising in seismic value creation. Previously held roles include Senior Vice-President of the CGG Services (UK) Limited Data Library from 1997 to 2009, Vice-President of PetroAlliance/Western Geophysical's Marine division from 1995 to 1997, President of DG Seis/Caspian Geophysical and Digicon Exploration Limited from 1993 to 1995 and 1989 to 1993, respectively.

**M Stanton (appointed Chairman 12 August 2014)**

Non-Executive Chairman

Marcus Stanton is a Chartered Accountant with experience in investment banking. Previously held roles include Chief Operating Officer of Global Capital Markets and Head of Structured Finance at Robert Fleming & Co., from 1993 to 2000, Director of Hill Samuel & Co., and Non-Executive Director of Velosi Limited. He also acts as a financial expert witness in litigation involving banks and is a member of both the Institute of Chartered Accountants in England and Wales and the Chartered Institute for Securities and Investment.

**M Newman (resigned 29 May 2014)**

Non-Executive Director

Miles Newman has 27 years' experience working as a geoscientist and entrepreneur in the upstream oil and gas industry. His previously held roles include New Ventures manager at Kerr-McGee from 1988 where he was responsible for building a large portfolio of blocks in China, Brazil, Yemen and Thailand. In 1999 he became the Exploration Manager for Kerr-McGee in Aberdeen. In 2002 he co-founded Reach Exploration (North Sea) Limited, developing a portfolio of exploration, appraisal and development Licences in the North Sea and participated in several discoveries prior to its sale to Trapoil in 2011.

**S Bragg (appointed 1 May 2014, resigned 11 August 2014)**

Chairman

Simon co-founded Oriel Securities Limited, a leading UK corporate and institutional broker, in 2002 and was its Chief Executive up until it was purchased by Stifel Financial Corp. where he remains in a senior management role. Having qualified as a Chartered Accountant at KPMG he then worked at Hoare Govett Limited, Cargill Financial Markets plc and HSBC Investment Bank plc before co-founding Oriel Securities Limited. He has played a leading role in numerous IPOs and other fundraising transactions in the oil and gas sector during his City career to date and holds a number of Directorships.

**TRAP OIL GROUP PLC  
CORPORATE GOVERNANCE  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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The Company is quoted on the Alternative Investment Market (AIM) of the London Stock Exchange and is not required to comply with the requirements of The 2012 UK Corporate Governance Code ("the Code"). However, the Board is committed to the high standards of good corporate governance prescribed in the Code and seeks to apply its principles having regard to the current size and structure of the Group.

**Board of Directors**

The Board is responsible for guidance and direction, playing its role in reviewing strategy, monitoring performance, understanding risk and reviewing controls. It is collectively responsible for the success of the Group.

The Board is made up of one Executive and two Non-Executive Directors and has the appropriate balance of skills, experience independence and knowledge of the Company to enable them to discharge their respective duties effectively. It is of sufficient size that the requirements of the business can be met and that changes to the Board's composition and that of its Committees can be managed without undue disruption. It includes an appropriate combination of Executive and Non-Executive Directors and in particular, independent Non-Executive Directors.

The Non-Executive Directors, one of whom is the Chairman, are independent of management and do not participate in the Group's bonus, pension or benefit schemes although they have share options and are shareholders.

The Company considers that it is of importance that where possible its Non-Executive Directors maintain a strong element of independence. The Board considers that in respect of Mr T E Jones, as he has a substantial shareholding and to a lesser extent small options holdings he cannot be considered as independent. However, for Mr M J Stanton, as he has a nominal shareholding and small options holdings that were awarded at the time of the Company's IPO he is considered independent for the purposes of corporate governance.

The roles of the Chairman and Finance Director are separate and as a result this ensures that a division of responsibility is maintained. The Executive Director is employed under a service contract.

Appropriate Directors and Officers liability insurance is maintained by the Group.

At each Annual General Meeting one third of the Directors are subject to retirement by rotation.

The Board has a formal schedule of matters specifically referred to it for decision. In addition to these formal matters required by the Companies Act to be set before the Board of Directors, the Board will also consider strategy and policy, acquisition and divestment proposals, approval of major capital investments, risk management policy, significant financing matters and statutory shareholder reporting. During the year, all Board meetings were convened with a formal agenda, relevant documentation and documented minutes and were attended by Board members in office at the time of the Board meetings. To enable the Board to discharge its duties, all Directors receive appropriate and timely information and the Chairman ensures that all Directors, including the Non-Executive Directors, may take independent professional advice at the Group's expense if required.

**Independent Directors**

To comply with the Code the Board considers the following Non-Executive Director, Mr M J Stanton, to be independent in character and judgement although he does have a small nominal shareholding and options, the latter of which were awarded at the time of the Company's IPO. The Board considers that these circumstances do not affect, or appear to affect, the Directors' judgement and as such he is considered independent for the purposes of corporate governance.

**Audit Committee**

The Audit Committee is chaired by Mr M J Stanton and its other member is Mr T E Jones (both Non-Executive Directors) who are deemed to have recent and relevant financial expertise. The meeting minutes are circulated to the Board at the next available Board Meeting, at which the Chairman provides a verbal report of its proceedings.

Under its terms of reference it is required to meet twice a year, at which the Executive Director may attend by invitation, and is responsible for keeping under review the scope and results of the audit, its cost effectiveness and the independence and objectivity of the Auditors. It also has responsibility for public reporting and internal controls and arrangements whereby employees may raise matters of concern in confidence.

The Group has no internal audit function due to the current size of the business, and it is not considered necessary at this time.

The Group's Auditors may provide additional professional services and in line with its terms of reference, the Audit Committee continually assesses their objectivity and independence. The Auditors were appointed to report on the financial statements for 2011 and no tender or re-appointment process has since been carried out.

**Remuneration Committee**

The Remuneration Committee is chaired by Mr T E Jones and its other member is Mr M J Stanton (both Non-Executive Directors). The meeting minutes are circulated to the Board at the next available Board Meeting, at which the Chairman provides a verbal report of its proceedings.

Under its terms of reference it is required to meet twice a year and is responsible for ensuring that the Executive Director and Officers and other key employees are fairly rewarded (which extends to all aspects of remuneration) for their individual contribution to the overall performance of the Group.

No Director is involved in deciding their own remuneration.

**TRAP OIL GROUP PLC**  
**CORPORATE GOVERNANCE - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

The Nomination Committee is chaired by Mr M J Stanton and its other member is Mr T E Jones (both Non-Executive Directors).

Under its terms of reference it is required to meet twice a year and is responsible for identifying and nominating candidates to fill Board vacancies, but it was considered unnecessary to do so as there was no requirement to nominate new Directors and its other functions were properly carried out as part of the procedures of the Remuneration Committee.

**Board Effectiveness**

The Group does not currently undertake a formal annual evaluation of the performance of the Board, the Committees and individual Directors, but will consider doing so at the appropriate stage of its development in accordance with The Code.

**Board and Committee Attendance in 2014**

|                                           | <b>Board</b>    | <b>Audit Committee</b> | <b>Remuneration Committee</b> | <b>Nomination Committee</b> |
|-------------------------------------------|-----------------|------------------------|-------------------------------|-----------------------------|
|                                           | <i>Attended</i> | <i>Attended</i>        | <i>Attended</i>               | <i>Attended</i>             |
| <b>Non-Executive Directors</b>            |                 |                        |                               |                             |
| K Watts<br>(resigned 1 May 2014)          | 3               | 1                      | 2                             | -                           |
| M Stanton                                 | 14              | 2                      | 3                             | -                           |
| E Jones                                   | 13              | -                      | 3                             | -                           |
| M Newman<br>(resigned 29 May 2014)        | 4               | -                      | -                             | -                           |
| <b>Executive Directors</b>                |                 |                        |                               |                             |
| M Groves Gidney<br>(resigned 31 Oct 2014) | 11              | -                      | -                             | -                           |
| P Collins<br>(resigned 31 Oct 2014)       | 11              | -                      | -                             | -                           |
| M David<br>(resigned 29 May 2014)         | 4               | -                      | -                             | -                           |
| S J Richardson Brown                      | 14              | -                      | -                             | -                           |

**Internal Control**

The Board is responsible for the Group's system of internal control (in accordance with Turnbull guidance) and for regular reviews of its effectiveness. It is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable not absolute assurance against material misstatement or loss. It is summarised and incorporated into the Group's Financial Reporting Procedures.

The Board adopts an on-going active process for identifying, evaluating and managing the significant risks faced by the Group, which was in place for the year under review and up to the date of approval of this report.

**Relations with Shareholders**

The Board considers good communication, based on the mutual understanding of objectives with shareholders is important and achieves this through its Annual Report, Interim Report and comprehensive website ([www.trapoil.com](http://www.trapoil.com)). There has also been a regular dialogue between the Chairman and institutional investors and other financial institutions in addition to the required public announcements. A constant and up to date information flow is maintained on the website containing all press announcements and financial reports as well as extensive operational information on the Group's activities.

The Board encourages shareholders to attend the Annual General Meeting, at which members of the Board are available to answer questions and present a summary of the year's activity and the corporate outlook.

**Health and Safety**

**General**

The Group recognises and accepts its duties to ensure the health, safety and welfare at work of all its employees and ensures that every effort is made to safeguard its visitors, contractors, customers and members of the public, who may be affected by its activities.

The Group observes all relevant statutes, regulations and codes of practice and takes appropriate action for:

- The provision and maintenance of plant and equipment such that it is safe and without risk to health
- Arrangements to ensure the safety and absence of risks to health in relation to the use, handling, storage and transportation of articles and substances
- The provision of sufficient information, instruction, training and supervision, to ensure the health and safety of its employees at work
- The maintenance of a safe place of work and provision and maintenance of a safe means of access to it and egress from it
- Provision and maintenance of adequate welfare facilities

**TRAP OIL GROUP PLC**  
**CORPORATE GOVERNANCE - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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The Group makes available adequate resources to promote and maintain best practice in Health and Safety Management and endeavours to prevent any incident that may result in injury, ill health or damage to property.

**Management & Employee Responsibility**

Management firmly believes that Health and Safety is an aspect of management equal in importance to any other management function and expects all Directors, Officers, Managers, Supervisors and Employees to consider Health and Safety as part of their normal duties and responsibilities, in order to prevent injury and ill health.

Health and Safety Managers are ultimately responsible to the Finance Director for the provision of a professional and comprehensive Health and Safety service to the Group, including the development, implementation, monitoring and review of the Health and Safety Policy.

**Job Safety Analysis**

As part of the overall Health and Safety arrangements, suitable and sufficient assessment of the risks to Health and Safety are undertaken for all tasks performed. The purpose of such assessments is to identify the appropriate preventative and protective measures necessary, to comply with any relevant statutory provision and to ensure the Health and Safety of all employees and other persons affected by the Group's activities.

**Consultation**

The Health and Safety Policy involves all employees and safety improvement meetings are held at each work location. Safety Representatives are appointed at each main location and participate in the work of monitoring and improving safety in the workplace.

**Training**

The Group recognises the need for Health and Safety Training to ensure that employees are competent to perform their work without risks to themselves or others.

**Reporting and Investigation of Accidents**

Designated Health and Safety Managers are responsible for investigating and reporting the circumstances surrounding and causes of all incidents concerning personal injury, property damage, near misses or non-conformance and where necessary, they will be assisted by Senior Management and will provide assistance to independent accident investigators.

**Review of Policy**

The policy is continually reviewed and improved when and where necessary and any new Health and Safety objectives are circulated to all main locations and relevant Health and Safety stakeholders.



**J A Church**  
Company Secretary  
23 April 2015

**TRAP OIL GROUP PLC**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

The Directors present their report together with the Group and Company financial statements for the year ended 31 December 2014.

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and

The Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

**Results and Dividends**

The Group's loss for the year was £44.4m (2013: loss of £10.3m). The Directors do not recommend the payment of a dividend (2013: Nil).

**Directors interests**

The beneficial and other interests of the Directors holding office during the year and their families in the shares of the Company at 31 December 2014 were:

|                                                                           | As at 31 December 2014 |           | As at 31 December 2013 |           |
|---------------------------------------------------------------------------|------------------------|-----------|------------------------|-----------|
|                                                                           | 1p Ordinary Shares     | Options   | 1p Ordinary Shares     | Options   |
| <b>Non-Executive Directors</b>                                            |                        |           |                        |           |
| K P Watts (Chairman)<br>(resigned 1 May 2014)                             | 50,000                 | -         | 50,000                 | 209,302   |
| M J Stanton                                                               | 146,512                | 156,977   | 146,512                | 156,977   |
| T E Jones                                                                 | 2,804,902              | 139,535   | 2,804,902              | 139,535   |
| M S Newman<br>(resigned 29 May 2014)                                      | 11,601,702             | -         | 23,203,402             | 139,535   |
| <b>Executive Directors</b>                                                |                        |           |                        |           |
| M N Groves Gidney (Chief Executive Officer)<br>(resigned 31 October 2014) | 5,497,710              | 524,362   | 5,497,710              | 4,082,199 |
| P M Collins (Chief Operations Officer)<br>(Resigned 31 October 2014)      | 5,497,710              | 524,362   | 5,497,710              | 4,082,199 |
| M J David (Technical Director)<br>(resigned 29 May 2014)                  | 440,585                | 1,741,946 | 440,585                | 1,741,946 |
| S J Richardson Brown (Finance Director)                                   | 730,000                | 1,500,000 | 730,000                | 1,500,000 |
| D M Kemp (Finance Director)<br>(resigned 12 April 2013)                   | -                      | -         | 1,564,874              | 748,175   |

**Directors' Third Party Indemnity Provisions**

The Company maintained during the period and to the date of approval of the financial statements indemnity insurance for its Directors and Officers against liability in respect of proceedings brought by third parties, subject to the terms and conditions of the Companies Act 2006.

**Share Capital**

At 31 December 2014, 227,169,331 (2013: 227,169,331) ordinary shares of 1p each were issued and fully paid. Each ordinary share carries one vote. Details of ordinary shares issued during the financial year can be found in note 18 of the financial statements.

**Substantial Shareholders**

At 31 March 2015, notification had been received by the Company of the following who had a disclosable interest in 3% or more of the nominal value of the ordinary share capital of the Company:

|                                          |       |
|------------------------------------------|-------|
| The Union Discount Company Of London Ltd | 22.5% |
| Mr M Newman and Ms I Davies              | 5.11% |
| Mr P Curtis                              | 4.49% |
| TD Direct Investing                      | 3.29% |
| Hargreaves Lansdown Asset Management     | 3.23% |
| Barclays Wealth                          | 3.00% |

This does not include the shareholdings of the Directors which are disclosed separately. The Company has not been notified of any other person who has an interest in 3% or more of the nominal value of the ordinary share capital the Company.

**Employees**

The business depends upon maintaining a highly qualified and well motivated workforce and every effort is made to achieve a common awareness of the financial and economic factors affecting performance. The Group is committed to being an equal opportunity employer and engages employees with a broad range of skills and backgrounds.

**Brokers and Nominated Adviser**

The Company's broker is FirstEnergy Capital LLP and the Company's Nominated Adviser is Strand Hanson Limited.

**TRAP OIL GROUP PLC**  
**REPORT OF THE DIRECTORS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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**Financial Instruments**

The Group's principal financial instruments comprise cash balances, available for sale investments, short-term deposits and receivables or payables that arise through the normal course of business. The Group does not have any derivative financial instruments. The financial risk management of the Group is discussed in note 4.

**Going Concern**

Following the Board's review of the Group's financial position and cash flow projections, and the loss recognised in the year, the Directors recognise that the Group does not have adequate financial resources to continue its operational activities and meet its liabilities as and when they fall due for a period of at least 12 months from the date of authorisation of these financial statements. It is currently expected that the Groups existing cash resources will run out in around July 2015. As such the Directors are in discussions with a number of parties and shareholders about restructuring and recapitalising the Group, and possible asset disposals, which they believe have a reasonable chance of success.

**Board Committees**

Information on the Audit Committee, Remuneration Committee and Nomination Committee is included in the Corporate Governance section of the Annual Report.

On behalf of the Board



**S J Richardson Brown**  
Finance Director  
23 April 2015

**TRAP OIL GROUP PLC  
REMUNERATION REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**Directors' Emoluments**

The purpose of the Remuneration Committee of the Board of Directors is to ensure that the Executive Directors, Officers and employees are fairly rewarded for their individual contribution to the overall performance of the Group and to demonstrate to shareholders that the remuneration of the Executive Directors is set by a committee of the Board whose members have no personal interest in the outcome of those decisions and who will have due regard to the interests of shareholders of the Group.

To achieve these objectives, the Remuneration Committee links the nature and amount of Executive Directors' emoluments to the Group's financial and operational performance having regard to:

Providing appropriate incentives to encourage enhanced performance

Providing remuneration packages needed to attract, retain and motivate Executives of the quality required

Determining targets for performance related pay and whether the Executives should be eligible for annual bonuses

Considering the Group's relative position for remuneration in relation to other companies

Aligning the Executives interests with those of the shareholders

Maintaining relevance of the remuneration policy taking into account share incentive plans, performance targets and long term incentive schemes

The terms of their respective employment contracts

Executive Directors' remuneration is dependent upon the performance of the Group and individuals, and both are measured against agreed corporate objectives, which are set for each financial year.

Executive Directors' emoluments consist of salary, bonus, pension and discretionary share options whilst Non-Executive Directors emoluments consist of salary and discretionary share options the details of which, for the year to 31 December 2014, are as follows:

| Name                                                     | Salary/Fees<br>£ | Redundancy /<br>Contract<br>Variation<br>£ | Pension<br>£   | Benefits<br>£ | Bonus<br>£ | Total 2014<br>£  | Total 2013<br>£  |
|----------------------------------------------------------|------------------|--------------------------------------------|----------------|---------------|------------|------------------|------------------|
| <b>Non-Executive Directors</b>                           |                  |                                            |                |               |            |                  |                  |
| K P Watts (resigned 1 May 2014)                          | 33,647           | -                                          | -              | -             | -          | 33,647           | 72,100           |
| M J Stanton                                              | 44,607           | -                                          | -              | -             | -          | 44,607           | 51,500           |
| T E Jones                                                | 37,080           | -                                          | -              | -             | -          | 37,080           | 46,350           |
| M S Newman<br>(resigned 29 May 2014)                     | 17,167           | -                                          | -              | -             | -          | 17,167           | 51,500           |
| <b>Executive Directors</b>                               |                  |                                            |                |               |            |                  |                  |
| M N Groves Gidney (CEO)<br>(resigned 31 October 2014)    | 145,833          | 156,338*                                   | 83,067         | -             | -          | 385,238          | 338,324          |
| D M Kemp (Finance Director)                              | -                | -                                          | -              | -             | -          | -                | 142,493          |
| P M Collins (COO)<br>(resigned 31 October 2014)          | 137,195          | 125,000*                                   | 95,102         | -             | -          | 357,297          | 324,620          |
| M J David (Technical Director)<br>(resigned 29 May 2014) | 83,801           | 50,280**                                   | -              | -             | -          | 134,081          | 277,259          |
| S J Richardson Brown<br>(Finance Director)               | 162,947          | 145,975***                                 | 46,556         | -             | -          | 355,478          | 149,251          |
|                                                          | <b>662,277</b>   | <b>477,593</b>                             | <b>224,725</b> | <b>-</b>      | <b>-</b>   | <b>1,364,595</b> | <b>1,453,397</b> |

\* Mr Groves Gidney and Mr Collins both resigned from the Board on 31 October 2014 and agreed to provide free of charge consultation services going forward for a further year.

\*\* On 29 May 2014 Mr David resigned from the Board and at the same time Mr Newman, in order to maintain the balance between executive and non-executive members of the Board. On that date, Mr David became the Managing Director of the Group's operating subsidiary Trap Oil Ltd. The amount payable of £50,280 to Mr David was in return for a reduction in salary from 1 January 2015.

\*\*\* The amount payable to Mr Richardson Brown was in return for a reduction in his salary to £100,000 effective from 1 January 2015.

**TRAP OIL GROUP PLC**  
**REMUNERATION REPORT - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**Share Options incentivisation**

|                      | Held At 1<br>Jan 2014 | Held At 31<br>Dec 2014 | Exercise<br>Price<br>p | Issue Date | Expiry Date | Type |
|----------------------|-----------------------|------------------------|------------------------|------------|-------------|------|
| K P Watts            | 209,302               | -                      | 43.00                  | 13/03/11   | 12/03/21    | 3    |
|                      | 209,302               | -                      |                        |            |             |      |
| M J Stanton          | 156,977               | 156,977                | 43.00                  | 13/03/11   | 12/03/21    | 3    |
|                      | 156,977               | 156,977                |                        |            |             |      |
| T E Jones            | 139,535               | 139,535                | 43.00                  | 13/03/11   | 12/03/21    | 3    |
|                      | 139,535               | 139,535                |                        |            |             |      |
| M S Newman           | 139,535               | -                      | 43.00                  | 01/07/11   | 01/07/21    | 3    |
|                      | 139,535               | -                      |                        |            |             |      |
| M N Groves Gidney    | 524,362               | 524,362                | 1.00                   | 11/03/11   | 10/03/21    | 1    |
|                      | 1,598,837             | -                      | 43.00                  | 13/03/11   | 12/03/21    | 2    |
|                      | 459,000               | -                      | 27.12                  | 01/12/11   | 01/12/21    | 2    |
|                      | 1,500,000             | -                      | 15.00                  | 31/05/13   | 31/05/23    | 5    |
|                      | 4,082,199             | 524,362                |                        |            |             |      |
| P M Collins          | 524,362               | 524,362                | 1.00                   | 11/03/11   | 10/03/21    | 1    |
|                      | 1,598,837             | -                      | 43.00                  | 13/03/11   | 12/03/21    | 2    |
|                      | 459,000               | -                      | 27.12                  | 01/12/11   | 01/12/21    | 2    |
|                      | 1,500,000             | -                      | 15.00                  | 31/05/13   | 31/05/23    | 5    |
|                      | 4,082,199             | 524,362                |                        |            |             |      |
| M J David            | 532,946               | 532,946                | 43.00                  | 13/03/11   | 12/03/21    | 2    |
|                      | 459,000               | 459,000                | 27.12                  | 01/12/11   | 01/12/21    | 2    |
|                      | 750,000               | 750,000                | 15.00                  | 31/05/13   | 31/05/23    | 5    |
|                      | 1,741,946             | 1,741,946              |                        |            |             |      |
| S J Richardson Brown | 1,500,000             | 1,500,000              | 15.00                  | 31/05/13   | 31/05/23    | 5    |
|                      | 1,500,000             | 1,500,000              |                        |            |             |      |
| <b>Total</b>         | <b>12,051,693</b>     | <b>4,587,182</b>       |                        |            |             |      |

**1 Pre IPO Options**

Granted subject to a successful equity raise at the time of the IPO in March 2011 and may be exercised from 18 March 2012.

**2 Trap Oil Group plc Unapproved Share Option Plan 2011**

Vest in equal portions over a three year period from the date of grant, and are subject to the completion of certain specified performance conditions.

**3 Individual Option Agreements**

Subject to the Model Code for Securities Transactions by Directors of Listed Companies, the AIM Rules or the Criminal Justice Act 1993, the options (to the extent that they have not lapsed) may be exercised at any time after the date of grant.

**4 Trap Oil Group plc Unapproved Share Option Plan 2011**

Vest in equal portions over a three year period from 25 March 2011, and subject to the completion of certain specified performance conditions.

**5 Trap Oil Group plc Unapproved Share Option Plan 2011**

Vest in equal portions over a three year period from the date of grant and are not subject to the completion of performance conditions.



**T E Jones**  
Chairman of the Remuneration Committee  
23 April 2015

**TRAP OIL GROUP PLC  
DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2014**

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**Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration 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 prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. *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 Group and the Company and of the profit or loss of the Company and Group for that period.* 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 applicable IFRSs as adopted by the European Union have been followed, 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 the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Corporate Governance Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Directors' Report contained includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

**Disclosure of Information to the Auditors**

*Having made enquiries of fellow Directors and of the Company's Auditors, each of the Directors confirms that, to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's Auditors are unaware; and each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of the relevant audit information and to establish that the Company's Auditors are aware of that information. This confirmation is given, and should be interpreted, in accordance with the provisions of s418 of the Companies Act 2006.*

**Independent Auditors**

A resolution to reappoint PricewaterhouseCoopers LLP as Auditors will be proposed at the forthcoming Annual General Meeting at a fee to be agreed in due course by the Audit Committee and the Directors.

**Annual General Meeting**

The Annual General Meeting will be held on 28 May 2015 as stated in the Notice of Meeting.

On behalf of the Board



**S J Richardson Brown**  
Finance Director  
23 April 2015

**TRAP OIL GROUP PLC  
INDEPENDENT AUDITORS' REPORT  
YEAR ENDED 31 DECEMBER 2014**

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Independent Auditors' report to the members of Trap Oil Group plc.

**Our Opinion**

In our opinion, Trap Oil Group plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2014 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; 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 disclosure made in note 2 to the financial statements concerning the group's ability to continue as a going concern. The directors recognise that the group has insufficient financial resources to continue in operation other than in the short term in the absence of additional funding. The directors, in conjunction with the company's advisers, are therefore continuing to urgently assess a number of potential funding sources, including the potential disposal of certain of the group's licence interests. The directors believe that the company currently only has adequate working capital to support its activities until around July 2015. They believe that there is a reasonable future prospect for the group that drilling the Niobe prospect will be successful. In addition they are actively having conversations to seek additional shareholder support to secure further funding. However, there is uncertainty both as to the commercial viability of the Niobe prospect and the ability to secure further funding. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

**What We Have Audited**

Trap Oil Group plc's financial statements comprise:

- the consolidated statement of financial position as at 31 December 2014;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

**Opinion on Other Matter Prescribed by the Companies Act 2006**

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

**Other Matters on Which We are Required to Report by Exception**

**Adequacy of Information and Explanations Received**

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

**Directors' Remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**Responsibilities for the Financial Statements and the Audit**

**Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 16, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**TRAP OIL GROUP PLC**  
**INDEPENDENT AUDITORS' REPORT - continued**  
**YEAR ENDED 31 DECEMBER 2014**

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**What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

**Other matter**

We have reported separately on the company financial statements of Trap Oil Group plc for the year ended 31 December 2014. That report includes an emphasis of matter.



**Richard Spilsbury** (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Aberdeen  
23 April 2015

**TRAP OIL GROUP PLC**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

|                                                                       | Note | 2014<br>£                  | 2013<br>£                  |
|-----------------------------------------------------------------------|------|----------------------------|----------------------------|
| Revenue                                                               | 3    | 13,416,062                 | 30,309,304                 |
| Cost of sales                                                         |      | <u>(31,560,021)</u>        | <u>(25,688,613)</u>        |
| <b>GROSS (LOSS)/PROFIT</b>                                            |      | <b>(18,143,959)</b>        | <b>4,620,691</b>           |
| Other operating (expense)/income                                      |      | (1,173,133)                | 75,120                     |
| Exceptional items                                                     | 6    | <u>(21,784,400)</u>        | <u>(9,367,378)</u>         |
| Administrative expenses                                               |      | <u>(3,082,943)</u>         | <u>(4,520,274)</u>         |
| <b>OPERATING LOSS</b>                                                 |      | <b>(44,184,435)</b>        | <b>(9,191,841)</b>         |
| Finance costs                                                         | 7    | (240,567)                  | (1,100,664)                |
| Finance income                                                        | 7    | <u>19,029</u>              | <u>31,667</u>              |
| <b>LOSS BEFORE TAX</b>                                                | 8    | <b>(44,405,973)</b>        | <b>(10,260,838)</b>        |
| Tax                                                                   | 9    | <u>-</u>                   | <u>-</u>                   |
| <b>LOSS FOR THE YEAR</b>                                              |      | <b>(44,405,973)</b>        | <b>(10,260,838)</b>        |
| <b>OTHER COMPREHENSIVE LOSS</b>                                       |      |                            |                            |
| <i>Items that will be reclassified subsequently to profit or loss</i> |      |                            |                            |
| Change in value of available for sale financial asset                 | 14   | <u>-</u>                   | <u>(279,597)</u>           |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>                          |      | <b>(44,405,973)</b>        | <b>(10,540,435)</b>        |
| Total comprehensive loss for the year attributable to:                |      |                            |                            |
| Owners of the parent                                                  |      | <u><b>(44,405,973)</b></u> | <u><b>(10,540,435)</b></u> |
| Loss per share expressed in pence per share:                          |      |                            |                            |
| Basic and diluted                                                     | 10   | <u><b>(19.55)</b></u>      | <u><b>(4.65)</b></u>       |

No separate statement of comprehensive loss has been presented as all such gains and losses have been dealt with in the Consolidated Statement of Comprehensive Loss.

The notes on pages 23 to 37 are an integral part of these financial statements

**TRAP OIL GROUP PLC**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2014**

|                                                       | Note | 2014<br>£         | 2013<br>£         |
|-------------------------------------------------------|------|-------------------|-------------------|
| <b>NON-CURRENT ASSETS</b>                             |      |                   |                   |
| Intangible assets - Exploration costs                 | 11   | 1,370,799         | 12,256,350        |
| Intangible assets - Data licence costs                | 11   | 833,332           | 1,333,332         |
| Property, plant and equipment                         | 12   | 125,223           | 14,295,852        |
|                                                       |      | <u>2,329,354</u>  | <u>27,885,534</u> |
| <b>CURRENT ASSETS</b>                                 |      |                   |                   |
| Available for sale investment                         | 14   | -                 | 4,410,934         |
| Inventories                                           | 15   | 858,060           | 1,249,599         |
| Trade and other receivables                           | 16   | 10,026,706        | 5,456,723         |
| Cash and cash equivalents (including restricted cash) | 17   | 7,424,282         | 16,438,908        |
|                                                       |      | <u>18,309,048</u> | <u>27,556,164</u> |
| <b>TOTAL ASSETS</b>                                   |      | <u>20,638,402</u> | <u>55,441,698</u> |
| <b>EQUITY</b>                                         |      |                   |                   |
| Called up share capital                               | 18   | 2,271,693         | 2,271,693         |
| Share premium account                                 |      | 68,321,083        | 68,321,083        |
| Share options reserve                                 | 21   | 1,786,425         | 2,575,472         |
| Accumulated losses                                    |      | (70,945,734)      | (27,107,644)      |
| Reorganisation reserve                                |      | (382,543)         | (382,543)         |
| Available for sale investment reserve                 | 14   | -                 | (279,597)         |
| <b>TOTAL EQUITY</b>                                   |      | <u>1,050,924</u>  | <u>45,398,464</u> |
| <b>LIABILITIES</b>                                    |      |                   |                   |
| <b>NON-CURRENT LIABILITIES</b>                        |      |                   |                   |
| Trade and other payables                              | 19   | 1,218,845         | 1,676,078         |
| Provisions for liabilities and charges                | 20   | 14,206,831        | 4,662,912         |
|                                                       |      | <u>15,425,676</u> | <u>6,338,990</u>  |
| <b>CURRENT LIABILITIES</b>                            |      |                   |                   |
| Trade and other payables                              | 19   | 4,161,802         | 3,704,244         |
|                                                       |      | <u>4,161,802</u>  | <u>3,704,244</u>  |
| <b>TOTAL LIABILITIES</b>                              |      | <u>19,587,478</u> | <u>10,043,234</u> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                   |      | <u>20,638,402</u> | <u>55,441,698</u> |

The financial statements on pages 19 to 37 were approved by the Board of Directors and authorised for issue on 23 April 2015. They were signed on its behalf by Scott Richardson Brown - Finance Director.

Company Registration Number: 07503957

The notes on pages 23 to 37 are an integral part of these financial statements

**TRAP OIL GROUP PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

|                                                           | Called up share capital<br>£ | Share premium account<br>£ | Share options reserve<br>£ | Accumulated losses<br>£ | Reorganisation reserve<br>£ | Available for sale investment reserve<br>£ | Total equity<br>£ |
|-----------------------------------------------------------|------------------------------|----------------------------|----------------------------|-------------------------|-----------------------------|--------------------------------------------|-------------------|
| <b>At 1 January 2013</b>                                  | 2,259,104                    | 68,101,922                 | 2,341,644                  | (16,985,796)            | (382,543)                   | -                                          | 55,334,331        |
| Loss and total comprehensive loss for the year            | -                            | -                          | -                          | (10,260,838)            | -                           | (279,597)                                  | (10,540,435)      |
| Issue of share capital                                    | 12,589                       | 219,161                    | (219,161)                  | -                       | -                           | -                                          | 12,589            |
| Lapsed share options                                      | -                            | -                          | (138,990)                  | 138,990                 | -                           | -                                          | -                 |
| Transactions with owners – share based payments           | -                            | -                          | 591,979                    | -                       | -                           | -                                          | 591,979           |
| <b>At 31 December 2013</b>                                | <b>2,271,693</b>             | <b>68,321,083</b>          | <b>2,575,472</b>           | <b>(27,107,644)</b>     | <b>(382,543)</b>            | <b>(279,597)</b>                           | <b>45,398,464</b> |
| Total comprehensive loss for the year                     | -                            | -                          | -                          | (44,405,973)            | -                           | -                                          | (44,405,973)      |
| Transfer on sale of assets held for investment            | -                            | -                          | -                          | (279,597)               | -                           | 279,597                                    | -                 |
| Lapsed share options (note 21)                            | -                            | -                          | (847,480)                  | 847,480                 | -                           | -                                          | -                 |
| Transactions with owners – share based payments (note 21) | -                            | -                          | 58,433                     | -                       | -                           | -                                          | 58,433            |
| <b>At 31 December 2014</b>                                | <b>2,271,693</b>             | <b>68,321,083</b>          | <b>1,786,425</b>           | <b>(70,945,734)</b>     | <b>(382,543)</b>            | <b>-</b>                                   | <b>1,050,924</b>  |

The following describes the nature and purpose of each reserve within owners' equity:

| Reserve                               | Description and purpose                                                                                                                                                                                                |
|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Called up share capital               | Represents the nominal value of shares issued                                                                                                                                                                          |
| Share premium account                 | Amount subscribed for share capital in excess of nominal value                                                                                                                                                         |
| Share options reserve                 | Represents the accumulated balance of share based payment charges recognised in respect of share options granted by the Company less transfers to retained deficit in respect of options exercised or cancelled/lapsed |
| Accumulated losses                    | Cumulative net gains and losses recognised in the Consolidated Statement of Comprehensive Loss                                                                                                                         |
| Reorganisation reserve                | Amounts resulting from the restructuring of the Group                                                                                                                                                                  |
| Available for sale investment reserve | Cumulative net gains and losses recognised as Other Comprehensive Income on available for sale investment                                                                                                              |

The notes on pages 23 to 37 are an integral part of these financial statements

TRAP OIL GROUP PLC  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014

|                                                       | Note | 2014<br>£         | 2013<br>£         |
|-------------------------------------------------------|------|-------------------|-------------------|
| <b>NON-CURRENT ASSETS</b>                             |      |                   |                   |
| Intangible assets - Exploration costs                 | 11   | 1,370,799         | 12,256,350        |
| Intangible assets - Data licence costs                | 11   | 833,332           | 1,333,332         |
| Property, plant and equipment                         | 12   | <u>125,223</u>    | <u>14,295,852</u> |
|                                                       |      | <u>2,329,354</u>  | <u>27,885,534</u> |
| <b>CURRENT ASSETS</b>                                 |      |                   |                   |
| Available for sale investment                         | 14   | -                 | 4,410,934         |
| Inventories                                           | 15   | 858,060           | 1,249,599         |
| Trade and other receivables                           | 16   | 10,026,706        | 5,456,723         |
| Cash and cash equivalents (including restricted cash) | 17   | <u>7,424,282</u>  | <u>16,438,908</u> |
|                                                       |      | <u>18,309,048</u> | <u>27,556,164</u> |
| <b>TOTAL ASSETS</b>                                   |      | <u>20,638,402</u> | <u>55,441,698</u> |
| <b>EQUITY</b>                                         |      |                   |                   |
| Called up share capital                               | 18   | 2,271,693         | 2,271,693         |
| Share premium account                                 |      | 68,321,083        | 68,321,083        |
| Share options reserve                                 | 21   | 1,786,425         | 2,575,472         |
| Accumulated losses                                    |      | (70,945,734)      | (27,107,644)      |
| Reorganisation reserve                                |      | (382,543)         | (382,543)         |
| Available for sale investment reserve                 | 14   | <u>-</u>          | <u>(279,597)</u>  |
| <b>TOTAL EQUITY</b>                                   |      | <u>1,050,924</u>  | <u>45,398,464</u> |
| <b>LIABILITIES</b>                                    |      |                   |                   |
| <b>NON-CURRENT LIABILITIES</b>                        |      |                   |                   |
| Trade and other payables                              | 19   | 1,218,845         | 1,676,078         |
| Provisions for liabilities and charges                | 20   | <u>14,206,831</u> | <u>4,662,912</u>  |
|                                                       |      | <u>15,425,676</u> | <u>6,338,990</u>  |
| <b>CURRENT LIABILITIES</b>                            |      |                   |                   |
| Trade and other payables                              | 19   | <u>4,161,802</u>  | <u>3,704,244</u>  |
|                                                       |      | <u>4,161,802</u>  | <u>3,704,244</u>  |
| <b>TOTAL LIABILITIES</b>                              |      | <u>19,587,478</u> | <u>10,043,234</u> |
| <b>TOTAL EQUITY AND LIABILITIES</b>                   |      | <u>20,638,402</u> | <u>55,441,698</u> |

The financial statements on pages 19 to 37 were approved by the Board of Directors and authorised for issue on 23 April 2015. They were signed on its behalf by Scott Richardson Brown - Finance Director.

Company Registration Number: 07503957



The notes on pages 23 to 37 are an integral part of these financial statements

**TRAP OIL GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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**1. GENERAL INFORMATION**

Trap Oil Group plc ("the Company") and its subsidiaries (together, "the Group") are involved in the exploration, development and production of oil and gas reserves from the UK Continental Shelf.

The Company is a public limited company, which is quoted on AIM, a market operated by the London Stock Exchange and incorporated and domiciled in the United Kingdom. The address of its registered office is 10 The Triangle, ng2 Business Park, Nottingham, NG2 1AE.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

**Basis of Accounting**

These financial statements have been prepared under the historic cost convention modified for fair values, in accordance with International Financial Reporting Standards and IFRSIC interpretations as adopted by the European Union ("IFRSs") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

**Going Concern**

The Directors recognise that the Group has insufficient financial resources to continue in operation beyond the short term in the absence of additional funding. The Directors, in conjunction with the Company's advisers, are therefore continuing to urgently assess a number of potential funding sources, including the potential disposal of certain of the Group's licence interests. The Directors believe that the Company currently only has adequate working capital to support its activities until around July 2015. However, they have prepared the financial statements on the going concern basis because, as explained in the outlook section of the Chairman's and Financial Director's Report, they believe that there is a reasonable future prospect for the Group that drilling on the Niobe prospect will be successful. In addition, the Directors are actively holding conversations to seek additional shareholder support to secure further funding. However, there is uncertainty both as to the commercial viability of the Niobe prospect and the ability to secure further funding. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would be necessary if the Group was unable to continue as a going concern.

In the event that further funding is not secured in the short term, the Board believes that it is highly likely that the Company will become insolvent, and appropriate insolvency proceedings, such as administration or liquidation, will consequently need to be commenced.

**Changes in Accounting Policy and Disclosures**

(a) New and amended standards adopted by the Company

The following standards came into effect during 2014: Financial Instruments (IAS32), Impairment of Assets (IAS36), Financial Instruments: recognition and measurement (IAS39). Each of the new standards is effective for annual periods beginning on or after 1 January 2014. There has been no material impact from the adoption of the new and amended standards on the Corporation's financial statements.

(b) New standards, amendments and interpretations issued but not effective for this accounting year and not early adopted

There are no IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Company.

**Significant Accounting Judgements and Estimates**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the date of the financial statements. If in future such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The Group's accounting policies make use of accounting estimates and judgements in the following areas:

- amortisation (note 11),
- impairment (note 11),
- depreciation (note 12),
- decommissioning (note 20), and
- the estimation of share based payment costs (note 21).

These are described in more detail in the relevant accounting policies.

**Basis of Consolidation**

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50 per cent. of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the Group ceases to have control.

**TRAP OIL GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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**2. SIGNIFICANT ACCOUNTING POLICIES – continued**

**(a) Subsidiaries - continued**

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**(b) Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**(c) Disposal of subsidiaries**

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**(d) Associates**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent. and 50 per cent. of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profits or losses is recognised in the Consolidated Statement of Comprehensive Loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the Consolidated Statement of Comprehensive Loss.

**Acquisitions, Asset Purchases and Disposals**

Acquisitions of oil and gas properties are accounted for under the purchase method where the business meets the definition of a business combination.

Transactions involving the purchase of an individual field interest, farm-ins, farm-outs, or acquisitions of exploration and evaluation licences for which a development decision has not yet been made that do not qualify as a business combination, are treated as asset purchases. Accordingly, no goodwill or deferred tax arises. Consideration from farm-ins/farm-outs are adequately credited from, or debited to, the asset. The purchase consideration is allocated to the assets and liabilities purchased on an appropriate basis. Proceeds on disposal are applied to the carrying amount of the specific intangible asset or development and production assets disposed of and any surplus is recorded as a gain on disposal in the Consolidated Statement of Comprehensive Loss.

**TRAP OIL GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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**2. SIGNIFICANT ACCOUNTING POLICIES – continued**

**Revenue Recognition**

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. It is measured at the fair value of consideration received or receivable for the sale of goods.

Revenue derived from the production of hydrocarbons in which the Group has an interest with joint venture partners is recognised on the basis of the Group's working interest in those properties. It is recognised when the significant risks and rewards of ownership have been passed to the buyer.

Revenue from strategic partners on the identification of opportunities for application for a licence to explore further is recognised in the period in which the services are provided or the date a trigger event occurs if this is later.

The Group also receives revenue from the production of hydrocarbons from licences held by the Group that is recognised at the end of each month based upon the quantity and price of oil and gas delivered to the customer.

**Exploration and Evaluation Costs**

The Group accounts for oil and gas and exploration and evaluation costs using IFRS 6 "Exploration for and Evaluation of Mineral Resources". Such costs are initially capitalised as Intangible Assets and include payments to acquire the legal right to explore, together with the directly related costs of technical services and studies, seismic acquisition, exploratory drilling and testing.

Exploration costs are not amortised prior to the conclusion of appraisal activities.

Exploration costs included in Intangible Assets relating to exploration licences and prospects are carried forward until the existence (or otherwise) of commercial reserves have been determined subject to certain limitations including review for indications of impairment on an individual licence basis. If commercial reserves are discovered, the carrying value, after any impairment loss of the relevant assets, is then reclassified as Property, plant and equipment under Production interests and fields under development. If, however, commercial reserves are not found, the capitalised costs are charged to the Consolidated Statement of Comprehensive Loss. If there are indications of impairment prior to the conclusion of exploration activities, an impairment test is carried out.

**Data Licence**

Acquired data licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific licence. These costs are amortised over the life of the licence of eight years.

**Property, Plant and Equipment**

**Production Interests and Fields Under Development**

Such assets are accumulated generally on a field by field basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the exploration costs incurred in finding commercial reserves transferred from Intangible Assets.

The costs also include the acquisition and purchase of such assets, directly attributable overheads and the cost of recognising provisions for future restoration and decommissioning.

**Amortisation, Depletion and Impairment of Oil and Gas Assets**

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

Where there has been a change in economic conditions that indicate a possible impairment in an oil and gas asset, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs. Any impairment identified is charged to the Consolidated Statement of Comprehensive Loss as an exceptional item. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the Consolidated Statement of Comprehensive Loss, net of any depreciation that would have been charged since the impairment.

Property, plant and equipment is stated at historic purchase cost less accumulated depreciation. Asset lives and residual amounts are reassessed each year. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation on these assets is calculated on a straight line basis as follows:

|                             |         |
|-----------------------------|---------|
| Computer & office equipment | 3 years |
|-----------------------------|---------|

**Decommissioning and Site Restoration**

Provision for decommissioning and site restoration is recognised in full when the related facilities are installed and the field commences production. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related Production Interest. The amount recognised is the estimated cost of decommissioning and site restoration, discounted to its net present value and is reassessed each year in accordance with existing conditions and requirements. Changes in the estimated timing of cost estimates are dealt with as an adjustment to the provision and a corresponding adjustment to the Production interest. The unwinding of the discount on the decommissioning provision is included as a finance cost.

**Inventories**

Inventory of materials and product inventory supplies are stated at the lower of cost and net realisable value. Cost is determined on the first in, first out method. Inventories of hydrocarbons are stated at the lower of cost and net realisable value.

**TRAP OIL GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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**2. SIGNIFICANT ACCOUNTING POLICIES – continued**

**Joint Ventures**

The Group participates in several joint venture agreements with strategic partners, where revenue is derived from annual retainers and success fees in a combination of cash and carried interests. The Group accounts for its share of assets, liabilities, income and expenditure of these joint venture agreements and discloses the details in the appropriate Statement of Financial Position and Statement of Comprehensive Loss headings in the proportion that relates to the Group per the joint venture agreement.

**Investments**

Fixed asset investments in subsidiaries are stated at cost less accumulated impairment in the Company only Statement of Financial Position and reviewed for impairment if there are any indications that the carrying value may not be recoverable.

**Financial Instruments**

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. The Group does not have any derivative financial instruments.

Cash and cash equivalents include cash in hand and deposits held on call with banks with a maturing of three months or less.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss will be recognised in the Consolidated Statement of Comprehensive Loss within selling and marketing costs. When a trade receivable is uncollectible, it will be written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the Consolidated Statement of Comprehensive Loss.

Trade payables are stated initially at fair value and subsequently measured at amortised cost.

Loan notes are stated initially at fair value and subsequently measured at amortised cost of the investment as agreed in the loan instrument.

**Available for Sale Investment**

Non-derivative financial assets not included in the above categories are classified as available for sale and comprise the Company's investment in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised directly in a separate component of equity (available for sale reserve). Where there is significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective impairment), the full amount of the impairment, including any amount previously charged to equity, is recognised in the Statement of Comprehensive Loss. Purchases and sales of available for sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the Statement of Comprehensive Loss. On sale, the amount held in the available for sale reserve associated with that asset is removed from equity and recognised in the Statement of Comprehensive Loss.

**Onerous Contracts**

The group has recognised provisions for liabilities of uncertain onerous contracts. Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

**Exceptional Items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

**Deferred Tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred taxation liabilities are provided, using the liability method, on all taxable temporary differences at the reporting date. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date.

**Foreign Currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the reporting date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Gains and losses arising on retranslation are recognised in the Consolidated Statement of Comprehensive Loss for the year.

**Employee Benefit Costs**

The Group operates a defined contribution pension scheme. Matching contributions are made by the employer and employees up to 10% each of salary and also as part of and in addition to a personal salary sacrifice scheme. Contributions payable are charged to the Statement of Comprehensive Loss in the period to which they relate. No further obligations remain once contributions have been paid.

**TRAP OIL GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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**2. SIGNIFICANT ACCOUNTING POLICIES – continued**

**Share Based Payments**

Equity settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity settled employee benefits reserve.

Equity settled share based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Exercise proceeds net of directly attributable costs are credited to share capital and share premium.

**Share Capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders.

**Segmental Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors.

**3. SEGMENTAL REPORTING**

The Directors consider that the Group operates in a single segment, that of oil and gas exploration, appraisal, development and production, in a single geographical location, the North Sea of the United Kingdom and do not consider it appropriate to disaggregate data further from that disclosed.

Revenue from one major customer exceeded 10%, and amounted to £13.4m. In 2013 revenue from one major customer exceeded 10%, and amounted to £30.3m.

**4. FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to financial risks and its overall risk management programme focuses on minimising potential adverse effects on the financial performance of the Group. The Company's activities are also exposed to risks through its investments in subsidiaries and is accordingly exposed to similar financial and capital risks as the Group.

Risk management is carried out by the Directors and they identify, evaluate and address financial risks in close co-operation with the Group's management. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange risks and investing excess liquidity.

**Credit Risk**

The Group's credit risk primarily relates to its trade receivables. Responsibility for managing credit risks lies with the Group's management.

A customer evaluation is typically obtained from an appropriate credit rating agency. Where required, appropriate trade finance instruments such as letters of credit, bonds, guarantees and credit insurance will be used to manage credit risk.

The Group's major customers are typically blue chip companies which have strong credit ratings assigned by international credit rating agencies. Where a customer does not have sufficiently strong credit ratings, alternative forms of security such as the trade finance instruments referred to above may be obtained.

Management review trade receivables across the Group based on receivable days calculations to assess performance. There is significant management focus on receivables that are overdue. Trade receivable days for the Group for the year ended 31 December 2014 were 42 days (2013: 23 days), based on the ratio of Group trade receivables at the end of the year to the amount invoiced during the year to trade receivables.

The Group also has a number of joint venture arrangements where partners have made commitments to fund certain expenditure. Management evaluate the credit risk associated with each contract at the time of signing and continually monitor the credit worthiness of our partners.

**TRAP OIL GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**4. FINANCIAL RISK MANAGEMENT – continued**

**Liquidity Risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group manages its liquidity through continuous monitoring of cash flows from operating activities, review of actual capital expenditure programmes, and managing maturity profiles of financial assets and financial liabilities. These activities ensure that the Group has sufficient funds to meet its financial obligations as they become due.

**Capital Risk Management**

The Group seeks to maintain an optimal capital structure. The Group considers its capital to comprise both equity and net debt.

The Group monitors its capital structure on the basis of its net debt to equity ratio. Net debt to equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowing less cash and cash equivalents. Total equity comprises all components of equity.

The ratio of net debt to equity as at 31 December 2014 is Nil (2013: Nil).

**Maturity analysis of financial assets and liabilities**

**Financial Assets**

|                | 2014<br>£         | 2013<br>£         |
|----------------|-------------------|-------------------|
| Up to 3 months | 1,816,894         | 3,966,911         |
| 3 to 6 months  | 4,134,739         | 664,519           |
| Over 6 months  | 4,075,073         | 5,703,917         |
|                | <u>10,026,706</u> | <u>10,335,347</u> |

**Financial Liabilities**

|                | 2014<br>£        | 2013<br>£        |
|----------------|------------------|------------------|
| Up to 3 months | 1,306,606        | 529,670          |
| 3 to 6 months  | 2,855,196        | 3,031,207        |
| Over 6 months  | 1,218,845        | 1,676,079        |
|                | <u>5,380,647</u> | <u>5,236,956</u> |

**Fair value estimation**

Below are analyses of financial instruments carried at fair value, by valuation method. The different levels have been defined as follows;

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

**Financial Assets**

**Available for sale investment**

|                   | 2014<br>£ | 2013<br>£        |
|-------------------|-----------|------------------|
| Level 1 (note 14) | -         | 4,410,934        |
| Level 2           | -         | -                |
| Level 3           | -         | -                |
|                   | <u>-</u>  | <u>4,410,934</u> |

Financial instruments in Level 1 are measured at fair value. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

**5. EMPLOYEES AND DIRECTORS**

|                                | 2014<br>£        | 2013<br>£        |
|--------------------------------|------------------|------------------|
| Wages and salaries             | 1,367,272        | 1,977,782        |
| Social security costs          | 181,653          | 273,147          |
| Redundancy costs               | 699,812          | -                |
| Share based payments (note 21) | 58,433           | 591,979          |
| Other pensions costs           | 315,193          | 375,571          |
|                                | <u>2,622,363</u> | <u>3,218,479</u> |

Post-employment benefits include employee and Company contributions to money purchase pension schemes

**TRAP OIL GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**5. EMPLOYEES AND DIRECTORS – continued**

The average monthly number of employees during the year was as follows:

|           | 2014      | 2013      |
|-----------|-----------|-----------|
| Directors | 6         | 8         |
| Employees | 7         | 8         |
|           | <u>13</u> | <u>16</u> |

|                                                           | 2014<br>£        | 2013<br>£        |
|-----------------------------------------------------------|------------------|------------------|
| Directors' remuneration                                   | 662,277          | 1,244,832        |
| Compensation for loss of office                           | 477,593          | -                |
| Directors' pension contributions to money purchase scheme | 224,725          | 188,740          |
|                                                           | <u>1,364,595</u> | <u>1,433,572</u> |

The average number of Directors to whom retirement benefits were accruing was as follows:

|                        | 2014 | 2013 |
|------------------------|------|------|
| Money purchase schemes | 3    | 4    |

Information regarding the highest paid Director is as follows:

|                                 | 2014<br>£      | 2013<br>£      |
|---------------------------------|----------------|----------------|
| Emoluments                      | 145,833        | 310,000        |
| Compensation for loss of office | 156,338        | -              |
|                                 | <u>302,171</u> | <u>310,000</u> |
| Pension contributions           | <u>83,067</u>  | <u>25,000</u>  |

The director did not exercise any share options during the year.

**Key management compensation**

Key management includes Directors (Executive and Non-Executive) and the Company Secretary. The compensation paid or payable to key management for employee services is shown below;

|                                        | 2014<br>£        | 2013<br>£        |
|----------------------------------------|------------------|------------------|
| Wages and short-term employee benefits | 841,972          | 1,424,328        |
| Compensation for loss of office        | 592,643          | -                |
| Share based payments (note 21)         | 77,889           | 508,460          |
| Post-employment benefits               | 243,924          | 210,520          |
|                                        | <u>1,756,428</u> | <u>2,143,308</u> |

**6. EXCEPTIONAL ITEMS**

|                                                             | 2014<br>£           | 2013<br>£          |
|-------------------------------------------------------------|---------------------|--------------------|
| Loss on disposal of Lybster (note 12)                       | -                   | (9,367,378)        |
| Impairment charge on production asset at 30/06/14 (note 13) | (4,704,352)         | -                  |
| Impairment charge on production asset at 31/12/14 (note 13) | (10,372,431)        | -                  |
| Provision of onerous contract on production asset (note 13) | (6,492,271)         | -                  |
| Loss on disposal of iGas shares                             | (215,346)           | -                  |
|                                                             | <u>(21,784,400)</u> | <u>(9,367,378)</u> |

The loss on disposal of Lybster in 2013 relates to the disposal of the Lybster asset to Caithness Petroleum Limited. This transaction was outside the normal course of business. In 2014 the Group disposed of all 4,084,198 iGas shares.

**7. NET FINANCE COSTS**

|                                                                  | 2014<br>£        | 2013<br>£          |
|------------------------------------------------------------------|------------------|--------------------|
| Finance income:                                                  |                  |                    |
| Interest received                                                | 19,029           | 31,667             |
| Finance costs:                                                   |                  |                    |
| CGG Services (UK) Limited interest (note 19)                     | 15,493           | 30,852             |
| Unwinding of discount on the decommissioning liability (note 20) | 251,435          | 186,516            |
| Joint venture finance charge                                     | 1,776            | 1,864              |
| G E Capital facility fees                                        | (28,137)         | 819,028            |
| Loan interest                                                    | -                | 62,404             |
|                                                                  | <u>240,567</u>   | <u>1,100,664</u>   |
| <b>Net finance costs</b>                                         | <u>(221,538)</u> | <u>(1,068,997)</u> |

**TRAP OIL GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**8. LOSS BEFORE TAX**

The loss before tax is stated after charging/(crediting):

|                                                                                 | 2014<br>£  | 2013<br>£  |
|---------------------------------------------------------------------------------|------------|------------|
| Cost of sales recognised as expense (excluding amortisation and impairments) ** | 13,004,107 | 13,498,920 |
| Depreciation                                                                    | 86,895     | 35,198     |
| Depletion of oil assets ** (note 12)                                            | 5,397,403  | 8,584,883  |
| Impairment of oil assets (note 13)                                              | 15,076,783 | -          |
| Intangible asset amortisation ** (note 11)                                      | 500,000    | 500,000    |
| Impairment of intangible assets ** (note 11)                                    | 12,534,158 | 3,190,671  |
| Loss on disposal of intangible assets (note 11)                                 | -          | 9,367,378  |
| Onerous contract provision                                                      | 6,492,271  | -          |
| Auditors' remuneration – audit of parent company and consolidation              | 27,500     | 27,500     |
| Auditors' remuneration – audit of subsidiaries                                  | 28,500     | 28,500     |
| Foreign exchange (gain) / loss                                                  | (711,862)  | 911,615    |
| Directors' remuneration (note 5)                                                | 1,364,595  | 1,433,572  |
| Employee costs (note 5)                                                         | 1,257,768  | 1,192,928  |
| Share based payments (notes 5 & 21)                                             | 58,433     | 591,979    |

\*\* These items are included within Cost of Sales in the Consolidated Statement of Comprehensive Loss

**9. TAX**

**Factors affecting the tax charge**

Trap Oil Group plc is a trading group but no liability to UK corporation tax arose on the ordinary activities for the year ended 31 December 2014 or for the year ended 31 December 2013 due to the losses incurred.

**Reconciliation of tax charge**

|                                                                                | 2014<br>£    | 2013<br>£    |
|--------------------------------------------------------------------------------|--------------|--------------|
| Loss before tax                                                                | (44,405,973) | (10,260,838) |
| Tax at the domestic rate of 20% (2013: 20%)                                    | (8,881,195)  | (2,052,167)  |
| Expenses not deductible for tax purposes and non-taxable income                | 7,867,214    | 3,782,285    |
| Deferred tax asset not recognised                                              | 1,013,981    | 65,695       |
| Utilisation of prior year trading losses                                       | -            | (1,795,813)  |
| Total tax expense reported in the Consolidated Statement of Comprehensive Loss | -            | -            |

The tax rate used is the small Company rate on the basis that when the losses are relieved it would be at this rate first. However the effect of the supplementary charge on ring fence profits can increase the effective rate of corporation tax to 62%.

The deferred tax asset has not been recognised in the Statement of Financial Position as it is currently not possible with any degree of certainty to calculate the value of this asset and the time scale over which the asset would be recovered. The Group has corporation tax retained losses at 31 December 2014 of £16m (2013: £9m).

**10. LOSS PER SHARE**

Basic loss per share is calculated by dividing the losses attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares. As a loss was recorded for the current and prior year, the issue of potential ordinary shares would have been anti dilutive (see note 21 for share options in place at the end of the year).

|                                            | Loss<br>attributable<br>to ordinary<br>shareholders<br>£ | Weighted<br>average<br>number<br>of<br>shares | Per share<br>amount<br>pence |
|--------------------------------------------|----------------------------------------------------------|-----------------------------------------------|------------------------------|
| <b>Year ended 31 December 2014</b>         |                                                          |                                               |                              |
| <b>Basic and Diluted EPS</b>               |                                                          |                                               |                              |
| Loss attributable to ordinary shareholders | (44,405,973)                                             | 227,169,331                                   | (19.55)                      |
| <b>Year ended 31 December 2013</b>         |                                                          |                                               |                              |
| <b>Basic and Diluted EPS</b>               |                                                          |                                               |                              |
| Loss attributable to ordinary shareholders | (10,540,435)                                             | 226,629,262                                   | (4.65)                       |

**TRAP OIL GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**11. INTANGIBLE ASSETS**

|                                 | Exploration<br>costs<br>£ | Data licence<br>costs<br>£ | Total<br>£          |
|---------------------------------|---------------------------|----------------------------|---------------------|
| <b>COST</b>                     |                           |                            |                     |
| At 1 January 2013               | 31,999,277                | 4,000,000                  | 35,999,277          |
| Additions                       | 4,189,222                 | -                          | 4,189,222           |
| Disposals                       | <u>(23,930,082)</u>       | <u>-</u>                   | <u>(23,930,082)</u> |
| At 31 December 2013             | <u>12,258,417</u>         | <u>4,000,000</u>           | <u>16,258,417</u>   |
| Additions                       | <u>1,648,607</u>          | <u>-</u>                   | <u>1,648,607</u>    |
| At 31 December 2014             | <u>13,907,024</u>         | <u>4,000,000</u>           | <u>17,907,024</u>   |
| <b>ACCUMULATED AMORTISATION</b> |                           |                            |                     |
| At 1 January 2013               | 6,806,097                 | 2,166,668                  | 8,972,765           |
| Charge for the year             | -                         | 500,000                    | 500,000             |
| Impairments                     | 3,190,671                 | -                          | 3,190,671           |
| Loss on disposal (note 6)       | 9,367,378                 | -                          | 9,367,378           |
| Disposal                        | <u>(19,362,079)</u>       | <u>-</u>                   | <u>(19,362,079)</u> |
| At 31 December 2013             | <u>2,067</u>              | <u>2,666,668</u>           | <u>2,668,735</u>    |
| Charge for the year             | -                         | 500,000                    | 500,000             |
| Impairments*                    | <u>12,534,158</u>         | <u>-</u>                   | <u>12,534,158</u>   |
| At 31 December 2014             | <u>12,536,225</u>         | <u>3,166,668</u>           | <u>15,702,893</u>   |
| <b>NET BOOK VALUE</b>           |                           |                            |                     |
| At 31 December 2014             | <u>1,370,799</u>          | <u>833,332</u>             | <u>2,204,131</u>    |
| At 31 December 2013             | <u>12,256,350</u>         | <u>1,333,332</u>           | <u>13,589,682</u>   |
| At 1 January 2013               | <u>25,193,180</u>         | <u>1,833,332</u>           | <u>27,026,512</u>   |

Assets and liabilities related to the exploration and evaluation of mineral resources other than those presented above are as follows:

|                                         | 2014<br>£ | 2013<br>£ |
|-----------------------------------------|-----------|-----------|
| Receivables from joint venture partners | 73,670    | 300,437   |
| Payable to subcontractors and operators | 1,870,695 | 697,606   |

Cash payments of £1,648,607 (2013: £4,189,222) have been incurred relating to exploration and evaluation activities.

Following completion of geotechnical evaluation activities, certain North Sea licences were declared unsuccessful and certain prospects were declared non-commercial. This resulted in the carrying value of these licences being fully written off to nil with £12.5m being expensed as Cost of Sale in the year to 31 December 2014. An economic assessment of all remaining assets was carried out at 31 December 2014 using Expected Monetary Value models to determine the fair values. Assumptions used in these models are summarised in note 13.

\* Impairments relate to the following licences included in Cost of sales in the Consolidated Statement of Comprehensive Loss:

|                     | £                 |
|---------------------|-------------------|
| Licence P1267       | 3,269,415         |
| Licence P1293       | 60,132            |
| Licence P1556       | 5,785,954         |
| Licence P1610       | 1,458             |
| Licence P1650       | 224               |
| Licence P1768       | 2,193,257         |
| Licence P1938       | 1,029,568         |
| Licence P2026       | 26,671            |
| Licence P2032       | 122,280           |
| Onshore exploration | 45,200            |
|                     | <u>12,534,159</u> |

**TRAP OIL GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**12. PROPERTY, PLANT AND EQUIPMENT**

|                                                   | Production<br>interests and<br>fields under<br>development<br>£ | Computer<br>and office<br>equipment<br>£ | Total<br>£  |
|---------------------------------------------------|-----------------------------------------------------------------|------------------------------------------|-------------|
| <b>COST</b>                                       |                                                                 |                                          |             |
| At 1 January 2013                                 | 28,965,772                                                      | 106,509                                  | 29,072,281  |
| Additions                                         | 174,243                                                         | 128,540                                  | 302,783     |
| Lybster reduction in site restoration obligations | (593,425)                                                       | -                                        | (593,425)   |
| Refund on purchase of Production interest         | (4,214,508)                                                     | -                                        | (4,214,508) |
| Athena insurance refund                           | (441,081)                                                       | -                                        | (441,081)   |
| Disposals                                         | (925,453)                                                       | -                                        | (925,453)   |
| At 31 December 2013                               | 22,965,548                                                      | 235,049                                  | 23,200,597  |
| Additions                                         | 6,339,479                                                       | 50,973                                   | 6,390,452   |
| At 31 December 2014                               | 29,305,027                                                      | 286,022                                  | 29,591,049  |
| <b>AMORTISATION, DEPLETION &amp; DEPRECIATION</b> |                                                                 |                                          |             |
| At 1 January 2013                                 | 940,027                                                         | 38,706                                   | 978,733     |
| Charge for the year                               | 8,584,883                                                       | 35,198                                   | 8,620,081   |
| Disposal                                          | (694,069)                                                       | -                                        | (694,069)   |
| At 31 December 2013                               | 8,830,841                                                       | 73,904                                   | 8,904,745   |
| Charge for the year                               | 5,397,403                                                       | 86,895                                   | 5,484,298   |
| Impairment charge for the year                    | 15,076,783                                                      | -                                        | 15,076,783  |
| At 31 December 2014                               | 29,305,027                                                      | 160,799                                  | 29,465,826  |
| <b>NET BOOK VALUE</b>                             |                                                                 |                                          |             |
| At 31 December 2014                               | -                                                               | 125,223                                  | 125,223     |
| At 31 December 2013                               | 14,134,707                                                      | 161,145                                  | 14,295,852  |
| At 1 January 2013                                 | 28,025,745                                                      | 67,803                                   | 28,093,548  |

The Refund on purchase of Production interest is an adjustment recognised on the completion of the acquisition of the Group's interest in the Athena field.

For amortisation, depletion and depreciation, the charge for Production interests & fields under development is included within Cost of sales in the Consolidated Statement of Comprehensive Loss and the charge for Computer and office equipment is included in Administrative expenses.

There are numerous uncertainties inherent in estimating reserves and assumptions that, whilst valid at the time of estimation, may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation rates, asset carrying values, and provisions for close down, restoration and environmental clean-up costs.

**13. IMPAIRMENTS**

|                                                    | 2014<br>£         | 2013<br>£        |
|----------------------------------------------------|-------------------|------------------|
| Production asset                                   | 15,076,783        | -                |
| Exploration assets                                 | 12,534,158        | 3,190,671        |
| Provision for onerous contract on production asset | 6,492,271         | -                |
|                                                    | <u>34,103,212</u> | <u>3,190,671</u> |

During 2014 the Group recorded an impairment charge of £15.1m on the Athena production licence which is included within Exceptional items in the consolidated statement of Comprehensive income. This impairment was driven mainly by the lower oil price leading to a decrease in the asset value.

For the impairment of property, plant and equipment and intangible oil and gas assets, fair value less costs of disposal are determined by discounting the post tax cash flows expected to be generated from oil and gas production net of selling costs taking into account assumptions that market participant would typically use in estimating fair value.

The Company provides for future losses on long-term contracts where it is considered that the contract costs are likely to exceed revenues in future periods. Onerous contract provisions totalling £6.5m have therefore been made for the fully written down Athena production asset.

The following assumptions were used in developing the cash flow model and applied over the expected life of the respective fields.

|                    | Discount<br>Rate | Oil Price | Exchange<br>Rate |
|--------------------|------------------|-----------|------------------|
| Production asset   | 7%               | \$60/bbl  | \$1.47/£1        |
| Exploration assets | 10%              | \$65/bbl  | \$1.5/£1         |

The recoverable amount of the exploration licences is £26.3m

**TRAP OIL GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**14. AVAILABLE FOR SALE INVESTMENT**

|                                                  | 2014<br>£   | 2013<br>£ |
|--------------------------------------------------|-------------|-----------|
| At 1 January                                     | 4,410,934   | -         |
| Additions                                        | -           | 4,690,531 |
| Disposals                                        | (4,410,934) | -         |
| Change in value of available for sale investment | -           | (279,597) |
| At 31 December                                   | -           | 4,410,934 |

The available for sale investment represented the Company's holding of shares in iGas Energy plc which were acquired in exchange for the Company's interest in a number of exploration licences and the production licences in 2013 and disposed of during the year.

During the year the following transactions occurred.

| Date     | Number sold | Cost<br>£ | Net Proceeds<br>£ | Gain/(loss)<br>£ |
|----------|-------------|-----------|-------------------|------------------|
| 07/05/14 | 1,800,000   | 2,067,225 | 2,334,149         | 266,924          |
| 22/09/14 | 200,000     | 229,692   | 188,028           | (41,664)         |
| 06/10/14 | 719,288     | 826,072   | 633,901           | (192,171)        |
| 17/10/14 | 887,040     | 1,018,728 | 672,376           | (346,353)        |
| 22/10/14 | 477,870     | 548,814   | 367,134           | (181,679)        |
|          | 4,084,198   | 4,690,531 | 4,195,588         | (494,943)        |

Transferred from Available for sale reserve 279,597

Net loss recognised in current year exceptional (215,346)

**15. INVENTORIES**

|                                 | 2014<br>£      | 2013<br>£        |
|---------------------------------|----------------|------------------|
| Oil inventories held for resale | <u>858,060</u> | <u>1,249,599</u> |

**16. TRADE AND OTHER RECEIVABLES**

|                         | 2014<br>£         | 2013<br>£        |
|-------------------------|-------------------|------------------|
| Current:                |                   |                  |
| Trade receivables (net) | 1,546,111         | 1,889,804        |
| Other receivables       | 1,549,085         | 2,951,438        |
| Deposits                | 6,556,494         | -                |
| Value added tax         | 87,093            | 188,535          |
| Prepayments             | <u>287,923</u>    | <u>426,946</u>   |
|                         | <u>10,026,706</u> | <u>5,456,723</u> |

The Directors consider that the carrying amount of Trade and other receivables approximates their fair value.

Included within Deposits is £3,710,000 for the expected decommissioning and site restoration costs of the Athena field and £2,846,494 in relation to the drillings costs of the Niobe prospect which is due to be drilled in Q2 2015.

**17. CASH AND CASH EQUIVALENTS**

|                                                   | 2014<br>£        | 2013<br>£         |
|---------------------------------------------------|------------------|-------------------|
| Unrestricted cash in bank accounts                | 7,074,282        | 16,088,908        |
| Restricted cash in escrow bank accounts (note 22) | <u>350,000</u>   | <u>350,000</u>    |
|                                                   | <u>7,424,282</u> | <u>16,438,908</u> |

The restricted cash relates to amounts held in escrow as security for possible future liabilities to third parties.

**18. CALLED UP SHARE CAPITAL**

| Issued and fully paid:<br>Number:  | Class    | Nominal<br>value | 2014<br>£        | 2013<br>£        |
|------------------------------------|----------|------------------|------------------|------------------|
| 227,169,331<br>(2013: 227,169,331) | Ordinary | 1p               | <u>2,271,693</u> | <u>2,271,693</u> |

**TRAP OIL GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**19. TRADE AND OTHER PAYABLES**

|                              | 2014<br>£        | 2013<br>£        |
|------------------------------|------------------|------------------|
| Current:                     |                  |                  |
| Trade payables               | 1,306,606        | 401,078          |
| Accrued expenses             | 679,332          | 261,057          |
| Other payables               | 2,175,864        | 2,779,655        |
| Taxation and Social Security | -                | 262,454          |
|                              | <u>4,161,802</u> | <u>3,704,244</u> |
| Non-current:                 |                  |                  |
| Other payables               | <u>1,218,845</u> | <u>1,676,078</u> |
| Aggregate amounts            | <u>5,380,647</u> | <u>5,380,322</u> |

Included in Non-current: Other payables is £827,273 (2013: £1,300,000) and capitalised interest of £391,571 (2013: £374,426) which relates to the consideration for the data licence obtained from CGG Services (UK) Limited, capitalised under Intangible Assets. The term of the licence is eight years and the final liability is due on expiry of the licence in August 2016. On the first two success fees that were obtained from using the data from the licence, £350,000 each has been paid as part of the consideration. In 2014 the Group repaid £472,727 (2013 - £1,118,000) of the loan. The outstanding balance is payable in equal quarterly instalments during the licence term and will attract interest at LIBOR plus 1 per cent. per annum. The accrued interest will be paid at the end of the licence term

The Directors consider that the carrying amount of Trade and other payables approximates their fair value.

**20. PROVISIONS FOR LIABILITIES AND CHARGES**

|                                                | Onerous<br>Contracts<br>(Athena)<br>£ | Decommissioning<br>and site<br>restoration<br>£ | Total<br>£        |
|------------------------------------------------|---------------------------------------|-------------------------------------------------|-------------------|
| At 1 January 2013                              |                                       | 5,176,396                                       | 5,176,396         |
| Lybster site restoration obligation adjustment | -                                     | (593,425)                                       | (593,425)         |
| Disposal of Lybster (note 25)                  | -                                     | (106,575)                                       | (106,575)         |
| Unwinding of discount                          | -                                     | 186,516                                         | 186,516           |
| At 1 January 2014                              | -                                     | 4,662,912                                       | 4,662,912         |
| Increase in Athena provision                   | -                                     | 2,800,213                                       | 2,800,213         |
| Unwinding of discount                          | -                                     | 251,435                                         | 251,435           |
| New provision for Onerous Contract (note 13)   | 6,492,271                             | -                                               | 6,492,271         |
|                                                | <u>6,492,271</u>                      | <u>7,714,560</u>                                | <u>14,206,831</u> |

The Group recognises decommissioning and site restoration provisions in relation to Production interests. The provisions are based on the discounted net present value of the assessment of the obligation to decommission assets in place at the reporting date, discounted at 4 per cent. The provision has increased by £2,800,213 in the year following a review of the expected decommissioning costs. The provision will increase as additional infrastructure is installed, as needed, and will be settled on the actual decommissioning of fields. The closing provision relates to the Athena producing asset. It is expected that the decommissioning work will start after production has ceased. Production is expected to cease within 2016. During the year £3.5m of the expected liability has been paid to Athena with another £1.3m coming due during 2015.

**21. SHARE BASED PAYMENTS**

The Group operates a number of share option schemes. Options are exercisable at the prices set out in the table below. Options are forfeited if the employee leaves the Group through resignation or dismissal before the options vest.

Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the date of grant of equity settled share based payments is expensed on a straight line basis over the vesting period, based upon the Group's estimate of shares that will eventually vest.

The total expense included within the operating results in respect of equity based share based payments was £58,433 (2013: £591,979).

**TRAP OIL GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**21. SHARE BASED PAYMENTS continued**

The Group share option schemes are for Directors, Officers and employees and details of outstanding options are set out in the table below:

| Date Of Grant                                                                                          | Exercise price<br>pence | Vesting date | Expiry date | No. of shares<br>for which<br>options<br>outstanding at<br>1 Jan 2014 | Options<br>granted during<br>the year | Options<br>lapsed during<br>the year | No. of shares<br>for which<br>options<br>outstanding at<br>31 Dec 2014 |
|--------------------------------------------------------------------------------------------------------|-------------------------|--------------|-------------|-----------------------------------------------------------------------|---------------------------------------|--------------------------------------|------------------------------------------------------------------------|
| <b>Pre IPO Options</b>                                                                                 |                         |              |             |                                                                       |                                       |                                      |                                                                        |
| March 2011                                                                                             | 1.00                    | Vested       | Mar 2021    | 2,413,836                                                             | -                                     | -                                    | 2,413,836                                                              |
| <b>Under the Trap Oil Group plc Unapproved Share Option Plan 2011 and Individual Option Agreements</b> |                         |              |             |                                                                       |                                       |                                      |                                                                        |
| Mar 2011                                                                                               | 43.00                   | Vested       | Mar 2021    | 2,505,813                                                             | -                                     | (1,183,605)                          | 1,322,208                                                              |
| Mar 2011                                                                                               | 43.00                   | Mar 2013     | Mar 2021    | 1,168,605                                                             | -                                     | (488,373)                            | 680,232                                                                |
| Mar 2011                                                                                               | 43.00                   | Mar 2014     | Mar 2021    | 1,744,186                                                             | -                                     | (1,063,954)                          | 680,232                                                                |
| Jul 2011                                                                                               | 43.00                   | Jul 2011     | Jul 2021    | 139,535                                                               | -                                     | (139,535)                            | -                                                                      |
| Jul 2011                                                                                               | 43.00                   | Jul 2012     | Jul 2021    | 155,038                                                               | -                                     | (155,038)                            | -                                                                      |
| Jul 2011                                                                                               | 43.00                   | Jul 2013     | Jul 2021    | 155,039                                                               | -                                     | (155,039)                            | -                                                                      |
| Jul 2011                                                                                               | 43.00                   | Jul 2014     | Jul 2021    | 155,039                                                               | -                                     | (155,039)                            | -                                                                      |
| Dec 2011                                                                                               | 27.12                   | Dec 2012     | Dec 2021    | 122,166                                                               | -                                     | 42,834                               | 165,000                                                                |
| Dec 2011                                                                                               | 27.12                   | Dec 2013     | Dec 2021    | 1,056,667                                                             | -                                     | (891,667)                            | 165,000                                                                |
| Dec 2011                                                                                               | 27.12                   | Dec 2014     | Dec 2021    | 1,056,667                                                             | -                                     | (756,667)                            | 300,000                                                                |
| May 2013                                                                                               | 15.00                   | May 2013     | May 2023    | 2,183,336                                                             | -                                     | (1,100,003)                          | 1,083,333                                                              |
| May 2013                                                                                               | 15.00                   | May 2014     | May 2023    | 2,183,333                                                             | -                                     | (1,100,000)                          | 1,083,333                                                              |
| May 2013                                                                                               | 15.00                   | May 2015     | May 2023    | 2,183,331                                                             | -                                     | (1,099,997)                          | 1,083,334                                                              |
| <b>Total</b>                                                                                           |                         |              |             |                                                                       |                                       |                                      | <b>8,976,508</b>                                                       |

During the year no options were exercised or granted.

Out of the 8,976,508 outstanding options (2013: 17,222,591), 7,893,174 (2013: 9,048,329) were exercisable. The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was 6.35p per option. The significant inputs into the model were the mid market share price on the day of grant or 1p exercise price as shown above and an annual risk-free interest rate of 1.1 per cent. The volatility measured at the standard deviation of continuously compounded share returns is based on a statistical analysis of daily share prices from the date of admission to AIM to the date of grant on an annualised basis.

**22. GUARANTEES**

In connection with the acquisition of an interest in the Athena oil field in 2012, Trap Oil Group plc entered into Parent Company Guarantees in favour of:

BW Offshore (UK) Limited – a guarantee for the purpose of providing security to BW Offshore (UK) Limited in relation to the obligations of Trap Oil Limited in respect of a Contract for the Provision and Operation of a Floating Production, Storage and Offloading Vessel for the Athena Field Development dated 8 September 2010 with Ithaca Energy (UK) Limited.

EWE Vertrieb GmbH – an undertaking for the purpose of providing security to EWE Vertrieb GmbH in relation to the obligations of Trap Oil Limited in respect of the Joint Operating Agreement and certain other agreements related to the Athena Oil Field dated 12 February 2007.

In addition, a letter of credit was established on 20 December 2012 for £350,000 in favour of Ithaca Energy (UK) Limited as security for anticipated obligations under the Athena field Joint Operating Agreement. In 2013, the letter of credit was replaced by funds placed in Escrow (note 17).

During the year the group assigned its lease of 35 King Street to a third party. However, the group is still acting as Authorised Guarantor for all liabilities of the assignee in relation to the lease agreement.

**23. COMMITMENTS**

|                                             | <b>Capital Commitments</b> |                  | <b>Operating leases</b> |                |
|---------------------------------------------|----------------------------|------------------|-------------------------|----------------|
|                                             | 2014<br>£                  | 2013<br>£        | 2014<br>£               | 2013<br>£      |
| No later than 1 year                        | 4,600,000                  | 3,700,000        | -                       | -              |
| Later than 1 year and no later than 5 years | -                          | 1,790,000        | 82,500                  | 631,632        |
| Later than 5 years                          | -                          | -                | -                       | -              |
|                                             | <b>4,600,000</b>           | <b>5,490,000</b> | <b>82,500</b>           | <b>631,632</b> |

The Group has an expected commitment to the decommissioning and site restoration costs relating to the Athena field. The latest estimates of the Group's share of these costs is £8.2m in 2016. The present value of this commitment is £7.7m (note 20). During the year the group paid £3.7m towards this liability which is shown within Trade and Other Receivables (note 16). The Group is committed to pay a further £1.3m during 2015.

**TRAP OIL GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

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**23. COMMITMENTS - continued**

£2.0m of the current capital commitments relate to a Trap's share of the \$20m one off payment due to BW Offshore for the revision of the initial FPSO agreement. This will be payable in July 2015.

The Group leases an office under a non-cancellable operating lease agreement. The lease term is 12 months and is renewable at the end of the lease period at market rate.

**24. RELATED PARTY DISCLOSURES AND ULTIMATE CONTROLLING PARTY**

During the year Trap Oil Group plc made loans available to wholly owned subsidiaries. The balances outstanding at the end of the year are Predator Oil Limited £7,595 (2013: £7,524), Trap Oil Limited £36,403,124 (2013: £34,744,528), Trap Oil & Gas Limited £85,743 (2013: £85,671), Trap Petroleum Limited £149,254 (2013: £149,183) and Trap Exploration (UK) Limited £16,274 (2013: £16,202), however given the doubt over the ability of the subsidiaries to continue as going concerns, the intercompany receivable balances have been impaired to nil at the year end. During the year the Company also made sales to Trap Oil Limited amounting to £4,059,439 (2013: £4,189,746).

The Group and Company do not have an ultimate controlling party, or parent Company.

At the end of the year £519,638 was owed to a number of directors and is included in Trade and other payables.

**25. CAITHNESS OIL LIMITED**

On 9 September 2013, the Company announced that it had entered into binding heads of agreement with Caithness Oil Limited, its parent Company, Caithness Petroleum Limited and IGas Energy plc, the effect of which was to dispose of its interests in the Knockinnon and Lybster prospects and certain other assets to Caithness Oil Limited. The legal agreements were conditional on, *inter alia*, IGas Energy plc completing its proposed conditional acquisition of the entire issued share capital of Caithness Oil Limited from Caithness Petroleum Limited.

The total consideration payable by Caithness Petroleum Limited to the Group on completion of the acquisition was US\$7.5m to be satisfied via the allotment or transfer of 4,177,011 fully paid ordinary shares of 10p each in the capital of IGas Energy plc. The initial share price was derived from the weighted average quoted price on the 30 days prior to 6 September 2013 as per the sale and purchase agreement. The shares were been treated as an Available for sale investment and were revalued at the year end to their market price. This has resulted in an impairment charge of £279,597 which has been charged to the Available for sale investment reserve within the Statement of Changes in Equity.

The Group agreed not to dispose of US\$4m of the shares for a period of three months from the date of allotment or transfer and in the three month period thereafter only in accordance with the reasonable requirements of IGas Energy plc and its broker. The balance of the shares could be sold by the Group following completion in accordance with certain orderly market provisions.

The Group's licence interests that were sold were:

- A 70 per cent. interest in Licence P.1270 Block 11/24 Knockinnon Sub Area
- A 35 per cent. interest in Licence P.1270 Block 11/24 Lybster Sub Area
- A 35 per cent. interest in Licence PEDL 158 Blocks ND/1a, 2a, 12, 13a, 23a and 33a

In addition, the Group will also released Caithness Oil Limited from certain obligations due to Trap Oil Limited in respect of Licence P.1270, Block 11/24 Forse Sub Area.

The gross consideration was reduced by 98,784 fully paid ordinary shares of 10p each in the capital of IGas Energy plc. to cover outstanding Lybster field costs prior to 31 July 2013 of £108,855 owed by Trap to Caithness. This resulted in a final consideration of 4,084,198 fully paid ordinary shares of 10p each in the capital of IGas Energy plc.

**Financial impact**

The carrying values of the assets relevant to this transaction are included in note 11, Exploration costs are: Licence P.1270 Block 11/24 Knockinnon £13.8m and Licence PEDL158 ND/1a, 2a, 12, 13a, 23a and 33a £0.1m. The carrying value of the asset relevant to this transaction is included in note 12, Production interests and fields under development for Licence P.1270 Block 11/24 Lybster is £0.1m (note 20).

Completion of the proposed disposal resulted in a net loss on disposal for the Group in respect of the licence interests of £9m, reflecting aggregate carrying value of approximately £14m less US\$7.5m (approximately £5m) in IGas Energy plc shares (at the prevailing USD/GBP exchange rate). The loss on disposal has been disclosed as an exceptional item within the Statement of Comprehensive Loss (note 6).

**TRAP OIL GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**

**RECONCILIATION OF LOSS BEFORE TAX TO CASH USED IN OPERATIONS**

|                                                       | 2014<br>£               | 2013<br>£               |
|-------------------------------------------------------|-------------------------|-------------------------|
| Loss for the year before tax                          | (44,405,973)            | (10,260,838)            |
| Adjusted for:                                         |                         |                         |
| Amortisation, impairments, depletion and depreciation | 33,595,239              | 21,571,555              |
| Onerous contract provision                            | 6,492,271               | -                       |
| Loss on disposal of available for sale assets         | 215,346                 | -                       |
| Share based payments (net)                            | 58,433                  | 591,979                 |
| Finance costs                                         | 240,567                 | 1,067,948               |
| Finance income                                        | (19,029)                | (31,667)                |
| Other payables                                        | -                       | -                       |
|                                                       | <u>(3,823,146)</u>      | <u>12,938,977</u>       |
| Decrease/(Increase) in inventories                    | 391,539                 | (1,249,598)             |
| Decrease/(Increase) in trade and other receivables    | 1,986,512               | (4,181,412)             |
| Increase in trade and other payables                  | <u>473,052</u>          | <u>1,096,991</u>        |
| <b>Cash (used in)/generated from operations</b>       | <u><b>(972,043)</b></u> | <u><b>8,604,958</b></u> |

**27. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of Cash and cash equivalents are in respect of these statements of financial position amounts:

**Year ended 2014**

|                           | 31 Dec 2014<br>£ | 1 Jan 2014<br>£   |
|---------------------------|------------------|-------------------|
| Cash and cash equivalents | <u>7,074,282</u> | <u>16,088,908</u> |

**Year ended 2013**

|                           | 31 Dec 2013<br>£  | 1 Jan 2013<br>£  |
|---------------------------|-------------------|------------------|
| Cash and cash equivalents | <u>16,088,908</u> | <u>9,275,542</u> |

|                           | Analysis of net cash     |                           |                         |
|---------------------------|--------------------------|---------------------------|-------------------------|
|                           | At 1 Jan 2014<br>£       | cash flow<br>£            | At 31 Dec 2014<br>£     |
| Cash and cash equivalents | <u>16,088,908</u>        | <u>(9,014,626)</u>        | <u>7,074,282</u>        |
| <b>Net cash</b>           | <u><b>16,088,908</b></u> | <u><b>(9,014,626)</b></u> | <u><b>7,074,282</b></u> |

**28. AVAILABILITY OF THE ANNUAL REPORT 2014**

A copy of these results will be made available for inspection at the Company's registered office during normal business hours on any weekday. The Company's registered office is at 10 The Triangle, ng2 Business Park, Nottingham NG2 1AE. A copy can also be downloaded from the Company's website at [www.trapoil.com](http://www.trapoil.com). Trap Oil Group plc is registered in England and Wales with registration number 7503957.

**TRAP OIL GROUP PLC  
INDEPENDENT AUDITORS' REPORT  
YEAR ENDED 31 DECEMBER 2014**

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Independent Auditors' report to the members of Trap Oil Group plc.

**Report on the Parent Company financial statements**

**Our opinion**

In our opinion, Trap Oil Group plc's company financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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 disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The directors recognise that the company has insufficient financial resources to continue in operation other than in the short term in the absence of additional funding. The directors, in conjunction with the company's advisers, are therefore continuing to urgently assess a number of potential funding sources, including the potential disposal of certain of the group's licence interests. The directors believe that the company currently only has adequate working capital to support its activities until around July 2015. They believe that there is a reasonable future prospect for the group that drilling the Niobe prospect will be successful. In addition they are actively having conversations to seek additional shareholder support to secure further funding. However, there is uncertainty both as to the commercial viability of the Niobe prospect and the ability to secure further funding. These conditions indicate the existence of a material uncertainty which may cast significant 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.

**What we have audited**

Trap Oil Group plc's financial statements comprise:

- the company statement of financial position as at 31 December 2014;
- the company statement of cash flows for the year then ended;
- the company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Other matters on which we are required to report by exception**

**Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
  - adequate accounting records have not been kept by the company, 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.
- We have no exceptions to report arising from this responsibility.

**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 16, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**TRAP OIL GROUP PLC**  
**INDEPENDENT AUDITORS' REPORT - continued**  
**YEAR ENDED 31 DECEMBER 2014**

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**What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
  - the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Other matter**

We have reported separately on the group financial statements of Trap Oil Group plc for the year ended 31 December 2014. That report includes an *emphasis of matter*.



**Richard Spilsbury** (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Aberdeen  
23 April 2015

TRAP OIL GROUP PLC  
COMPANY STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014

|                                     | Note | 2014<br>£               | 2013<br>£                |
|-------------------------------------|------|-------------------------|--------------------------|
| <b>NON-CURRENT ASSETS</b>           |      |                         |                          |
| Property, plant and equipment       | 3    | 112,735                 | 154,098                  |
| Investments                         | 4    | <u>-</u>                | <u>9,998</u>             |
|                                     |      | <u>112,735</u>          | <u>164,096</u>           |
| <b>CURRENT ASSETS</b>               |      |                         |                          |
| Trade and other receivables         | 5    | 554,291                 | 35,753,717               |
| Cash and cash equivalents           | 6    | <u>1,806,896</u>        | <u>3,286,223</u>         |
|                                     |      | <u>2,361,187</u>        | <u>39,039,940</u>        |
| <b>TOTAL ASSETS</b>                 |      | <u><b>2,473,922</b></u> | <u><b>39,204,036</b></u> |
| <b>EQUITY</b>                       |      |                         |                          |
| Called up share capital             | 7    | 2,271,693               | 2,271,693                |
| Share premium account               |      | 68,321,083              | 68,321,083               |
| Share options reserve               |      | 1,786,420               | 2,575,467                |
| Accumulated losses                  |      | <u>(70,718,116)</u>     | <u>(34,442,284)</u>      |
| <b>TOTAL EQUITY</b>                 |      | <u><b>1,661,080</b></u> | <u><b>38,725,959</b></u> |
| <b>LIABILITIES</b>                  |      |                         |                          |
| <b>NON-CURRENT LIABILITIES</b>      |      |                         |                          |
| Trade and other payables            | 8    | <u>812,842</u>          | <u>478,077</u>           |
| <b>TOTAL LIABILITIES</b>            |      | <u><b>812,842</b></u>   | <u><b>478,077</b></u>    |
| <b>TOTAL EQUITY AND LIABILITIES</b> |      | <u><b>2,473,922</b></u> | <u><b>39,204,036</b></u> |

The financial statements on pages 40 to 46 were approved by the Board of Directors and authorised for issue on 23 April 2015. They were signed on its behalf by S J Richardson Brown – Finance Director.

Company Registration Number: 07503957



The notes on pages 43 to 46 are an integral part of these financial statements

**TRAP OIL GROUP PLC**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

|                                                 | Called up<br>share<br>capital<br>£ | Share<br>premium<br>account<br>£ | Share<br>options<br>reserve<br>£ | Accumulated<br>losses<br>£ | Total<br>equity<br>£    |
|-------------------------------------------------|------------------------------------|----------------------------------|----------------------------------|----------------------------|-------------------------|
| <b>At 1 January 2013</b>                        | 2,259,104                          | 68,101,922                       | 2,341,639                        | (2,013,014)                | 70,689,651              |
| Total comprehensive loss and loss for the year  | -                                  | -                                | -                                | (32,568,260)               | (32,568,260)            |
| Issue of share capital                          | 12,589                             | 219,161                          | (219,161)                        | -                          | 12,589                  |
| Lapsed options                                  | -                                  | -                                | (138,990)                        | 138,990                    | -                       |
| Transactions with owners (share based payments) | -                                  | -                                | 591,979                          | -                          | 591,979                 |
| <b>At 31 December 2013</b>                      | <u>2,271,693</u>                   | <u>68,321,083</u>                | <u>2,575,467</u>                 | <u>(34,442,284)</u>        | <u>38,725,959</u>       |
| Total comprehensive loss and loss for the year  | -                                  | -                                | -                                | (37,123,312)               | (37,123,312)            |
| Lapsed options                                  | -                                  | -                                | (847,480)                        | 847,480                    | -                       |
| Transactions with owners (share based payments) | -                                  | -                                | 58,433                           | -                          | 58,433                  |
| <b>At 31 December 2014</b>                      | <u><u>2,271,693</u></u>            | <u><u>68,321,083</u></u>         | <u><u>1,786,420</u></u>          | <u><u>(70,718,116)</u></u> | <u><u>1,661,080</u></u> |

The notes on pages 43 to 46 are an integral part of these financial statements

**TRAP OIL GROUP PLC**  
**COMPANY STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

|                                                        | Note | 2014<br>£               | 2013<br>£               |
|--------------------------------------------------------|------|-------------------------|-------------------------|
| <b>Cash flows from operating activities</b>            |      |                         |                         |
| Cash generated from operations                         | 11   | 176,298                 | 642,150                 |
| Interest paid                                          |      | -                       | (59,162)                |
| Net cash generated from operating activities           |      | <u>176,298</u>          | <u>582,988</u>          |
| <b>Cash flows from investing activities</b>            |      |                         |                         |
| Purchase of property, plant and equipment              | 3    | (36,924)                | (128,540)               |
| Interest received                                      |      | <u>40,181</u>           | <u>29,030</u>           |
| Net cash generated from/(used in) investing activities |      | <u>3,257</u>            | <u>(99,510)</u>         |
| <b>Cash flows from financing activities</b>            |      |                         |                         |
| Proceeds from share issue                              |      | -                       | 12,589                  |
| G E Capital finance charges                            |      | -                       | (819,028)               |
| Loans to subsidiary companies                          |      | <u>(1,658,882)</u>      | <u>(5,073,471)</u>      |
| Net cash used in financing activities                  |      | <u>(1,658,882)</u>      | <u>(5,879,910)</u>      |
| <b>Decrease in cash and cash equivalents</b>           | 11   | <b>(1,479,327)</b>      | <b>(5,396,432)</b>      |
| <b>Cash and cash equivalents at beginning of year</b>  | 11   | <b><u>3,286,223</u></b> | <b><u>8,682,655</u></b> |
| <b>Cash and cash equivalents at end of year</b>        | 11   | <b><u>1,806,896</u></b> | <b><u>3,286,223</u></b> |

The notes on pages 43 to 46 are an integral part of these financial statements

**TRAP OIL GROUP PLC**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**1. SIGNIFICANT ACCOUNTING POLICIES**

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

These financial statements have been prepared under the historic cost convention modified for fair values, in accordance with International Financial Reporting Standards and IFRSIC interpretations as adopted by the European Union ("IFRSs") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis. The principal accounting policies adopted are consistent with those set out in note 2 to the consolidated financial statements. The financial risk management for the Company is consistent with those set out in note 4 to the consolidated financial statements.

Investments in subsidiaries are stated at cost less, and where appropriate, provisions for impairment

**2. LOSS OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Loss of the parent Company is not presented as part of these financial statements.

The parent Company's loss for the year was £37,123,312 (2013: £32,568,260).

**3. PROPERTY, PLANT AND EQUIPMENT**

|                                 | <b>Office<br/>equipment<br/>£</b> |
|---------------------------------|-----------------------------------|
| <b>COST</b>                     |                                   |
| At 1 January 2013               | 89,565                            |
| Additions                       | <u>128,540</u>                    |
| At 31 December 2013             | <u>218,105</u>                    |
| Additions                       | <u>36,924</u>                     |
| At 31 December 2014             | <u><b>255,029</b></u>             |
| <b>ACCUMULATED DEPRECIATION</b> |                                   |
| At 1 January 2013               | 33,571                            |
| Charge for the year             | <u>30,436</u>                     |
| At 31 December 2013             | <u>64,007</u>                     |
| Charge for the year             | <u>78,287</u>                     |
| At 31 December 2014             | <u><b>142,294</b></u>             |
| <b>NET BOOK VALUE</b>           |                                   |
| At 31 December 2014             | <u><b>112,735</b></u>             |
| At 31 December 2013             | <u><b>154,098</b></u>             |
| At 1 January 2013               | <u><b>55,994</b></u>              |

**TRAP OIL GROUP PLC**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**4. INVESTMENTS**

**Shares in  
Group  
undertakings  
£**

|                     |                |
|---------------------|----------------|
| At 1 January 2014   | 9,998          |
| Impairments         | <u>(9,998)</u> |
| At 31 December 2014 | <u>-</u>       |

Investments in subsidiaries are stated at cost. At 31 December 2014, the Company's subsidiary undertakings, all of which are registered and incorporated in the United Kingdom, and included in the consolidated Group financial information were:

Predator Oil Limited - 100% Ordinary A shares and 100% Ordinary shares  
Trap Oil Limited - 100% Ordinary shares  
Trap Oil & Gas Limited - 100% Ordinary shares  
Trap Exploration (UK) Limited - 100% Ordinary shares  
Trap Petroleum Limited - 100% Ordinary shares

The principal activities of all of the subsidiary entities relate to oil and gas exploration, appraisal, development and production. The investments were recorded at cost.

**5. TRADE AND OTHER RECEIVABLES**

|                                    | 2014<br>£      | 2013<br>£         |
|------------------------------------|----------------|-------------------|
| Current:                           |                |                   |
| Amounts owed by Group undertakings | -              | 35,003,108        |
| Other receivables                  | 264,629        | 244,108           |
| Value Added Tax                    | 78,256         | 181,440           |
| Prepayments                        | <u>211,406</u> | <u>325,061</u>    |
|                                    | <u>554,291</u> | <u>35,753,717</u> |

Amounts shown as Current: Amounts owed by Group undertakings are repayable on demand.

**6. CASH AND CASH EQUIVALENTS**

|              | 2014<br>£        | 2013<br>£        |
|--------------|------------------|------------------|
| Cash at bank | <u>1,806,896</u> | <u>3,286,223</u> |

**7. CALLED UP SHARE CAPITAL**

Issued and fully paid:

| Number:             | Class    | Nominal<br>Value | 2014<br>£        | 2013<br>£        |
|---------------------|----------|------------------|------------------|------------------|
| 227,169,331         | Ordinary | 1p               | <u>2,271,693</u> | <u>2,271,693</u> |
| (2013: 227,169,331) |          |                  |                  |                  |

During the prior year 1,258,914 ordinary shares were issued which raised £12,589 (gross and net proceeds) in additional capital.

**TRAP OIL GROUP PLC**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**8. TRADE AND OTHER PAYABLES**

|                  | 2014<br>£      | 2013<br>£      |
|------------------|----------------|----------------|
| Current:         |                |                |
| Trade payables   | 120,788        | 45,477         |
| Other payables   | 35,227         | 273,357        |
| Accrued expenses | 656,827        | 159,243        |
|                  | <u>812,842</u> | <u>478,077</u> |

**9. RELATED PARTY DISCLOSURES AND ULTIMATE CONTROLLING PARTY**

During the year Trap Oil Group plc made loans available to wholly owned subsidiaries. The balances outstanding at the end of the year are Predator Oil Limited £7,595 (2013: £7,524), Trap Oil Limited £36,403,124 (2013: £34,744,528), Trap Oil & Gas Limited £85,743 (2013: £85,671), Trap Petroleum Limited £149,254 (2013: £149,183) and Trap Exploration (UK) Limited £16,274 (2013: £16,202), however given the doubt over the ability of the subsidiaries to continue as going concerns, the intercompany receivable balances have been impaired to nil at the year end. During the year the Company also made sales to Trap Oil Limited amounting to £4,059,439 (2013: £4,189,746).

The Group and Company do not have an ultimate controlling party, or parent Company.

**10. GUARANTEES**

In connection with the acquisition of the Athena oil field by Trap Oil Limited, Trap Oil Group plc has entered into Parent Company Guarantees in favour of:

BW Offshore (UK) Limited - a guarantee for the purpose of providing security to BW Offshore (UK) Limited in relation to the obligations of Trap Oil Limited in respect of a Contract for the Provision and Operation of a Floating Production, Storage and Offloading Vessel for the Athena Field Development dated 8 September 2010 with Ithaca Energy (UK) Limited.

EWE Vertrieb GmbH - an undertaking for the purpose of providing security to EWE Vertrieb GmbH in relation to the obligations of Trap Oil Limited in respect of the Joint Operating Agreement and certain other agreements related to the Athena Oil Field dated 12 February 2007.

**11. NOTES TO THE COMPANY STATEMENT OF CASH FLOWS**

**RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

|                                                      | 2014<br>£        | 2013<br>£      |
|------------------------------------------------------|------------------|----------------|
| Loss for the year before tax                         | (37,123,312)     | (32,568,260)   |
| Adjusted for:                                        |                  |                |
| Depreciation charge (note 3)                         | 78,287           | 30,436         |
| Impairment of investment in subsidiaries (note 4)    | 9,998            | 31,932,634     |
| Impairment of receivables from subsidiaries (note 9) | 36,661,990       | -              |
| Share based payments (net)                           | 58,433           | 591,979        |
| Finance income                                       | (109,671)        | (98,519)       |
| Finance costs                                        | -                | 878,190        |
|                                                      | <u>(424,275)</u> | <u>766,460</u> |
| Decrease/(Increase) in receivables (note 5)          | 265,808          | (376,436)      |
| Increase in trade and other payables (note 8)        | 334,765          | 252,126        |
| <b>Cash generated from operations</b>                | <u>176,298</u>   | <u>642,150</u> |

**TRAP OIL GROUP PLC**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS - continued**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**11. NOTES TO THE COMPANY STATEMENT OF CASH FLOWS - continued**

**CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of Cash and cash equivalents are in respect of these statements of financial position amounts:

**Year ended 2014**

|                           | <b>31 Dec 2014</b>      | <b>1 Jan 2014</b>       |
|---------------------------|-------------------------|-------------------------|
|                           | <b>£</b>                | <b>£</b>                |
| Cash and cash equivalents | <u><b>1,806,896</b></u> | <u><b>3,286,223</b></u> |

**Year ended 2013**

|                           | <b>31 Dec 2013</b>      | <b>1 Jan 2013</b>       |
|---------------------------|-------------------------|-------------------------|
|                           | <b>£</b>                | <b>£</b>                |
| Cash and cash equivalents | <u><b>3,286,223</b></u> | <u><b>8,682,655</b></u> |

|                           | <b>Analysis of net cash</b> |                           |                         |
|---------------------------|-----------------------------|---------------------------|-------------------------|
|                           | <b>At 1 Jan 2014</b>        | <b>Cash flow</b>          | <b>At 31 Dec 2014</b>   |
|                           | <b>£</b>                    | <b>£</b>                  | <b>£</b>                |
| Cash and cash equivalents | <u><b>3,286,223</b></u>     | <u><b>(1,479,327)</b></u> | <u><b>1,806,896</b></u> |
| <b>Net cash</b>           | <u><b>3,286,223</b></u>     | <u><b>(1,479,327)</b></u> | <u><b>1,806,896</b></u> |