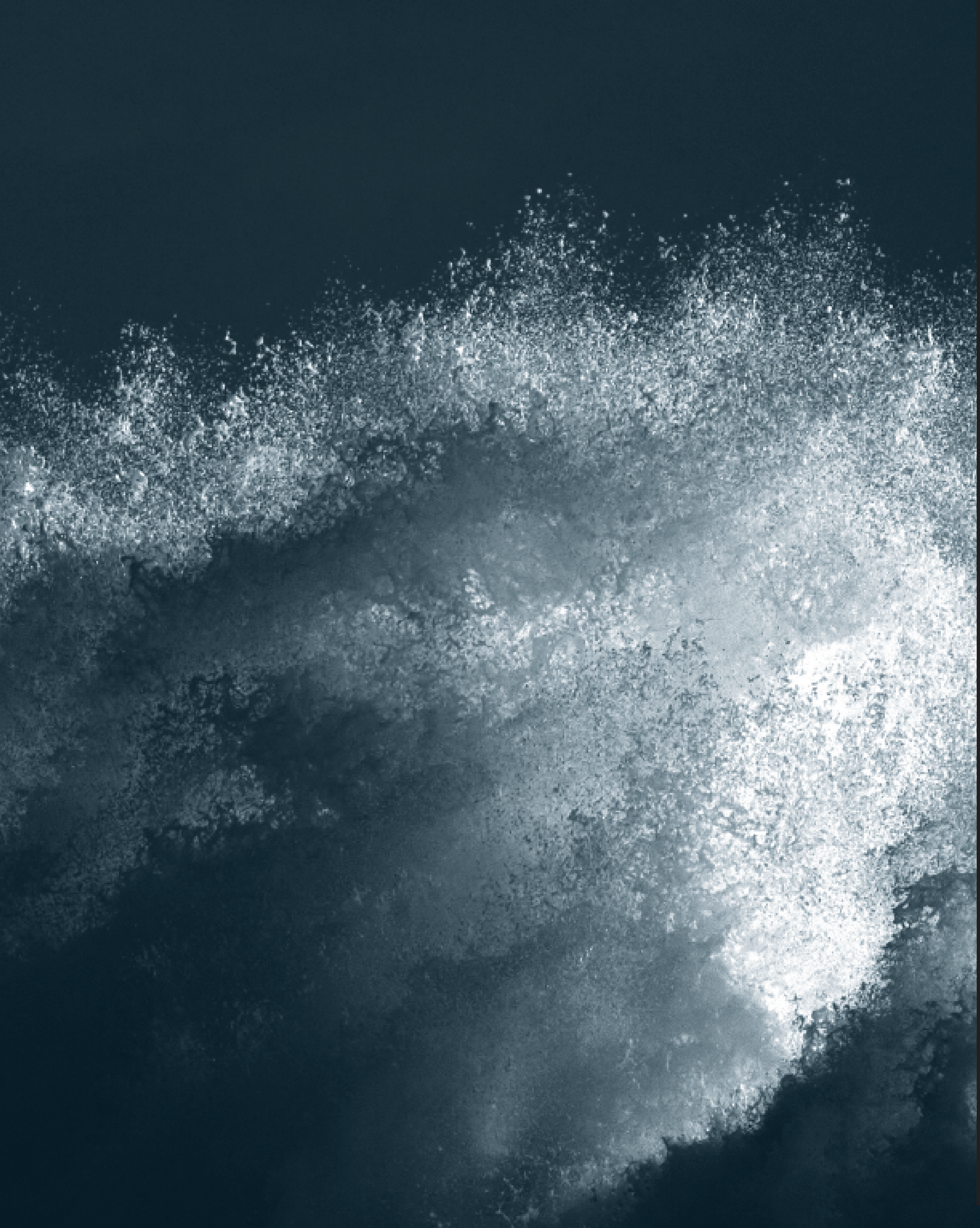
Trapoil
Unlocking potential

Annual Report and Financial Statements 2011

Becoming the most active exploration company in the North Sea

Trap Oil Group plc

Annual Report &
Financial Statements
2011



Annual Report and Financial Statements 2011

Operational & Financial Highlights

Operational

2011 has been a transformational year for the Group and has laid the foundations for a period of sustained growth. During the year several notable milestones were met towards our target of becoming a leading explorer in the UKCS.

March

17

Successful IPO raises £60m gross

April

19

Farm in to Orchid prospect

November

24

Farm out of 80% of Kew prospect to Centrica and JX Nippon securing 20% carry and £2.75m

March

19

Options exercised to acquire additional equity in Bordeaux, Brule and Crazy

July

1

Reach Oil & Gas Limited acquired for £30m, doubling Trapoil's exploration portfolio

January

6

Sale of Lacewing to ConocoPhillips for £1m

Preparation for 2012 drilling programme, currently four rigs secured.

Financial

In a year of turbulence in the global financial markets the Group has demonstrated it is both financially adroit and resilient. Financially, Trapoil has four key objectives:

1. Ensure the Group remains well funded to deliver exciting Exploration and Appraisal (E&A) wells.
2. Deliver the E&A programme in a cost effective manner.
3. Build a programme that balances the risks and rewards of exploration.
4. Maintain a tight control over overhead expenditure.

Consistent with these objectives, the highlights during the year were:

£ 60m

Transformational IPO in March 2011 raised £60m gross in difficult market conditions.

£ 30m

Funded to do deals. Reach Oil & Gas Limited acquired in July 2011 for £20m cash and £10m of Trapoil equity. Agreed to acquire interest in Athena asset for £34.5m on 19 March 2012.

£ 8m

Low cost drilling programme. Anticipated capital expenditure for our proposed 2012 drilling programme of approximately £8m, with many wells paid for by partners under existing carry arrangements.

£ 3.8m

Risk management of large capital commitments from HT/HP wells. £2.8m and a 20% carry received from farm out of Kew prospect in 2011 with a further £1m to be received from sale of Lacewing prospect.

£ 4.5m

Loss of £4.5m incurred principally from technical and employment costs to progress licences to drilling stage and deliver opportunities to partners.

Chairman's Statement

“The Group's corporate transactions have transformed the business through astute acquisitions and the careful management of our existing asset portfolio”

Kevin Watts

I am pleased to report on the Company's maiden final results for the period ended 31 December 2011. Our first year as an AIM quoted company has seen substantial progress with management working diligently to transform the Company into a full cycle exploration, appraisal, development and production business, delivering on the principal objectives set at the time of our IPO in March 2011. The Group's corporate transactions have transformed the business through astute acquisitions and the careful management of our existing asset portfolio. Alongside these achievements, we have continued to focus on providing effective services to our major North Sea partners, securing both carried and working interests in exploration ventures and providing valuable income for the Group.

In July 2011 we successfully acquired Reach Oil & Gas Limited (“Reach”). This provided us with a sizeable and diversified portfolio of assets with exploration upside and a small near-term development. The Reach acquisition afforded us the opportunity to increase our equity interest in the promising Orchid prospect, which is currently being drilled with our joint venture partners Summit Petroleum Limited, Valiant Exploration Limited and Atlantic Petroleum UK Limited. November 2011 saw the successful farm out of our Kew asset to JX Nippon and Centrica, for which we received £2.75m in cash and retained a 20 per cent. carried interest. Shortly after the year end, we agreed to sell our interest in the Lacewing prospect, a difficult, high temperature, high pressure (“HT/HP”) play involving an expensive well for £1m to ConocoPhillips. As part of the ongoing strategic management of our portfolio we are continuously evaluating how best to extract value from our portfolio.

More recently, on 19 March 2012, we announced our entry into a sale and purchase agreement to acquire a 15 per cent. working interest in the Athena oil field from Dyas UK Limited (“Dyas”). Once completed, this acquisition will secure production and provide effective tax synergies to our investment programme over the near term. The Group has established a dynamic exploration programme backed by projected strong cash flows from producing assets, fulfilling its principal IPO objectives set one year ago.

Strategic Objectives

Trapoil is an ambitious Company with a clear and focused strategy. The management team has delivered encouraging initial success against a background of continued global economic uncertainty. They are motivated to deliver results and outcomes in line with a clear set of corporate objectives:

- Drilling out the planned exploration well programme in 2012
- Minimising risk exposure while actively building a high impact drilling programme for 2013
- Continued proactive management of our existing exploration portfolio
- Taking part in, and delivering results from DECC's 27th Licensing Round
- Further effective use of our seismic data licence in place with CGGVeritas Services (UK) Ltd (“CGGV”) to discover and secure additional attractive UKCS exploration and appraisal assets
- Remaining well funded to maintain flexibility to take advantage of opportunities as they arise

People

As previously announced, in May 2011, we welcomed David Kemp and Martin David to the Board as Finance Director and Technical Director respectively. David was previously Vice President Finance of Technip SA, a world leader in project management, engineering and construction for the energy industry. Martin joined from Suncor, where he was Exploration Director for North West Europe.

I would like to take this opportunity to thank my fellow Board members for their constructive and positive input during the year and everyone else at Trapoil for their hard work and dedication. These results are undoubtedly due to the skill and commitment of our employees; we continue to look to build our team which we recognise is a key part of our future growth and development.

Finally, we look forward to building on our successes of the last year and to generating further value and growth for our shareholders.

17 April 2012

Chief Executive's Review

“In the last twelve months we have put in place one of the busiest drilling programmes in the UKCS and have secured future production, bringing with it projected strong cash flow”

Mark Groves-Gidney

I am delighted to report on a highly successful first year as a publicly quoted company having fulfilled our principal IPO promises to our shareholders. It is particularly pleasing that in the course of the last twelve months we have put in place one of the most active drilling programmes in the UKCS and have secured imminent production, bringing with it projected strong cash flows for the business. Our ultimate ambition is to build a sizeable mid-cap oil and gas exploration, appraisal, development and production business with a significant portfolio of assets through the discovery and exploitation of oil and gas reserves.

Unlocking potential - creating value through our drilling programme

Achieving value added growth will undoubtedly be driven by success with the drill-bit and we eagerly await the imminent results of Orchid, our first well for 2012. We are confident that through the drill-bit we will find hydrocarbons during the current financial year.

An exciting drilling programme for 2012 has been established; with wells (in addition to Orchid) planned at Magnolia, Romeo, Crazy Horse, Scotney and finally, in the Inner Moray Firth at Knockinnon and Burrigill. The latter two wells are at the end of the year and are the subject of environmental permitting which may cause some slippage. In all but Orchid and Crazy Horse we are fully carried and in the two named wells we are partially carried. Our portfolio is balanced between risk and reward skewed towards value creation. We believe that the upside potential of our exploration portfolio is a key factor in building Trapoil into a leading explorer in the UKCS.

2011- Our IPO and delivery of our promises

Our IPO on AIM in March 2011 was delivered against a challenging macroeconomic environment and the team successfully raised a total of £60m gross. The IPO was the largest oil and gas fundraising in the first quarter of 2011 and second largest of the year, which reflects the market turmoil that existed during the last year. We were pleased to have secured these new funds at a time of significant political turmoil; Tunisia had just undergone a change of regime and Libya had erupted into a civil war. Key to the success of our IPO was the support of several well renowned institutional investors from the UK and Switzerland and we thank them for their continued support through some very difficult market conditions. Our stated principal objectives at the time of our IPO were to establish a strong drilling campaign for 2012 and beyond and to gain, via a production purchase, a level of sustainability through cash flow generation and tax efficiency. I am pleased to report that all of these key goals have been achieved.

Drilling programme

Following our IPO, we quickly secured, via a farm in, an interest in the Summit Petroleum operated Orchid exploration well which was swiftly followed by the acquisition of Reach in July 2011. This substantial acquisition doubled our exploration portfolio, securing four additional near term opportunities. With the recent sale of our Lacewing asset, we now have a seven well programme planned for 2012.

09

MONTHS OF ACHIEVEMENT

The farm out of our Kew prospect to JX Nippon and Centrica in November 2011, secured us an exciting opportunity for 2013 and beyond. In this transaction, Trapoil received £2.75m in cash and retained a 20 per cent. carried interest in a future well. The Group does not intend to be active in HT/HP wells due to the associated high costs, and the divestment of equity in our Kew and Lacewing assets was an important part of our prudent portfolio management.

Throughout the year, we have remained focused on being a technically driven company and we place considerable emphasis on our strong expertise, combined with access to our ‘best in class’ seismic data via CGGV. Our established business model of securing carried interests in attractive drilling opportunities has now been enhanced by the ability to take additional working interests which allows us to participate in farm ins as well as being a more proactive partner to Suncor Energy U.K. Limited (“Suncor”) and Norwegian Energy Company UK Limited (“Noreco”).

Production delivers anticipated strong cash flows

In achieving our objective of securing cash flows and maximising tax synergy, emphasis has always been placed on subsea production with a leased Floating Production, Storage and Offloading (“FPSO”) export facility, to avoid significant abandonment liabilities and the associated restrictive guarantees or setting aside of capital. Equally, due to the considerable fiscal uncertainties around abandonment, we will not be involved in Petroleum Revenue Tax paying fields. In addition, we have avoided being drawn into auction processes, which can be both time consuming and ultimately a waste of our resources. Our focus has instead been on creating opportunities where we have limited competition and are able to negotiate acceptable terms on a one-to-one basis.

Throughout 2011, we have worked on several production opportunities against a rising oil price in Q2 and Q3 and inflated vendor expectations in light of a rising forward price curve. By Q4, the oil price and futures prices had flattened enabling us to become more competitive. We were therefore pleased to announce on 19 March 2012 that we had signed a sale and purchase agreement to acquire

15 per cent. of the Athena oil field from Dyas. This corporate transaction is anticipated by our management team to yield an initial 10,000bopd rising to 18,000bopd (2,700bopd net to Trapoil) when on stream and has been secured at a competitive market price using conservative reserve estimates. This level of anticipated production provides us with a high level of tax synergy and, together with the tax losses acquired from Dyas, should provide strong, post tax cash flows for our exploration drilling programme for several years to come.

The Company also notes that, Caithness Oil Limited, the operator of the Company's Lybster development, has recently downgraded its estimate of recoverable reserves for this block. As a result, development will now proceed more cautiously and plans have been revised to bring the well into production using a temporary facility to gather more reservoir data in Q2 2012. While this is disappointing, it is not of significance to the Company's current or future prospects. Trapoil's 20 per cent. interest in this minor onshore discovery was acquired as part of the acquisition of Reach in July 2011.

Outlook for 2012 – Building on our achievements

Going forward, it is essential that we build on our existing drill ready opportunities and ensure that we carefully manage the inherent risks in drilling against our anticipated cash flows.

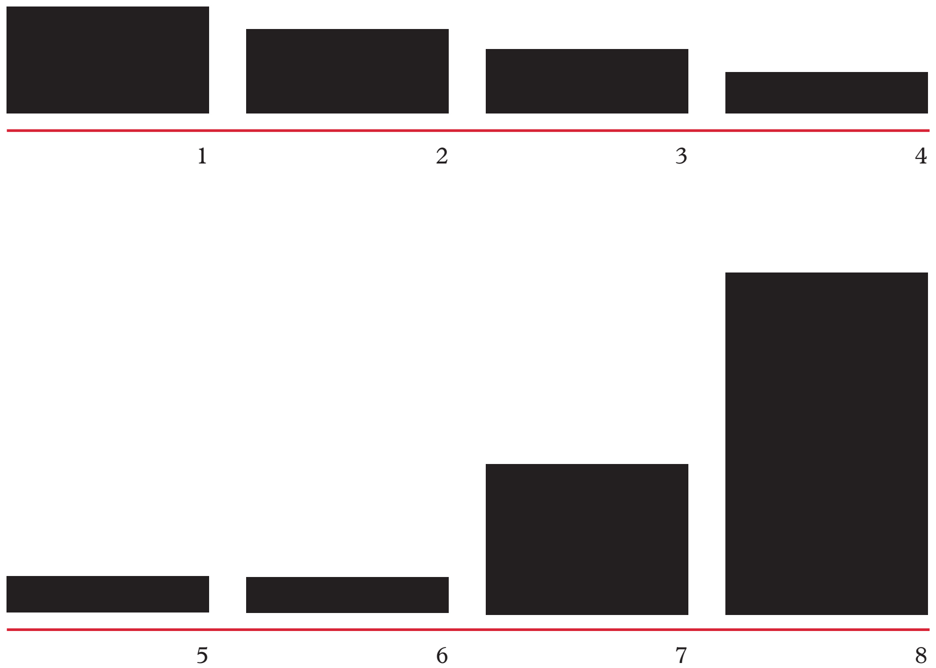
We will continue to actively manage our existing portfolio and will endeavour to secure several farm outs in 2012 to enable drilling to take place on suitable prospects in 2013. We will continue to seek to add to our portfolio through DECC's licensing rounds including the currently active 27th Licensing Round, and further farm ins. We were delighted to secure two new licences in late December 2011, as the delayed 26th Licensing Round results were formally confirmed by DECC following completion of their environmental assessments.

The anticipated cash flows generated from production at Athena throughout 2012 will enable us to pursue new drilling opportunities. Taking into account tax synergies against our exploration portfolio, we believe that we will ultimately make an attractive return from our acquisition of a 15 per cent. working interest in Athena, which serves to justify our business plan as set out at the time of our IPO.

We will seek to assume operatorship on certain assets where we believe we can either add value or protect value. This forms part of our drive to become a sizeable mid-cap company and we believe Trapoil is now well positioned to achieve this objective in the short to medium term.

With respect to our drive for growth, the Board has adopted a number of strategic corporate goals against which performance will be monitored. These medium-term goals, presented graphically on the adjacent page, provide a challenging framework within which to manage the business.

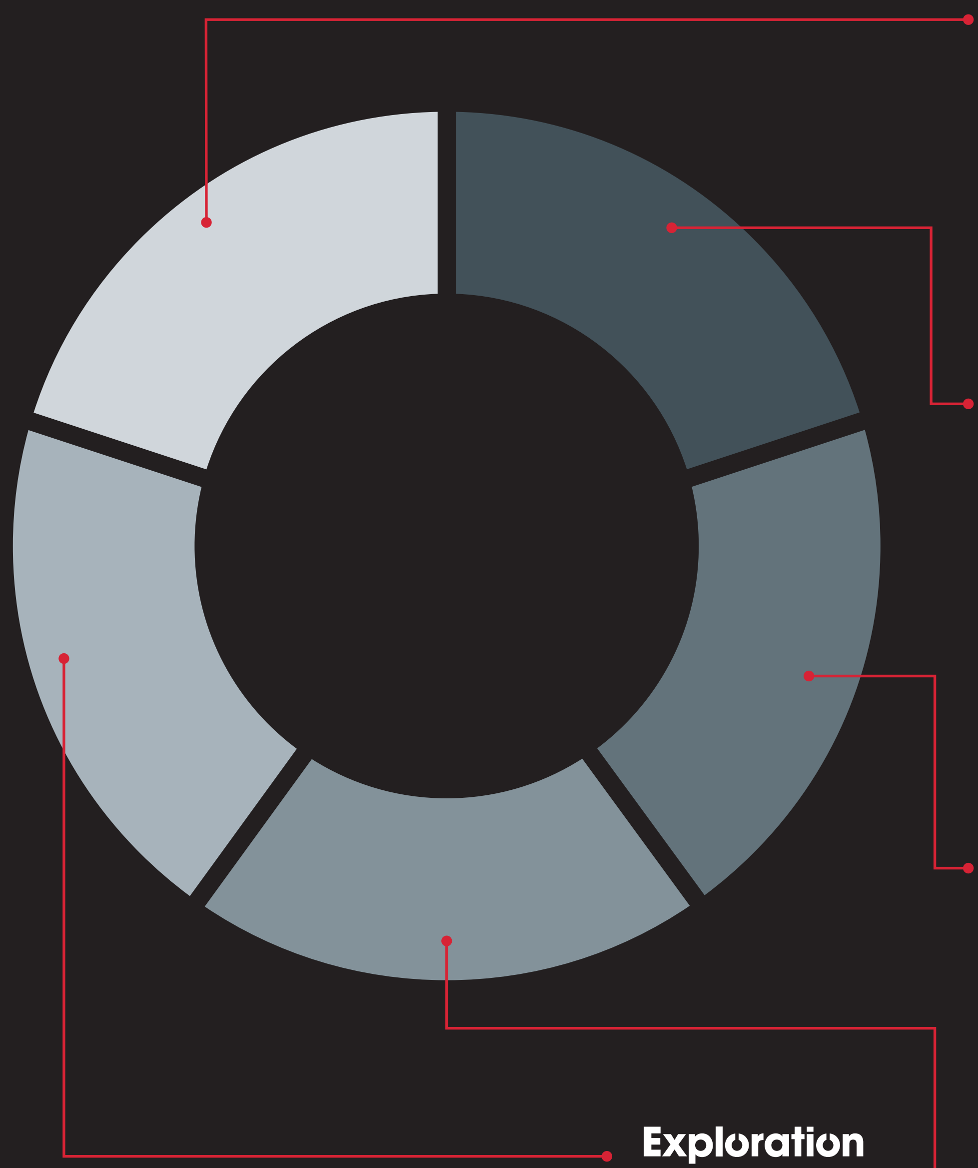
Strong Shareholder Register



1	Henderson Global Investors (UK)	10.19%
2	JP Morgan Asset Management (UK)	8.04%
3	Capital Research & Management Company	5.75%
4	BlackRock Investment Management (UK)	3.95%
5	Och-Ziff Capital Management	3.48%
6	Elliott Management Corporation	3.40%
7	Directors and Key Management	19.94%
8	Other	45.25%

Note: Register as at 31 December 2011

2012 Keys to Success



Production

Complete acquisition of Athena asset which will provide cash flow for exploration programme and tax efficiency. Production will reduce the Company's exposure to currently fragile equity markets.

Portfolio Management

Minimise exposure to HT/HP wells, secure two new farm ins, conclude four farm outs, seek new opportunities through potential M&A activity. Over the next two years seek to have two active appraisal programmes and two ongoing developments.

Operatorship

Secure an operator position but only where we add or protect value. Initially we will focus on Exploration and Appraisal wells and single well developments.

Exploration Activity

To maintain drilling activity at current levels, including participation in the 27th and subsequent licencing rounds.

Financial Discipline

Maintain adequate financing to ensure Group remains well funded.

Top of the activity list

Every asset tells a story

At the IPO, we set ourselves the challenging objective of becoming one of the most active explorers in the UK North Sea. We defined this as drilling 7 to 8 exploration and appraisal wells per year.

Through the development of our existing portfolio and the acquisition of Reach Oil & Gas Limited, we have established a well-balanced portfolio of opportunities. The drilling of these opportunities will see us largely achieve this objective, making us a leading explorer in the UK North Sea.

During 2012, we will drill low risk exploration at Orchid but also the high risk, high reward Crazy Horse prospect. In between we have the solid prospects of Scotney and Romeo. Common to all our wells is significant upside potential, which offers the possibility of delivering substantial value to our shareholders.

The journey does not end in 2012. Our target is to develop a pipeline of opportunities that delivers similar levels of drilling activity year on year. This will be achieved through a variety of means – farm ins, swaps, asset and corporate acquisitions and organic development with our partners. We intend to be a very active manager of our portfolio to ensure that we maximise the opportunities for our shareholders.

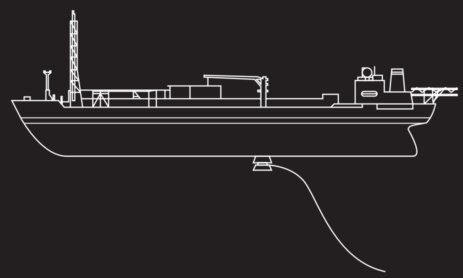
Outlined on the following pages are brief descriptions of our planned 2012 wells and a snapshot of likely wells in 2013.

References to P50 Resource and Chance of Success are unaudited estimates by Trapoil's management.

Martin David, Technical Director of the Company, has reviewed and approved the technical information within this operations report in his capacity as a qualified person under the AIM Rules. Mr. David holds a BSc degree in Geology from the University of London and has over 37 years' experience in the oil industry.

PC
Trapoil part carried.
Part of costs paid by partners.

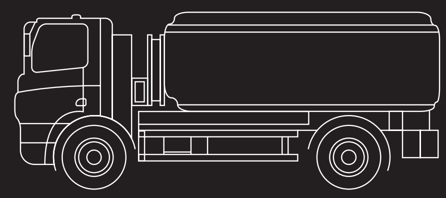
C
Trapoil carried.
Costs paid by partners.



Orchid PC

The Orchid prospect will be Trapoil's first well as a public company. Orchid is targeting oil in both sand and chalk reservoirs. The sand is a conventional target but the chalk provides the upside potential. The chalk reservoirs depend on a network of fractures and pores to allow the oil to flow. Orchid has a good petroleum address, close to a range of facilities that will allow for quick development in the event of a commercial discovery.

P50 Resource: 38mmbbls. Chance of Success: 1 in 2. Trapoil has a 5% carried interest and a 10% paying interest.



Lybster C

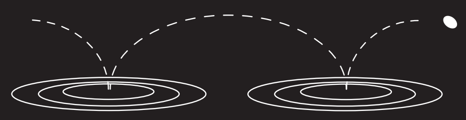
Lybster is currently the UK's smallest offshore oil and gas accumulation to be developed. Discovered in 1996, Lybster is now being developed through a recently drilled, long horizontal well that has been drilled from the cliff tops at Lybster to target the shallow mound like structure some 16,000ft away at a depth of 5,500ft. The oil will be pumped to shore from where it will be trucked in insulated oil tankers.

Discovery. Trapoil has an effective 20% carried interest.

Knockinnon C

Knockinnon, discovered in 2000, is a larger oil and gas accumulation located close to Lybster and to the nearby Beatrice field. It is planned to drill a horizontal well with an extended 'toe' section to intersect the oil water contact. The discovery well did not encounter water beneath the hydrocarbons and so the purpose of the appraisal well is to confirm the size of the accumulation. Knockinnon cannot be developed from onshore, as with Lybster, as it is too distant to be reached and therefore it is likely to be developed conventionally with possible tie-in through the facilities at Beatrice.

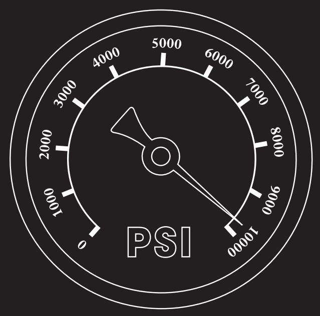
P50 Resource: 7mmbbls. Chance of Success 75%. Discovery. Trapoil has a 35% carried interest.



Burrigill C

Burrigill is a shallow undrilled structure that lies at a depth of around 2,500 – 3,000ft beneath the sea. It is a shallow target by North Sea standards but supported by a direct hydrocarbon indicator ("DHI") that makes it attractive to drill. The DHI significantly increases the chance of finding hydrocarbons at this location.

P50 Resource: 17mmbbls. Chance of Success: 1 in 2. Trapoil has a 35% carried interest.



Romeo C

The potentially high temperature and high pressure Romeo prospect will be drilled with all the usual safety features of a fully enhanced 15K drilling unit to ensure complete control. The feature is located in a prolific producing area of the North Sea, which facilitates the export routes from any potential discovery. Reservoir presence and quality are the prime risks of this structure however the upside potential is believed to be significant, in excess of 100mmbbls. The Romeo structure encroaches on the adjacent block and will be drilled as a joint well with the adjacent block's operator.

P50 Resource: 44mmbbls. Chance of Success: 1 in 3. Trapoil has a 12.5% carried interest.

Scotney C

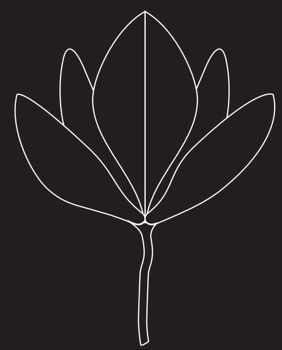
Surrounded by infrastructure, Scotney is a classic fault block structure with an existing historic well that we believe did not test our play concept. The key risk to success is believed to be the amount of reservoir contained within the prospect. This well will be at normal temperature and pressure conditions.

P50 Resource: 60mmbbls. Chance of Success: 1 in 4. Trapoil has a 12.5% carried interest.

Crazy Horse PC

This ambitious well will test a play concept hitherto unknown in this part of the North Sea. Crazy Horse is a model driven play that relies on sands being eroded from an exposed structural high into a nearby submarine basin that existed some 120 to 130 million years ago. This stratigraphic prospect represents the high risk-high reward component of our portfolio.

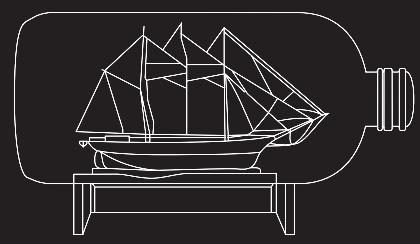
P50 Resource: 123mmbbls. Chance of Success: 1 in 10. Trapoil has a 5% carried interest and a 17% paying interest.



Magnolia C

The Magnolia prospect will be drilled to test a number of reservoir horizons at depths of around 5,000-6,000ft located in a terrace adjacent to and downthrown from a large producing field. The well will be drilled with the same rig that will drill Crazy Horse.

P50 Resource: 20mmbbls. Chance of Success: 1 in 3. Trapoil has a 10% carried interest.



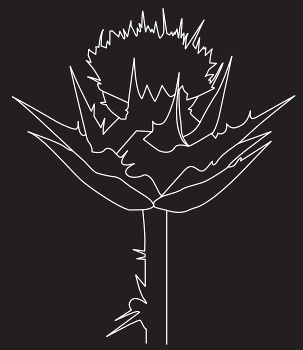
Surprise

Surprise, along with Nutmeg, are two discoveries that are planned to be developed in part with long horizontal wells and down hole pumps to pump and produce the (in part) viscous hydrocarbon.

P50 Resource: 34mmbbls. Discovery. Trapoil has a 5% paying interest.

PC
Trapoil part carried.
Part of costs paid by partners.

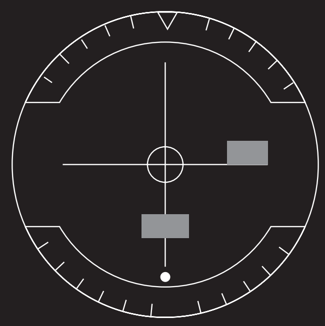
C
Trapoil carried.
Costs paid by partners.



Inverewe C

Inverewe, formerly known as Kew, represents a truly exciting opportunity for deep gas. The play is an extension to the proven and prolific Brae trend located nearby in the South Viking Graben. Trapoil has farmed out equity in Kew for cash and a 20% carried interest through the first phase of appraisal drilling.

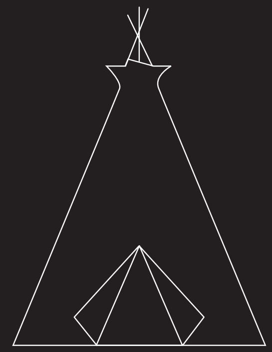
P50 Resource: 70mmbbls. Chance of Success: 1 in 2. Trapoil has a 20% carried interest.



Niobe PC

Niobe is a delayed award from the 26th Licensing Round and is considered to be drill-ready with a firm well committed by partners. Niobe comprises a predicted oil accumulation up dip from and possibly including an existing discovery. The well is shallow at around 5,500 – 6,000ft and there is a chance that oil, if present, might be a little heavier and more viscous than is usual.

P50 Resource: 51mmbbls. Chance of Success: 1 in 5. Trapoil has a 10% carried interest but intends in due course to exercise an option with the operator to increase its interest to 28% of which 8% would be carried and 20% would be a paying interest.

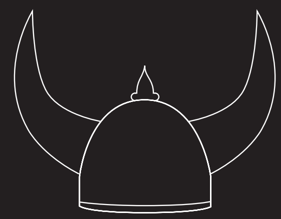


Bordeaux and Brule PC

Two discoveries are waiting to be appraised. Bordeaux and Brule are adjacent to our Crazy Horse prospect and were discovered by wells drilled in 1978 and 1977 respectively that not only encountered hydrocarbons but in the case of Bordeaux, also flowed hydrocarbons when tested. The poor quality of the seismic data restricts our ability to determine the exact trapping geometries of the accumulations and hence our ability to optimally locate wells to appraise each accumulation. To unlock this proven potential, we have recently acquired a block wide tranche of brand new, best in class, 3D seismic data that is being processed prior to new term delivery. Once delivered we shall undertake our interpretation with a view to appraising both of these features in 2013 in a back-to-back drilling campaign that will capture operational and financial synergies.

Bordeaux - P50 Resource: 19mmbbls. Discovery. Trapoil has a 40% paying interest and a 6% carried interest.

Brule - P50 Resource: 17mmbbls. Discovery. Trapoil has a 40% paying interest and a 6% carried interest.



Sienna PC

The Sienna prospect is located in the South Viking Graben on trend with the prolific Brae-Miller deep-water fan sand plays. Sienna is a pinch out play and relies on the pinch out of sands in all directions. We are currently reprocessing the seismic data in an attempt to map out in more detail this pinch out edge to Sienna. The well will be drilled to a depth of approximately 14,000ft and the key risk to the prospect is thought to be reservoir development and seal.

P50 Resource: 57mmbbls. Chance of Success: 1 in 5. Trapoil has a 10% carried interest but intends in due course to exercise an option with the operator to increase its interest to 28% of which 8% would be carried and 20% would be a paying interest.

2012 will be a year of high activity for Trapoil as we start to drill our exciting opportunities. It also promises to be another transformational year should our programme be as successful as hoped.

PC
Trapoil part carried.
Part of costs paid by partners.

C
Trapoil carried.
Costs paid by partners.

Finance Director's Report

David Kemp

The period ended 31 December 2011 was a defining year, with the Group, inter alia, successfully listing on AIM in March 2011, and acquiring Reach in July 2011. The Group ended the year with approximately £32.4m of cash resources. More recently, the Group signed a sale and purchase agreement to acquire a 15 per cent. working interest in the Athena oil field, the latter being subject only to DECC approval and partners' consent. Our existing cash resources, together with the anticipated cash flow to be generated from Athena ensure the Group is well funded to execute its proposed 2012 drilling programme, which commenced recently with the spudding of Orchid.

Fundraising

The AIM flotation in March 2011 raised £60m for the Group, before flotation expenses. We are pleased to count several blue chip institutions amongst our shareholder base. As at 31 December 2011, these included Henderson, JP Morgan, Capital, Elliott, Blackrock, Standard Life, Och Ziff and Lombard Odier.

Cash and Capital Expenditure

As at 31 December 2011, the Group held cash resources of approximately £32.4m. The Group has an active exploration drilling programme for 2012. The Group will incur no capital costs for the majority of these wells, with such expenditure being met by its partners under carried interest agreements. At present, the Group is budgeting capital expenditure for 2012 before acquisitions of approximately £8m.

During the year, the Group successfully secured farm in partners for its Kew prospect. In addition to retaining a carried interest, the Group received £2.75m of cash. Subsequent to the year end, the Group agreed to sell its interest in Licence P.1181, containing the Lacewing prospect, to ConocoPhillips for a consideration of £1m in cash. The net proceeds from both of these transactions will be applied to general corporate purposes.

On 19 March 2012, the Company announced that through its subsidiary it had signed a conditional sale and purchase agreement to acquire a 15 per cent. interest in the Athena oilfield. A payment of £3m was paid on signature of the sale and purchase agreement, with a further £21m being payable on completion of the acquisition for an initial 10 per cent. interest, currently expected to occur in mid-2012. The balance of £10.5m is due by 31 October 2012 to acquire a further 5 per cent. interest. The effective balancing payment is currently estimated by Trapoil's management to be a lower figure, due to the receipt of Trapoil's anticipated share of post completion net cash flows from Athena to the end of October 2012 plus interest payable to Dyas, such that the estimated effective net acquisition cost is £26.9m. Tax allowances of £12m will also be transferred to the Company from Dyas, serving to reduce the overall effective acquisition cost. The total consideration payable will be satisfied from the Company's existing cash resources and projected income from Athena.

It is anticipated that the field will deliver strong cash flows in 2012 with initial production scheduled for Q2 2012. This cash flow generation will be largely sheltered from tax due to a combination of tax allowances acquired as part of the transaction, past group losses and investments in 2012. Together with our existing cash resources, these cash flows will ensure the Group will be fully funded to execute its 2012 capital expenditure programme.

The acquisition of this interest in Athena will, in time, enable the Group, should it wish, to secure debt funding thereby bringing greater financial flexibility to the Group.

Income Statement

The Group recorded a Loss After Tax of £4.5m (2010: £0.4m) in line with management's expectations. This loss primarily represents technical and employment costs incurred in order to progress and develop our portfolio.

Revenue of £0.8m (2010: £1.3m) was generated from our partnering arrangements with Suncor and Noreco. This does not include any success fees from the delayed 26th Licensing Round awards, announced by DECC in late December 2011. Cost of Sales of £0.8m (2010: £0.3m) were incurred in supporting our assets and delivering opportunities to our partners. Administrative expenses of £4.5m (2010: £1.3m) included £1.4m of share option costs and certain of our IPO expenses. After deduction of Net Finance Charges of £0.1m (2010: £0.1m), a Loss Before Tax of £4.5m (2010: £0.4m) was recorded. As the Group is not currently tax paying, the Loss Before Tax is equivalent to the Loss After Tax.

Balance Sheet

During 2011, the Group made investments of £32.7m. In July 2011, the Group acquired Reach for £30.4m including costs delivering a mature exploration portfolio with a number of drilling opportunities. In addition, £2.3m was spent progressing our existing portfolio, principally through seismic, well planning and survey activity.

Net Current Assets increased by £31.8m compared to 2010, largely reflecting the funds raised from the IPO less investments made in 2011. Non Current Liabilities, representing amounts owing to CGGV for seismic data acquired and other interest bearing loans, reduced by £1.7m from 2010. Payments are made to CGGV when the Group successfully utilises its licensed data and receives applicable success fees from its partners.

Funding and Outlook

In a very difficult financial environment, the Group remains well funded to execute its planned 2012 drilling programme. The acquisition of an interest in Athena is a significant use of our cash resources but, in time, the anticipated production income will further strengthen our corporate liquidity and enable us to expand our available sources of finance.

The Team

United by expertise, driven by entrepreneurship

Trapoil has a proven and cohesive management team with a high level of oil and gas industry experience and broad range of technical, commercial, operational and financial skills. In addition to considerable expertise in their core disciplines, the seasoned team has a proven track record of delivering value through previous business transactions. Trapoil will continue to build the expertise in its team within a culture driven by entrepreneurship.

1. **Mark Groves-Gidney**
   Chief Executive Officer
2. **Bill Arnold**
   General Manager
3. **Paul Collins**
   Chief Operating Officer
4. **John Church**
   Company Secretary and Financial Controller
5. **Duncan Penrose**
   Adviser to the Board
6. **David Kemp**
   Finance Director
7. **James Storey**
   Exploration Manager
8. **Martin David**
   Technical Director

Board of Directors


1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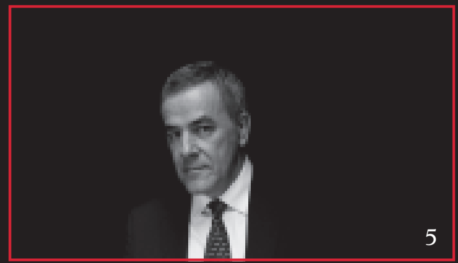
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9

Mark Groves-Gidney
Chief Executive Officer
1

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 Mr. Groves-Gidney 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.

Paul Collins
Chief Operating Officer
2

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.

Martin David
Technical Director
3

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.

David Kemp
Finance Director
4

David Kemp is a Chartered Accountant with 20 years' experience in oil and gas. Previously held positions as Vice President-Finance North Sea and Canada of Technip SA, Head of Finance-Europe for the Amerada Hess Corporation and led the oil and gas E&P team at Simmons & Company International, working on asset acquisitions and divestments, fund raisings and other corporate transactions. He joined the Group in 2011 and is a member of the Institute of Chartered Accountants in Scotland.

John Church
Company Secretary and Financial Controller
5

John Church is a Chartered Accountant with over 35 years' experience across a variety of industries, having worked with both small and large companies in the private and quoted arenas. Mr. Church founded TCP Chartered Accountants in 1985, which was subsequently sold in 2008 when he joined Trapoil. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Kevin Watts
Non-Executive Chairman
6

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 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.

Elwyn Jones
Non-Executive Director
7

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 CGGVeritas 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.

Marcus Stanton
Non-Executive Director
8

Marcus Stanton is a Chartered Accountant with extensive 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 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.

Miles Newman
Non-Executive Director
9

Miles Newman has 27 years' experience working as a geoscientist and entrepreneur in the upstream oil and gas industry. 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 cofounded 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 the sale to Trapoil in 2011.

Corporate Governance

The Group is listed on the Alternative Investment Market (AIM) of the London Stock Exchange and is not required to comply with the requirements of The 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 four Executive and four 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 roles of the Chairman and Chief Executive Officer are separate and as a result ensure that a division of responsibility is maintained. The Executive Directors are all employed under service contracts.

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

All Directors are subject to re-election by shareholders at the first Annual General Meeting.

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

Meetings of the Board of Directors

The Board is required to meet at least four times each year, however due to the level of activity, the actual number of meetings held was 14 and each was convened with a formal agenda, relevant documentation and documented minutes. There was an average attendance of 92% at meetings in the year.

Audit Committee

The Audit Committee is chaired by Mr. M J Stanton and its other member is Mr. K P Watts (both independent Non-Executive Directors) and Executive Directors may attend by invitation. 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 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.

Remuneration Committee

The Remuneration Committee is chaired by Mr. K P Watts and its other members are Mr. M J Stanton and Mr. T E Jones (all independent 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 Directors and other key employees are fairly rewarded (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.

Nomination Committee

The Nomination Committee is chaired by Mr. K P Watts and its other members are Mr. M J Stanton and Mr. T E Jones (all independent Non-Executive Directors).

Under its terms of reference, the Nomination Committee will ordinarily meet twice a year. The three director appointments made during the special circumstances of the company's first year (David Kemp, Martin David and Miles Newman) were all considered and approved by the full Board.

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.

To ensure good communication within the Board and its Committees, and between the Board and the Group's control functions, the Board considers it good practice that the Company Secretary be secretary to all board committees.

Internal control

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets.

It adopts an active policy of understanding and managing its business risks and reviewing and adopting appropriate controls to address them. This does not mean undertaking a one-off exercise, but individuals being responsible for specific areas of control with actions and progress monitored and communicated on a regular basis.

Technical Peer Review Group (TPRG)

To further strengthen its internal control process, the Group has established a TPRG to ensure the technical and commercial integrity of any exploration, appraisal, development and acquisition opportunity before being presented to the Board.

Relations with shareholders

The Board considers good communication, based on the mutual understanding of key objectives, with shareholders to be important and achieves this through its Annual Report, Interim Report and comprehensive website (www.trapoil.com). There is also a regular dialogue between the Chief Executive Officer 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 about 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.

Directors' Report

The Directors present their report together with the Group and Company financial statements for the period ended 31 December 2011.

Business review and future activities

The principal activity of the Group is oil and gas exploration and evaluation focused on the UK Continental Shelf. 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 to set out in this report a review of the business of the Group during the period ended 31 December 2011, the position of the Group at the end of the year and uncertainties facing the Group.

The information that fulfills these requirements, including discussion of the business and future developments, is set out in the Chairman's Statement, Chief Executive's Review and the Finance Director's Report.

Results and dividends

The Group's loss for the year was £4.5m (2010: loss of £0.4m). The Directors do not recommend the payment of a dividend.

Directors and their 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 2011 were:

	As at 31 December 2011 1p Ordinary Shares		As at 31 December 2010 £1 Ordinary (Predator Oil Ltd)		As at 31 December 2010 £1 Ordinary (Predator Oil Ltd)	
Directors' Interests in the Company	Shares	Options	Shares	Options	A Shares	Options
K P Watts (Non-Executive Director - appointed 8 February 2011)	50,000	209,302	–	–	–	–
M J Stanton (Non-Executive Director - appointed 8 February 2011)	46,512	156,977	–	–	–	–
T E Jones (Non-Executive Director - appointed 8 February 2011)	2,804,902	139,535	–	–	–	–
M S Newman (Non-Executive Director - appointed 5 July 2011)	23,203,402	139,535	–	–	–	–
M N Groves Gidney (Director & CEO - appointed 24 January 2011)	4,973,347	3,332,911	1,066	–	500	–
D M Kemp (Finance Director - appointed 8 February 2011)	1,564,874	3,032,361	–	–	1,066	–
P M Collins (Director & COO - appointed 8 February 2011)	4,973,347	3,332,911	1,066	–	–	–
M J David (Technical Director - appointed 26 May 2011)	440,585	1,121,395	–	–	–	–
Dr P A Smith (Director - appointed 8 February 2011 & retired 26 May 2011)	3,338,525	1,165,004	716	–	–	–
J A Church (Director – appointed 24 January 2011 & retired 30 June 2011, Company Secretary)	2,671,343	1,943,165	–	–	572	–

Directors' third party indemnity provisions

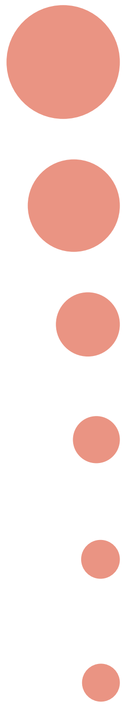
The Group maintains indemnity insurance for its Directors and officers against liability in respect of proceedings brought by third parties, subject to the terms and conditions of the Companies Act 2006.

Share capital

At 31 December 2011, 205,373,117 ordinary shares of 1p each were in issue and fully paid. Each ordinary share carries 1 vote. Details of ordinary shares issued during the financial year can be found in note 13 of the consolidated financial statements.

Substantial shareholders

At 31 December 2011 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:



10.19%
Henderson Global investors (UK)

8.04%
JP Morgan Asset Management (UK)

5.75%
Capital Research & Management Company

3.95%
Black Rock Investment Management (UK)

3.48%
Och-Ziff Capital Management

3.40%
Elliott Management Corporation

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 of 3% or more in the Company's share capital as at 31 December 2011.

Employees

The success of 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 the performance of the Group. Trapoil is committed to being an equal opportunities employer and plans to engage employees with broad backgrounds and skills.

Nominated adviser and broker

The Company's broker is Mirabaud Securities LLP. Strand Hanson Limited is the Company's Nominated Adviser.

Supplier payment policy and practice

It is the Group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them. As the Company is principally a holding company, it has no trade creditors and accordingly, no disclosure is made of the period end creditor days.

Donations

During the year the Group made charitable donations of £Nil (2010: £Nil) and no political contributions (2010: £Nil).

Financial instruments

The Group's principal financial instruments comprise cash balances, short-term deposits and debtors or creditors that arise through the normal course of business.

Corporate Strategies

The Board reviews the key performance indicators (KPIs) of the business and the Company's progress towards achieving its objectives on a quarterly basis. These KPIs include items such as the operational results, resources and other commercial measurements, which are aimed at achieving the Group's strategic objectives.

Principal business risks

The Directors are responsible for the effectiveness of the Group's risk management activities and internal control processes. As a participant in the upstream oil and gas industry, Trapoil is exposed to a wide range of risks in the conduct of its operations. These risks include:

Financial risks:

- Cost inflation
- Oil price movements
- Adverse taxation legislative changes
- Co-venturer and third party counterparty credit risk
- Adverse foreign exchange movements

Operational risks:

- Loss of key employees
- Delay and cost overrun on projects, including weather related delay
- HSE incidents
- Poor reservoir performance
- Exploration and appraisal well failures
- Failure of third party services

Strategic and external risks:

- Future deterioration of capital markets, inhibiting efficient equity and/or debt raising for projects
- Commercial misalignment with co-venturers
- Material fall in oil price

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 document, could have a material adverse effect on our 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 effective portfolio management, balancing risk 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 the arrangements set out with joint venture partners.

The Group competes with other E&P 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 is often 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 or other means. The availability of such funding will continue to be influenced by macroeconomic events, including oil price fluctuations and 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 required financing going forward. If the Group is unable to obtain additional financing needed to fulfill its planned work programmes some interests may be relinquished and/or the scope of its operations reduced.

Going concern

Following the Board's review of the Group's financial position and cash flow projections, the Directors are of the view that the Group has 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. For this reason the financial statements are prepared on a going concern basis.

David Kemp
Finance Director

Remuneration Report

Directors' emoluments

The purpose of the Remuneration Committee of the Board of Directors is to ensure that the Executive Directors (and other key 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' and officers' emoluments to the Group's financial and operational performance and have 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

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

Executive and Non-Executive Directors emoluments consist of salary, bonus, pension and discretionary share options the details of which, for the year to 31 December 2011, are as follows:

Management Remuneration

Name	Salary £	Bonus £	Pension £	**Total 2011 £**	Total 2010 £
K P Watts	52,857	–	–	**52,857**	–
M J Stanton	36,048	–	–	**36,048**	–
T E Jones	32,043	–	–	**32,043**	–
M S Newman	20,000	–	–	**20,000**	–
M N Groves Gidney	211,823	60,000	14,167	**285,990**	100,000
D M Kemp appointed Executive Director 1 July 2011	130,016	40,000	–	**170,016**	25,000
P M Collins	166,000	40,000	60,000	**266,000**	100,000
M J David appointed 26 May 2011	198,500	40,000	–	**238,500**	–
Dr. P A Smith retired 26 May 2011	82,167	–	12,000	**94,167**	100,000
J A Church retired as Director 30 June 2011	123,739	50,000	51,594	**225,333**	62,500
Total	1,053,193	230,000	137,761	**1,420,954**	387,500

Share Options Incentivisation

Name	**Held At Jan 2010**	**Granted In Year**	**Exercised In Year**	**Lapsed In Year**	**Held At Dec 2011**	**Exercise Price p**	**Issue Date**	**Expiry Date**	**Type**
K P Watts		209,302			209,302	43.00	13/03/11	12/03/21	***
	–	209,302	–	–	209,302				
M J Stanton		156,977			156,977	43.00	13/03/11	12/03/21	***
	–	156,977	–	–	156,977				
T E Jones		139,535			139,535	43.00	13/03/11	12/03/21	***
	–	139,535	–	–	139,535				
M S Newman		139,535			139,535	43.00	01/07/11	01/07/21	***
	–	139,535	–	–	139,535				
M N Groves Gidney		1,048,725 1,744,186 540,000			1,048,725 1,744,186 540,000	1.00 43.00 27.12	11/03/11 13/03/11 01/12/11	10/03/21 12/03/21 01/12/21	* ** **
	–	3,332,911	–	–	3,332,911				
D M Kemp		106,200 139,535 1,604,651 641,975 540,000			106,200 139,535 1,604,651 641,975 540,000	1.00 43.00 43.00 1.00 27.12	11/03/11 13/03/11 11/07/11 11/07/11 01/12/11	10/03/21 12/03/21 11/07/21 11/07/21 01/12/21	* *** **** ***** **
	–	3,032,361	–	–	3,032,361				
P M Collins		1,048,725 1,744,186 540,000			1,048,725 1,744,186 540,000	1.00 43.00 27.12	11/03/11 13/03/11 01/12/11	10/03/21 12/03/21 01/12/21	* ** **
	–	3,332,911	–	–	3,332,911				
M J David appointed 26 May 2011		581,395 540,000			581,395 540,000	43.00 27.12	13/03/11 01/12/11	12/03/21 01/12/21	** **
	–	1,121,395	–	–	1,121,395				
Dr P A Smith - retired 26 May 2011		1,048,725 116,279			1,048,725 116,279	1.00 43.00	11/03/11 13/03/11	10/03/21 12/03/21	* **
	–	1,165,004	–	–	1,165,004				
J A Church retired as Director 30 June 2011		420,375 1,162,790 360,000			420,375 1,162,790 360,000	1.00 43.00 27.12	11/03/11 13/03/11 01/12/11	10/03/21 12/03/21 01/12/21	* ** **
	–	1,943,165	–	–	1,943,165				
Total	–	14,573,096	–	–	14,573,096				

*** Pre IPO Options**
The options were granted subject to a successful equity raise at the IPO in March 2011 and may be exercised from 18 March 2012.

**** Trap Oil Group plc Unapproved Share Option Plan 2011**
The options vest in equal portions over a 3 year period from the date of grant, and are subject to the completion of certain specified performance conditions.

***** 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.

****** Trap Oil Group plc Unapproved Share Option Plan 2011**
The options vest in equal portions over a 3 year period from 25 March 2011, and are subject to the completion of certain specified performance conditions.

******* Individual Option Agreement**
The options granted to Mr. D M Kemp are not subject to any performance conditions and may be exercised, in whole or in part, at any time from 25 March 2013 up to the tenth anniversary of the date of grant. These options were granted at a discount by way of compensation for options and other benefits surrendered in respect of his former employment in accepting the position of Finance Director.

Mr. KP Watts
Chairman of the Remuneration Committee

Directors' Responsibilities

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). 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 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 and IFRSs issued by IASB 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 comply with the Companies Act 2006. 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.

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.

Auditors

A resolution to reappoint Pricewaterhouse-Coopers 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 3 May 2012 at the Royal Over-Seas League, Over-Seas House, Park Place, St James's Street, London, SW1A 1LR as stated in the Notice of Meeting.

Independent Auditors' Report

We have audited the group financial statements of Trap Oil Group plc for the period ended 31 December 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

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

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's 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.

Opinion on financial statements

In our opinion the consolidated financial statements:

- Give a true and fair view of the state of the group's affairs as at 31 December 2011 and of its loss and cash flows for the period then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Trap Oil Group plc for the period ended 31 December 2011.

Mark Higginson
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
Aberdeen
21 March 2012

Consolidated Financial Statements

David Kemp
Finance Director

Transformational IPO in March 2011 raised £60m gross in difficult market conditions.

Group remains well funded at 31 December 2011 with cash resources of £32.4m.

Anticipated capital expenditure for our proposed 2012 drilling programme will be approximately £8m, with many wells paid for by our partners under existing carry arrangements.

Loss of £4.5m incurred principally from technical and employment costs to progress licences to drilling and deliver opportunities to partners.

Active portfolio management generated £2.8m from farm out of Kew prospect in 2011 with a further £1m to be received from the sale of Lacewing.

Capital investments of £32.7m made in 2011, mainly to acquire Reach Oil & Gas Ltd with further seismic, well planning and

Consolidated Income Statement for the period ended 31 December 2011

	Notes	2011 £	2010 £
CONTINUING OPERATIONS Revenue		807,044	1,264,263
COST OF SALES		(786,309)	(250,039)
GROSS PROFIT		20,735	1,014,224
Administrative expenses		(4,501,659)	(1,311,785)
OPERATING LOSS		(4,480,924)	(297,561)
Finance costs	5	(291,099)	(56,259)
Finance income	5	245,727	383
LOSS FOR THE PERIOD BEFORE TAX	6	(4,526,296)	(353,437)
Tax	7	–	–
LOSS FOR THE PERIOD		(4,526,296)	(353,437)
OTHER COMPREHENSIVE INCOME		–	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(4,526,296)	(353,437)
Total loss for the year and comprehensive income attributable to:			
Owners of the parent		(4,526,296)	(353,437)
Loss per share expressed in pence per share:	8		
Basic		(2.74)	(0.83)
Diluted		(2.74)	(0.83)

No separate statement of comprehensive income has been presented as all such gains and losses have been dealt with in the consolidated income statement

The notes on pages 39 to 56 are an integral part of these financial statements

Consolidated Statement of Financial Position as at 31 December 2011

	Notes	2011 £	2010 £
NON-CURRENT ASSETS			
Intangible assets – Exploration and evaluation	9	**30,085,588**	86,214
Intangible assets - Other	9	**2,333,332**	2,833,332
Property, plant and equipment	10	**23,539**	1,771
		32,442,459	2,921,317
CURRENT ASSETS			
Trade and other receivables	11	**1,102,100**	576,250
Cash and cash equivalents	12	**32,418,234**	307,451
		33,520,334	883,701
TOTAL ASSETS		**65,962,793**	3,805,018
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	**2,053,731**	9,040
Share premium account	14	**64,222,583**	94,501
Share options reserve	14	**1,774,310**	–
Retained (deficit)	14	**(6,123,979)**	(1,597,683)
Reorganisation reserve	14	**(382,543)**	–
TOTAL EQUITY		**61,544,102**	(1,494,142)
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings	16	**–**	992,700
Trade and other payables	15	**3,291,101**	4,000,000
		3,291,101	4,992,700
CURRENT LIABILITIES			
Trade and other payables	15	**1,127,590**	306,460
TOTAL LIABILITIES		**4,418,691**	5,299,160
TOTAL EQUITY AND LIABILITIES		**65,962,793**	3,805,018

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2012. They were signed on its behalf by David M Kemp – Finance Director

The notes on pages 39 to 56 are an integral part of these financial statements

Consolidated Statement of Changes in Equity for the period ended 31 December 2011

	Called up share capital £	Retained Earnings/ (deficit) £	Share premium account £	Share options reserve £	Re-organisation reserve £	Total equity £
At 1 January 2010	7,880	(1,244,246)	70,920	–	–	(1,165,446)
Proceeds from issue of share capital	1,160	–	23,581	–	–	24,741
Loss for the period and total comprehensive income	–	(353,437)	–	–	–	(353,437)
At 31 December 2010	9,040	(1,597,683)	94,501	–	–	(1,494,142)
Proceeds from issue of share capital	1,653,711	–	69,223,832	–	–	70,877,543
Cost of issue of share capital	–	–	(5,001,249)	534,838	–	(4,466,411)
Group Reorganisation	390,980	–	(94,501)	–	(382,543)	(86,064)
Loss for the period and total comprehensive income	–	(4,526,296)	–	–	–	(4,526,296)
Transactions with owners	–	–	–	1,239,472	–	1,239,472
At 31 December 2011	**2,053,731**	**(6,123,979)**	**64,222,583**	**1,774,310**	**(382,543)**	**61,544,102**

The notes on pages 39 to 56 are an integral part of these financial statements

Consolidated Statement of Cash Flows for the period ended 31 December 2011

	Notes	2011 £	2010 £
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	20	**(2,438,520)**	(460,067)
Net cash used in operating activities		**(2,438,520)**	(460,067)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		**(32,729,100)**	(68,783)
Purchase of property, plant and equipment		**(27,359)**	(2,656)
Sale of intangible fixed assets		**2,727,600**	–
Interest received		**245,727**	383
Net cash used in investing activities		**(29,783,132)**	(71,056)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan notes (repaid)/received in period		**(992,700)**	283,500
CGGV Loan repaid in period		**(1,000,000)**	–
Share issue and reorganisation		**66,325,135**	24,741
Net cash generated from financing activities		**64,332,435**	308,241
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**32,110,783**	(222,882)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	20	**307,451**	530,333
CASH AND CASH EQUIVALENTS AT END OF PERIOD	20	**32,418,234**	307,451

The notes on pages 39 to 56 are an integral part of these financial statements

Notes to the Consolidated Financial Statements for the period ended 31 December 2011

1. GENERAL INFORMATION

Trap Oil Group plc ('the Company') and its subsidiaries (together, 'the Group') are involved in the exploration and development of Oil and Gas reserves of the UK Continental Shelf. During the period, the Group acquired control of 'Reach Oil & Gas Limited', which holds a number of licences on the UK Continental Shelf.

The Company is a public limited company, which is listed on AIM 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.

New statutory holding company
Trap Oil Group plc was incorporated and registered on 24 January 2011. On 11 March 2011, a new holding company structure became effective by way of a share for share exchange between the shareholders of Predator Oil Ltd (the previous holding company) and Trap Oil Group plc (the new holding company) and the Group became Trap Oil Group plc, giving rise to a reorganisation reserve.

As a consequence of the reorganisation, the results of Trap Oil Group plc (the 'Group') for the period ended 31 December 2011 comprise the results of Predator Oil Ltd for the 12 months ended 31 December 2011 consolidated with those of Trap Oil Group plc from 11 March 2011. The comparative figures for the period ended 31 December 2010 are those of the Group headed by Predator Oil Ltd.

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, in accordance with International Financial Reporting Standards and IFRIC interpretations as adopted by the European Union ("IFRS") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Changes in accounting policy and disclosures
(a) New and amended standards adopted by the Group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial period beginning on or after 1 January 2011 that would be expected to have a material impact on the Group.

Below is a list of new standards that have been issued and are effective for periods starting on or after 1 January 2011.

IAS 32 'Financial instruments: Presentation – Classification of Rights Issues'

IFRIC19 'Extinguishing financial liabilities with equity instruments'

Amendment to IFRS 1, 'First-time adoption of IFRS – Limited exemption from comparative IFRS 7 disclosures for first-time adopters'

IAS 24, 'Related party disclosures' (revised 2009). Clarifies the definition of a related party and modifies certain related-party disclosure requirements for government-related entities.

Amendment to IFRIC 14, 'IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'.

Below is a list of amended standards that have been issued and are effective for periods starting on or after 1 January 2011.

IFRS 1, 'First-time adoption of IFRS'
IFRS 3, 'Business combinations'
IFRS 7, 'Financial instruments'
IAS 1, 'Presentation of financial statements'
IAS 27, 'Consolidated and separate financial statements'
IAS 34, 'Interim financial reporting'
IFRIC 13, 'Customer loyalty programmes'

Notes to the Consolidated Financial Statements for the period ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New standards, amendments and interpretations issued but not effective for the financial period beginning 1 January 2011 and not early adopted:

- IAS 1 'Financial statements'
- IAS 12 'Income tax'
- IAS 19, 'Employee benefits'
- IAS 27 'Separate financial statements'
- IFRS 7, 'Financial instruments: Disclosures'
- IFRS 9, 'Financial instruments'
- IFRS 10, 'Consolidated financial statements'
- IFRS 12, 'Disclosures of interests in other entities'
- IFRS 13, 'Fair value measurement'

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Accounting 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, impairment and the estimation of share based payment costs. These are described in more detail in the relevant accounting policy.

Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose 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 the existence of control where it does not have more than 50% 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, etc.

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.

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 values 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 values 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.

Notes to the Consolidated Financial Statements for the period ended 31 December 2011

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 remeasured 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 remeasured, 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 interests 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% and 50% 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 income statement, 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

Notes to the Consolidated Financial Statements for the period ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 associate 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 income statement.

At 31 December 2011, 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 Ltd – 100% Ordinary A shares and 100% Ordinary shares
- Trap Oil Ltd – 100% Ordinary shares
- Trap Oil & Gas Limited (formerly Reach Oil & Gas Limited) – 100% Ordinary shares
- Trap Exploration (UK) Limited (formerly Reach Exploration (UK) Limited) – 100% Ordinary shares
- Trap Petroleum Limited (formerly Reach Petroleum Limited) – 100% Ordinary shares

The principal activities of all of the subsidiary entities relate to oil and gas exploration, development and production.

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 purchases of an individual field interest, or acquisitions of exploration and evaluation licenses 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 gross up arises. 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 income statement.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for services supplied, stated net of discounts, returns and value added taxes. Revenue is derived from the principal activity of the Group. The Group is involved in the analysis of seismic data and information for the exploitation and development of oil reserves in the North Sea. Revenue is derived from annual retainers with strategic partners and success fees on the identification of an opportunity to obtain a licence to explore further. The revenue is recognised at the point the invoice is raised or the date a trigger event occurs if this is later.

Intangible assets

The Group accounts for oil and exploration assets and data licence assets using IFRS 6 'Exploration for and Evaluation of Mineral Resources'. Under this standard the exploration and appraisal activities are capitalised as intangible assets. Licence acquisition costs and direct costs of exploration are initially capitalised as intangible assets, pending determination of the existence of commercial reserves in the licence area. Such assets are classified as intangible assets based on the nature of the underlying asset, which does not yet have any proven physical substance. Exploration and appraisal costs are held, undepleted, until such a time as the exploration phase on the licence area is complete or commercial reserves have been discovered. If no discoveries are made, the accumulated capitalised costs will be written off

Notes to the Consolidated Financial Statements for the period ended 31 December 2011

through the profit and loss statement. Where the facts and circumstances indicate that exploration and evaluation costs exceed their recoverable amount, the intangible costs will be tested for impairment. Intangible assets with an indefinite useful life are not amortised according to IAS38 but are subject to regular impairment reviews when required and the useful life of the asset is regularly re-examined to determine whether the circumstances continue to support the assessment that the useful life is indefinite. In the view of the directors there are no impairments in the current period.

Amortisation on data licence costs is calculated on a straight line basis over the life of the licence (8 years).

Impairment – exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of producing fields that are located in the same geographical region.

Property, plant and equipment

Tangible assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for is intended use.

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

Computer equipment	3 years

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument. The Group has not entered into any derivative financial instruments during the period.

Investments

Fixed asset investments in subsidiaries are stated at cost in the Company only balance sheet and reviewed for impairment if there are any indications that the carrying value may not be recoverable.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and deposits held on call with banks.

Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. 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 is recognised in the income statement within 'selling and marketing costs'. When a trade receivable is uncollectible, it is 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 income statement.

Notes to the Consolidated Financial Statements for the period ended 31 December 2011

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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

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

Deferred tax
Deferred taxation 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 balance sheet 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 balance sheet date.

Foreign currencies
Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet 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 income statement for the period.

Employee benefit costs
The Group operates a defined contribution pension scheme. Contributions are made by the employees as part of a salary sacrifice scheme and there are no employer contributions made. Contributions payable to the pension scheme are charged to the statement of comprehensive income in the period to which they relate.

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.

Notes to the Consolidated Financial Statements for the period ended 31 December 2011

Share capital
Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

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 income 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 income tax effects, is included in equity attributable to the Company's equity holders.

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to some financial risks: liquidity risk and market risk. The Group's 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 accordingly are exposed to similar financial and capital risks as the Group.

Risk management is carried out by the directors. The directors 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
Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligation. The Group's principal financial asset is cash and credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. It is the Group's policy to monitor the financial standing of these assets on an ongoing basis. Bank balances are held with reputable and established financial institutions.

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's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may issue new shares or adjust the amount of dividends paid to shareholders.

Net debt to equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings less cash and cash equivalents. Total equity comprises all components of equity.

As at 31 December 2011 the Group has no net debt.

Notes to the Consolidated Financial Statements for the period ended 31 December 2011

4. EMPLOYEES AND DIRECTORS

	2011 £	2010 £
Wages and salaries	**1,633,218**	304,992
Share based payment	**1,239,472**	–
Social security costs	**129,090**	35,381
Other pension costs	**138,295**	82,508
	3,140,075	422,881

	2011	2010
The average monthly number of employees during the period was as follows:		
Directors	**8**	5
Employees	**2**	–
	10	5

	£	£
Directors' remuneration	**1,116,253**	304,992
Directors' pension contributions to money purchase scheme	**112,765**	82,508
	1,229,288	387,500
The number of directors to whom retirement benefits were accruing was as follows:		
Money purchase schemes	**3**	2
Information regarding the highest paid director is as follows:		
Emoluments	**211,823**	100,000
Pension contributions	**14,167**	–

Notes to the Consolidated Financial Statements for the period ended 31 December 2011

5. NET FINANCE COSTS

	2011 £	2010 £
Finance income:		
Interest received	**245,727**	383
Finance costs:		
CGGV interest	**291,099**	–
Loan note interest	**–**	56,259
	291,099	56,259
Net finance costs	**45,372**	55,876

CGGV interest relates to the amount owing to CGGVeritas for the data license obtained, as further described in Note 15.

6. LOSS BEFORE TAX

The loss before tax is stated after charging:

	2011 £	2010 £
Cost of sales recognised as expense	**568,591**	250,039
Depreciation	**5,591**	885
Intangible asset amortisation	**502,066**	500,000
Auditors' remuneration – audit of parent company and consolidation	**23,500**	17,488
Auditors' remuneration – audit of subsidiaries	**15,000**	–
Auditors' remuneration – non audit services	**26,980**	–
Foreign exchange loss	**–**	119

7. TAX

Factors affecting the tax charge

Trap Oil Ltd is a trading company but no liability to UK corporation tax arose on the ordinary activities for the period ended 31 December 2011 or for previous accounting periods due to the losses incurred.

Trap Oil Group plc is a trading company but no liability to UK corporation tax arose on the ordinary activities for the period ended 31 December 2011 due to the losses incurred.

Notes to the Consolidated Financial Statements for the period ended 31 December 2011

8. LOSS PER SHARE

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

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 in both years (see note 18 for share options in place at the end of the period).

	Loss attributable to ordinary shareholders £	Weighted average number of shares	Per-share amount pence
Period ended 31 December 2011			
Basic and Diluted EPS			
Loss attributable to ordinary shareholders	**(4,526,296)**	**165,398,816**	**(2.74)**
Period ended 31 December 2010			
Basic and Diluted EPS			
Loss attributable to ordinary shareholders	(353,437)	42,634,715	(0.83)

Notes to the Consolidated Financial Statements for the period ended 31 December 2011

9. INTANGIBLE ASSETS

	Exploration costs £	Data licence costs £	**Totals £**
COST			
At 1 January 2010	17,431	4,000,000	**4,017,431**
Additions	68,783	–	**68,783**
At 31 December 2010	**86,214**	**4,000,000**	**4,086,214**
At 1 January 2011	86,214	4,000,000	4,086,214
Additions	2,340,266	–	**2,340,266**
Acquisition of assets(1)	30,388,834	–	**30,388,834**
Disposals(2)	(2,727,660)	–	**(2,727,660)**
At 31 December 2011	**30,087,654**	**4,000,000**	**34,087,654**
ACCUMULATED AMORTISATION			
At 1 January 2010	–	666,668	**666,668**
Amortisation for period	–	500,000	**500,000**
At 31 December 2010	**–**	**1,166,668**	**1,166,668**
At 1 January 2011	–	1,166,668	1,166,668
Amortisation for the period	2,066	500,000	502,066
At 31 December 2011	**2,066**	**1,666,668**	**1,668,734**
NET BOOK VALUE			
At 31 December 2011	**30,085,588**	**2,333,332**	**32,418,920**
At 31 December 2010	86,214	2,833,332	2,919,546

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

	2011 £	2010 £
Cash held in escrow & Receivables from JV partners	2,447,117	Nil
Payable to subcontractors and operators	45,164	Nil

Cash payments of £2,340,266 (2010: £68,783) have been incurred related to exploration and evaluation activities. The net cash proceeds due to the disposal of the Group's interest in Licence P1864 were £2,727,660 (2010: Nil).

(1) valuation of exploration licences held by Reach Oil & Gas Limited and its subsidiaries at date of purchase using the asset purchase method.

(2) this relates to the disposal of a part interest in the Kew licence block.

The recoverable amounts are determined with reference to forecast cash inflows and outflows generated by the licenses. The recoverable amount exceeded its carrying value at the impairment test date. Reasonably possible changes in the key assumptions such as discount rates and oil prices would not cause the recoverable amount of the intangible assets to be equal to or less than the carrying amount.

Notes to the Consolidated Financial Statements for the period ended 31 December 2011

10. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment £
COST	
At 1 January 2010	–
Additions	2,656
At 31 December 2010	2,656
At 1 January 2011	**2,656**
Additions	**27,359**
At 31 December 2011	**30,015**
ACCUMULATED DEPRECIATION	
At 1 January 2010	–
Charge for period	885
At 31 December 2010	885
At 1 January 2011	**885**
Charge for period	**5,591**
At 31 December 2011	**6,476**
NET BOOK VALUE	
At 31 December 2011	**23,539**
At 31 December 2010	1,771

11. TRADE AND OTHER RECEIVABLES

	2011 £	2010 £
Current:		
Trade receivables	**483,454**	576,250
Other receivables	**30,418**	–
Value Added Tax	**97,498**	–
Prepayments	**490,730**	–
	1,102,100	576,250

Notes to the Consolidated Financial Statements for the period ended 31 December 2011

12. CASH AND CASH EQUIVALENTS

	2011 £	2010 £
Bank accounts	**29,974,570**	307,451
Cash equivalents	**2,443,664**	–
	32,418,234	307,451

13. CALLED UP SHARE CAPITAL

Issued and fully paid:

Number:	Class:	Nominal value:	**2011 £**	2010 £
205,373,117 (2,848)	Ordinary	1p (£1)	**2,053,731**	2,848
Nil (6,192)	Ordinary A	(£1)	**–**	6,192
			2,053,731	9,040

During the period Trap Oil Group plc underwent an Initial Public Offering (IPO) in which it raised net £55,533,639 in additional capital. Also, the company issued new shares to the amount of £1,132,067 to redeem the shareholder loan notes and accrued interest held by the shareholders of Predator Oil Ltd.

During the period as part of the consideration for the purchase of the Reach Oil & Gas Limited group, the Company issued 23,203,402 new ordinary shares to the old owners of Reach Oil & Gas Limited at a value of 42p each.

14. RESERVES

	Retained Earnings/ (deficit) £	Share premium account £	Share option reserve £	Re-organisation reserve £	Totals £
At 1 January 2011	(1,597,683)	94,501	–	–	(1,503,182)
Loss for the period	(4,526,296)	–	–	–	(4,526,296)
Reorganisation of group structure	–	–	–	(382,543)	(382,543)
Cash share issue	–	64,128,082	–	–	64,128,082
Share based payment	–	–	1,774,310	–	1,774,310
At 31 December 2011	**(6,123,979)**	**64,222,583**	**1,774,310**	**(382,543)**	**59,490,371**

The reorganisation reserve arose on the share for share exchange undertaken on the purchase of Predator Oil Ltd by Trap Oil Group plc when it became the new holding company.

Notes to the Consolidated Financial Statements for the period ended 31 December 2011

15. TRADE AND OTHER PAYABLES

	2011 **£**	2010 £
Current:		
Trade payables	**117,657**	25,956
Accrued expenses	**1,009,933**	271,480
Value Added Tax	**–**	9,024
	1,127,590	306,460
Non-current:		
Other payables	**3,291,101**	4,000,000
	3,291,101	4,000,000
Aggregate amounts	**4,418,691**	4,306,460

Included in non-current liabilities – other payables are £3,000,000 and capitalised interest of £291,099 which relates to the consideration for the data licence obtained from CGGV which has been capitalised under Intangible Assets. The term of the licence is for 8 years and the final liability is due on expiry of the licence, August 2016. On each and every success fee that is acquired from using the data from the licence, £300,000 – £350,000 becomes due immediately as part of the consideration. Any balance remaining when the licence expires is due on that date and shall attract interest at LIBOR plus 1% per annum.

16. FINANCIAL LIABILITIES – BORROWINGS

	2011 **£**	2010 £
Non-current:		
Loan notes	**–**	992,700

The non-current borrowings relate to loan notes issued by Predator Oil Ltd to its directors and shareholders under a loan instruments dated 25 April 2008, 22 December 2008 and 9 December 2010. The notes ranked equally and rateably without preference as an unsecured debt obligation of the Company. However, these loan notes have now been converted into shares in Trap Oil Group plc at the fair value of the loan note instrument and interest due.

Notes to the Consolidated Financial Statements for the period ended 31 December 2011

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 **£**	2010 £
Loss for the financial period	**(4,526,296)**	(353,437)
Issue of share capital	**66,172,773**	24,741
Share options issued	**1,774,310**	–
Reorganisation	**(382,543)**	–
Net addition to shareholders' funds	**63,038,244**	(328,696)
Opening shareholders' funds	**(1,494,142)**	(1,165,446)
Closing shareholders' funds	**61,544,102**	(1,494,142)

Notes to the Consolidated Financial Statements for the period ended 31 December 2011

18. SHARE BASED PAYMENTS

The Group operates several share option schemes. Options are exercisable at a price 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 profit in respect of equity-based share-based payments was £1,239,472 (2010:£nil) and £534,838 has been included within the share premium account as part of the cost of raising capital (2010: £nil).

The Company share option scheme is for directors and employees. Options under this scheme are detailed below:

Pre-IPO Options

Year of Grant	Exercise price	Period within which options exercisable	No. of shares for which options outstanding at 31 December 2010	Options granted during the period	No. of shares for which options outstanding at 31 December 2011
2010	1p	March 2012 to March 2021	–	3,672,750	3,672,750

Under the Trap Oil Group plc Unapproved Share Option Plan 2011 and Individual Option Agreements:

Year of Grant	Exercise price	Date of Vesting	No. of shares for which options outstanding at 31 December 2010	Options granted during the period	No. of shares for which options outstanding at 31 December 2011
2011	43p	March 2012	–	1,998,062	1,998,062
2011	43p	March 2013	–	1,998,062	1,998,062
2011	43p	March 2014	–	1,998,062	1,998,062
2011	43p	July 2012	–	736,434	736,434
2011	43p	July 2013	–	736,434	736,434
2011	43p	July 2014	–	736,434	736,434
2011	1p	March 2013	–	641,975	641,975
2011	27.12p	December 2012	–	1,056,667	1,056,667
2011	27.12p	December 2013	–	1,056,667	1,056,667
2011	27.12p	December 2014	–	1,056,667	1,056,667
Weighted average	28.22p			Total	15,688,214

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was 28.22p per option. The significant inputs into the model were mid market share price on the day grant or 1p, exercise price shown above, and an annual risk-free interest rate of 1.1%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices from the date of admission to AIM to the date of grant on an annualised basis.

19. ASSET PURCHASE

On 1 July 2011 the Group acquired full control of another group, Reach Oil & Gas Limited, which held a number of exploration licences on the UK Continental Shelf, for a total consideration of £29,745,429 (£20 million in cash and 23,203,402 new ordinary shares valued at 42p each at the mid market price on the date of acquisition). The transaction was accounted for as an asset acquisition. The portfolio of assets is included in intangible assets, exploration licences.

20. NOTES TO THE CONSOLIDATED CASH FLOW

RECONCILIATION OF LOSS BEFORE TAX TO CASH USED IN OPERATIONS

	2011 **£**	2010 £
Loss for the period before tax	**(4,526,296)**	(353,437)
Adjusted for:		
Depreciation charges	**5,591**	885
Amortisation charges	**502,066**	500,000
Share based payments (net)	**1,239,467**	–
Finance costs	**291,099**	56,259
Finance income	**(245,727)**	(383)
	(2,733,800)	203,324
Increase in trade and other receivables	**(525,850)**	(551,141)
Increase/(Decrease) in trade and other payables	**821,130**	(112,250)
Cash used in operations	**(2,438,520)**	(460,067)

Notes to the Consolidated Financial Statements for the period ended 31 December 2011

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:

Period ended 31 December 2011	31 Dec 2011 £	1 Jan 2011 £
Cash and cash equivalents	**32,418,234**	307,451

Period ended 31 December 2010	31 Dec 2010 £	1 Jan 2010 £
Cash and cash equivalents	307,451	530,333

Analysis of net debt	At 1 Jan 2011 £	Cash flow £	At 31 Dec 2011 £
Cash and cash equivalents	307,451	32,110,783	**32,418,234**
Long term borrowings	(4,000,000)	1,000,000	**(3,000,000)**
Net (debt)/cash	(3,692,549)	33,110,783	**29,418,234**

21. POST BALANCE SHEET EVENT

On 6 January 2012 the Company announced that it had sold the Group's 10 per cent. working interest in its Lacewing asset (P.1181, Block 23/22b) to ConocoPhillips (U.K.) Limited for a consideration of £1m in cash giving a gain on disposal of £210,000.

On 19 March 2012, the Company announced that its subsidiary had entered into a conditional sale and purchase agreement to acquire a 15% working interest in the Athena oil field from Dyas UK Limited for cash consideration of £34.5m.

Independent Auditors' Report to the Members of Trap Oil Group plc for the period ended 31 December 2011

We have audited the parent company financial statements of Trap Oil Group plc for the period ended 31 December 2011 which comprise the Company Statement of Financial Position, the Company Statement of Cash Flows, the Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

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

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- Give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss and cash flows for the period then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Independent Auditors' Report for the period ended 31 December 2011

Other matter
We have reported separately on the group financial statements of Trap Oil Group plc for the period ended 31 December 2011.

Mark Higginson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
21 March 2012

Company Statement of Financial Position as at 31 December 2011

	Notes	2011 £
NON-CURRENT ASSETS		
Property, plant and equipment	5	**21,386**
Investments	4	**31,942,632**
Receivables	6	**–**
		31,964,018
CURRENT ASSETS		
Receivables	6	**5,233,908**
Cash and cash equivalents	7	**29,924,571**
		35,158,479
TOTAL ASSETS		**67,122,497**
EQUITY		
SHAREHOLDERS' EQUITY		
Called up share capital	10	**2,053,731**
Share premium account		**64,222,584**
Share options reserve		**1,774,305**
Retained deficit		**(1,493,622)**
TOTAL EQUITY		**66,556,998**
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	9	**565,499**
TOTAL LIABILITIES		**565,499**
TOTAL EQUITY AND LIABILITIES		**67,122,497**

The financial statements were approved by the Board of Directors and authorised for issue on 21 March 2012. They were signed on its behalf by David M Kemp – Finance Director

Company Statement of Changes in Equity for the period ended 31 December 2011

	Called up share capital £	Retained deficit £	Share premium account £	Share options reserve £	Total equity £
On incorporation	–	–	–	–	**–**
Issue of share capital	2,053,731	–	69,223,833	–	**71,277,564**
Cost of issuing share capital	–	–	(5,001,249)	534,833	**(4,466,416)**
Profit for the year and total comprehensive income	–	(1,493,622)	–	–	**(1,493,622)**
Transactions with owners	–	–	–	1,239,472	**1,239,472**
Closing equity attributable to the Company's equity holders at 31 December 2011	**2,053,731**	**(1,493,622)**	**64,222,584**	**1,774,305**	**66,556,998**

Company Statement of Cash Flows for the period ended 31 December 2011

	Notes	**2011** £
Cash flows from operating activities		
Cash used in operations	12	**(108,758)**
Net cash used in operating activities		**(108,758)**
Cash flows from investing activities		
Purchase of investments		**(31,942,632)**
Purchase of tangible fixed assets		**(25,758)**
Interest received		**238,538**
Loan to subsidiary company		**–**
Net cash generated from investing activities		**(31,729,852)**
Cash flows from financing activities		
Share issue		**66,811,153**
Loan to subsidiary companies		**(5,047,972)**
Net cash generated from financing activities		**61,763,181**
Increase in cash and cash equivalents		**29,924,571**
Cash and cash equivalents at beginning of period	12	**–**
Cash and cash equivalents at end of period	12	**29,924,571**

Notes to the Company Financial Statements for the period ended 31 December 2011

1. SIGNIFICANT ACCOUNTING POLICIES

This is the Company's first set of financial statements for the financial period from the date of incorporation of 24 January 2011 to 31 December 2011. Therefore, there is no comparative financial information.

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.

The financial statements have been prepared on the historical cost basis with the exception of accounting for share-based payments. The principal accounting policies adopted are consistent with those set out in note 2 to the consolidated financial statements.

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

2. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements.

The parent company's loss for the period was £1,493,622 (Predator Oil Ltd – 2010: £45,067).

3. TAX

Analysis of the tax charge	**2011** £
Current tax:	
Tax	–
Deferred tax	–
	–

Notes to the Company Financial Statements for the period ended 31 December 2011

4. INVESTMENTS

	Shares in Group Undertakings £
Additions	**31,942,632**
At 31 December 2011	**31,942,632**

Investments in subsidiaries are stated at cost. At 31 December 2011, the Company's subsidiary undertakings, all of which are registered and incorporated in the UK, and included in the consolidated Group financial information were:

Predator Oil Ltd – 100%
Trap Oil Ltd – 100%
Trap Oil & Gas Limited (formerly Reach Oil & Gas Limited) – 100%
Trap Exploration (UK) Limited (formerly Reach Exploration (UK) Limited) – 100%
Trap Petroleum Limited (formerly Reach Petroleum Limited) – 100%

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

5. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment £
COST Additions	**25,758**
At 31 December 2011	**25,758**
ACCUMULATED DEPRECIATION Charge for Period	**4,372**
At 31 December 2011	**4,372**
NET BOOK VALUE At 31 December 2011	**21,386**

6. RECEIVABLES

	2011 £
Amounts owed by Group undertakings	**5,047,972**
Other receivables	**23,402**
Value Added Tax	**138,606**
Prepayments	**23,928**
	5,233,908

Notes to the Company Financial Statements for the period ended 31 December 2011

7. CASH AND CASH EQUIVALENTS

	2011 £
Bank accounts	29,924,571

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £
Loss for the period	(1,493,622)
Issue of share capital	66,276,315
Share options issued	1,774,305
Net addition to shareholders' funds	66,556,998
Opening shareholders' funds	–
Closing shareholders' funds	66,556,998

9. TRADE AND OTHER PAYABLES

	2011 £
Current:	
Trade payables	54,384
Accrued expenses	511,115
	565,499

10. CALLED UP SHARE CAPITAL

Issued and fully paid: Number:	Class:	Nominal value:	2011 £
205,373,117	Ordinary	1p	2,053,731

Notes to the Company Financial Statements for the period ended 31 December 2011

11. RELATED PARTY DISCLOSURES

During the period Trap Oil Group plc has made loans available to a number of wholly owned subsidiaries. The balances outstanding at the end of the period are Predator Oil Ltd £8,734, Trap Oil Ltd £4,795,434, Trap Oil & Gas Limited £87,680, Trap Petroleum Limited £130,864 and Trap Exploration (UK) Limited £25,289. During the period the company also made sales to Trap Oil Limited amounting to £1,968,034.

12. NOTES TO THE COMPANY CASHFLOW

RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH USED IN OPERATIONS

	2011 £
Loss for the period before tax	(1,493,622)
Adjusted for:	
Depreciation charges	4,372
Share based payments (net)	1,239,467
Finance income	(238,538)
	(488,321)
Increase in receivables	(185,936)
Increase in trade and other payables	565,499
Cash used in operations	(108,758)

CASH AND CASH EQUIVALENTS

The amounts disclosed in the statement of cash flow in respect of cash and cash equivalents are in respect of these statements of financial position amounts:

Period ended 31 December 2011

	31 December 2011 £	24 January 2011 £
Cash and cash equivalents	29,924,571	–

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Glossary

AIM
Alternative Investment Market

bbls
Barrels

bcf
Billion cubic feet

boepd
Barrels of oil equivalent per day

bopd
Barrels of oil per day

Capex
Capital expenditure

cp
Centipoises

D
Darcy

DECC
Department of Energy and Climate Change

DHI
Direct hydrocarbon indicator

DST
Drill stem test

E&P
Exploration and production

Farm in
Acquiring an interest in a license by taking over all or part of the financial commitment for drilling a well

Farm out
Assigning an interest in a licence to another party

FDP
Field development plan

FEED
Front end engineering and design

FPSO
Floating, production, storage and offtake

HSE
Health, safety and environment

HT/HP
High temperature and high pressure

IPO
Initial public offering

m
Millions

M&A
Mergers and acquisitions

MD
Measured depth

mmbbls
Millions of barrels of oil

MWD
Measurement while drilling

Opex
Operating expenditure

OWC
Oil-water contact

PRT
Petroleum revenue tax

Trapoil
Trap Oil Group plc

TVDss
Total vertical depth subsea

UKCS
United Kingdom Continental Shelf

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