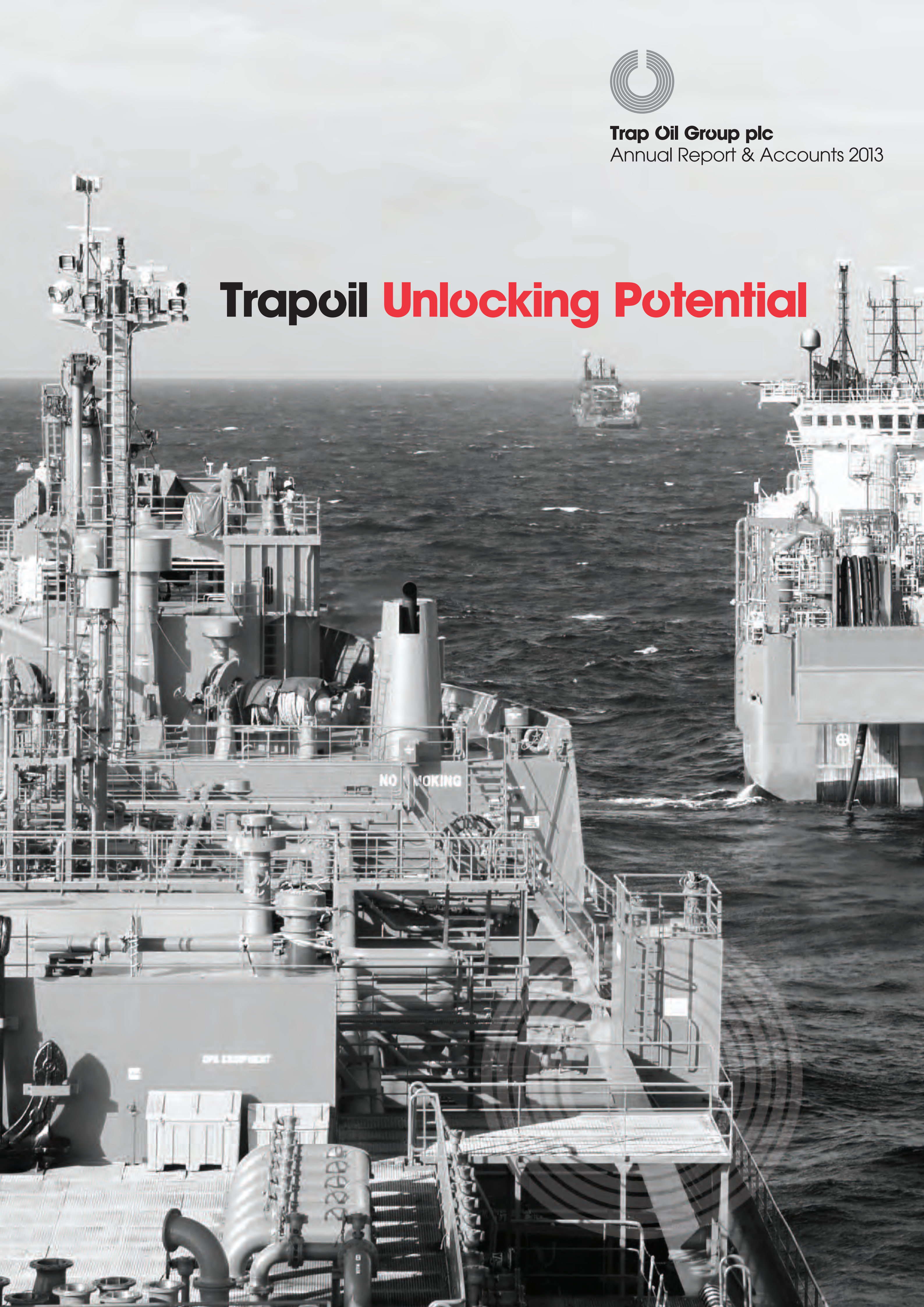
Trap Oil Group plc
Annual Report & Accounts 2013

Trapoil Unlocking Potential



Trapoil: Unlocking Potential

Trapoil is an oil and gas exploration, appraisal and production business focused on the UK Continental Shelf in the North Sea. We create exploration opportunities and shareholder value by combining organic development of our existing portfolio with the acquisition of additional assets.

We identify and exploit the value that others might not see by applying a combination of skillsets, and our opportunism is supported by a rigorous approach to risk management.

Technical expertise: application of world-class data and extensive geological and geophysical knowledge and experience, from operational to board level.

Pragmatic partnership: strong working relationships with industry peers and financial institutions.

Balanced portfolio: combination of developing fields, farm-out agreements and leveraging of our portfolio through M&A activity.

Contents

Highlights

Completed disposal of interests in Knockinnon, Lybster and certain other assets to Caithness Oil Limited for consideration of US$7.5m shares in IGas Energy plc, as part of the disposal of Caithness by its parent company to IGas.

Entered into a Farm-out agreement relating to Valleys (Licence P2032, Blocks 21/8c, 21/10c, 21/14a & 21/15b) with Total E&P UK Limited (Total) whereby they acquired 30.625 per cent. of Trapoil's 50 per cent. equity interest by funding 43.75 per cent. of certain costs up to and including the drilling of an exploration well. Trapoil's new equity interest in the licence is 19.4 per cent. fully funded by Total and Noreco.

The Group now holds a 100 per cent. working interest in the Surprise and Nutmeg oil discoveries (Licence P1267, Blocks 12/25a & 13/21b) following the transfer from Dana Petroleum (E&P) Limited and First Oil Exploration of their working interests. Trapoil will continue to seek partners for this potentially commercial discovery such that a well and development plan can be executed in the next twelve months.

In aggregate costs for the 2012/13 drilling campaign have been only £2m for an average 12 per cent. equity position, compared to what would have been a real cost of £14m. This reflects the value of Trapoil's carried interest model and careful risk management policy.

Positive cash flow delivered from investing activities (including the receipt of £4.2m further to completion price adjustment for the Group's equity interest in Athena) after accounting for capital expenditure.

Strong revenue stream from Athena which helped the Group's cash reserves (including restricted cash) increase to £16.4m at year end, with net positive cash flow for the year of £6.8m.

Loss (before and after tax) for the year of £10.3m, of which £9.4m related to the disposal of assets to Caithness.

Outlook

Seeking to carefully manage and maximise the Group's current and expected future cash reserves in order to secure and execute on a future drilling programme that will afford shareholders exposure to an asset base with significant potential to unlock shareholder value.

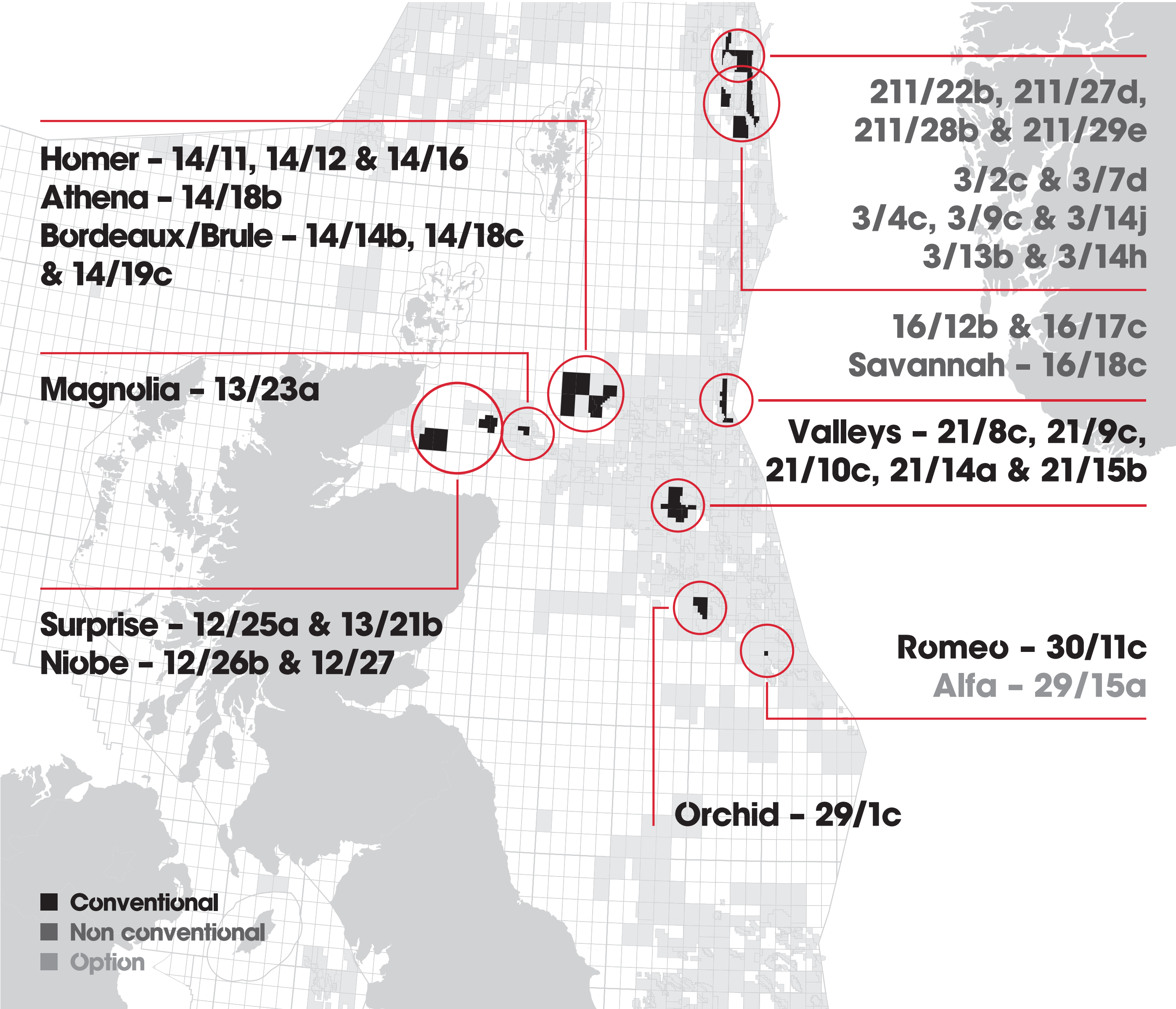
Further development of the Group's unconventional oil play with partners being sought to drill a proof of concept well, to unlock the potential value in this innovative oil play developed to date by the Group.

As part of the Valleys farm-out transaction to Total, the Group negotiated the right to potentially take up a 35 per cent. equity interest in its Alfa prospect which remains under evaluation. The Group believes that its potential involvement in the drilling of the Alfa well will assist with unlocking the potential of the Romeo asset.

The Group's capital expenditure commitments remain low, with only the Niobe prospect having a firm well commitment obligation to the Department of Energy and Climate Change ("DECC"), with the well to be drilled in 2015 at an estimated cost of £2m net to the Group due to a partially carried interest.

Management will continue to monitor and if necessary curtail expenditure. To recognise increased costs in the running of the business, in 2014, management have taken a 20 per cent. pay cut and staff levels have been trimmed, as has administrative expenditure.

What We Do: Our Assets



Our Business
Our current portfolio comprises a mix of carried and paying interests in 11 licences (33 blocks and part blocks). This includes production from our 15 per cent. working interest in the Athena oil field.

Our strategy is to generate growth and long-term value through participation in the exploration and development of our existing asset base and though the acquisition of additional acreage and assets, both on a consortium and unilateral basis.

We look to maximise returns and minimise shareholder risk via farm-outs.

World Leading Seismic Data
Our relationship with CGG Services (UK) Limited allows us to work alongside our partner companies with the latest generation 3-D long offset seismic database, covering most of the Central North Sea, as well as having access to CGG's specialist technologies to de-risk drilling opportunities. From these and other data sources Trapoil generates and negotiates drill-ready exploration and appraisal opportunities for our partners.

Consortium Carried Business Model
Since 2011 we have obtained contractual carries on assets from our partners through exploration, appraisal and, in some cases, development.
Carrying parties include:
Suncor (formerly PetroCanada)
Noreco
First Oil
Taqa
Cieco
Japex

Drilling Programme & Licences

Drilling Programme

Prospect	Licence	Blocks	Operator	DECC Commitment	Anticipated	Trapoil	Trapoil	Trapoil	Estimate	Net DECC means test*
Name	No.				Spud date	WI %	PI %	CI %	£mm	£mm
Surprise	P1267	12/25a & 13/21b	Trapoil	–	2014/15	100	100	0	27.6	–
Brule	P1768	14/14b &18c & 14/19c	Noreco	–	2015	46	40	6	19.5	8
Niobe	P1889	12/26b & 27	Suncor	DECC	2015	28	20	8	10.8	3
Alfa (Scaranish)	P1816	29/15a	Total	DECC	2015	Option up to 35		0	30	3
Orchid	P1556	29/1c	Trapoil	–	2015/16	86	86	0	20.4	–

Licence Interest Summary

Asset/Licensees	Current Interest Levels % Working	Carried	Paying	Notes
P1267 Blocks 12/25a & 13/21b (Surprise)				Drill or drop 21.12.14 Development opportunity. Seeking partners
Trap Oil Ltd (operator)	100.0		100.0	
P1293 Block 14/18b (Athena)				Licence assignment to Trapoil is imminent
Ithaca (operator)	22.5		22.5	
Dyas	17.5		17.5	
Spike	15.0		15.0	
Parkmead	30.0		30.0	
Trap Oil Ltd	15.0	0.0	15.0	
P1556 Block 29/1c (Orchid)				Seeking partners
Trap Oil Ltd (operator)	86.0		86.0	
Atlantic	14.0		14.0	
P1610 Block 13/23a (Magnolia)				KNOC Liberator discovery extends on to this block
KNOC (operator)	45.0		50.0	
PetroSummit	25.0		30.0	
Atlantic	20.0		20.0	
Trap Oil Ltd	10.0	10.0	0.0	
P1666 Block 30/11c (Romeo)				Analogous to Alfa (Scaranish), block 29/15, where Trap has an option to take 35 per cent. working interest
Suncor (operator)	50.625		57.857	
First Oil	15.000		17.143	
Total	11.875		11.875	
Trap Oil Ltd	22.500	9.375	13.125	
P1768 Blocks 14/14b, 18c & 19c (Bordeaux/Brule)				Discovery requiring appraisal
Noreco (operator)	54.0		60.0	
Trap Oil Ltd	46.0	6.0	40.0	
P1889 Blocks 12/26b & 27 (Niobe)				Drill well (Niobe) 2015 DECC commitment
Suncor (operator)	49.5		55.0	
Noreco	22.5		25.0	
Trap Oil Ltd	28.0	8.0	20.0	
P1938 Blocks 3/2c, 7d, 3/4c, 9c, 14j, 211/22b, 27d, 28b, 29b, 3/13b, 14h, 16/12b & 17c				Non conventional oil play
Trap Oil Ltd (operator)	100.0	0.0	100.0	
P1989 Blocks 14/11, 12 & 16 (Homer)				DECC means test £2m
Noreco (Operator)	50.0		55.0	
Trap Oil Ltd	50.0	5.0	45.0	
P2026 Block 16/18c (Savannah)				Effective non conventional oil play
Trap Oil Ltd (operator)	50.0	5.0	45.0	
Noreco	50.0		55.0	
P2032 Blocks 21/8c, 9c, 10c, 14a & 15b (Valleys)				Farm-out to Total in 2013
Total (Operator)	30.6		43.75	
Noreco	50.0		56.25	
Trap Oil Ltd	19.4	19.4	0.0	

* DECC requires evidence of 100% funding cover for all FDP, Firm and Contingent Commitments. In recognition that not all Drill-or-Drop Work Programmes result in the drilling of a well and that it is not possible to determine which will be drilled at the time of application. A company must demonstrate 100 per cent. funding capacity for the single most expensive net well cost exposure, plus 50 per cent. of the cost of the others. This includes existing Drill-or-Drop work programme commitments.

Chief Executive Officer's Report

Introduction

I am pleased to report on the Group's final results for the year ended 31 December 2013. The year has again been challenging for North Sea oil and gas exploration and production companies but in the last quarter of 2013 we began to detect some signs of recovery. Whilst activity levels remain low in Q1 2014, we are seeing several large companies, such as our partner Taqa Bratani UK Limited ("Taqa"), increase their strategic investment in the North Sea, particularly in fields close to existing infrastructure.

Against a difficult backdrop, the Group navigated its way through various partner drag issues, which served to delay our plans as well as giving rise to certain impairments. These issues were resolved and we replaced our old partners and attracted new financially strong international partners: Taqa, Cieco Exploration and Production UK Limited and Japan Petroleum Exploration Co., Limited who are all active participants in the North Sea. We also negotiated compensation for the loss of planned wells including the receipt of US$7.5m in the form of shares in IGas Energy plc ("IGas"), as detailed further below.

In our view, it will take some time yet, and most likely require new government initiatives post Sir Ian Wood's recently published review of UK offshore oil and gas recovery and its regulation, to stimulate increased risk capital investment into the North Sea region. Trapoil remains well funded, with an established revenue stream from its interest in the producing Athena Oil Field (Licence P1293, Block 14/18b) ("Athena") which serves to support its current medium-term strategy with one well committed in 2015, together with the benefit of carries and strong partners.

Financial Results

Our results for the year show revenue of £30.3m (2012: £1.7m) reflecting the contribution from our interests in producing UKCS assets. The Group generated a loss before tax of £10.3m (2012: loss £10.9m) largely as a result of the previously announced £9.4m loss on the disposal of certain assets to Caithness Oil Limited ("Caithness") which in turn was sold by its parent company to IGas.

As at 31 December 2013, total cash reserves (including restricted cash) were approximately £16.4m, which was in line with our expectations and we remain well funded to deliver on our strategic goals. In addition, we continue to hold as an investment around 4.1m shares in IGas which had a market value of approximately £4.4m as at the year end.

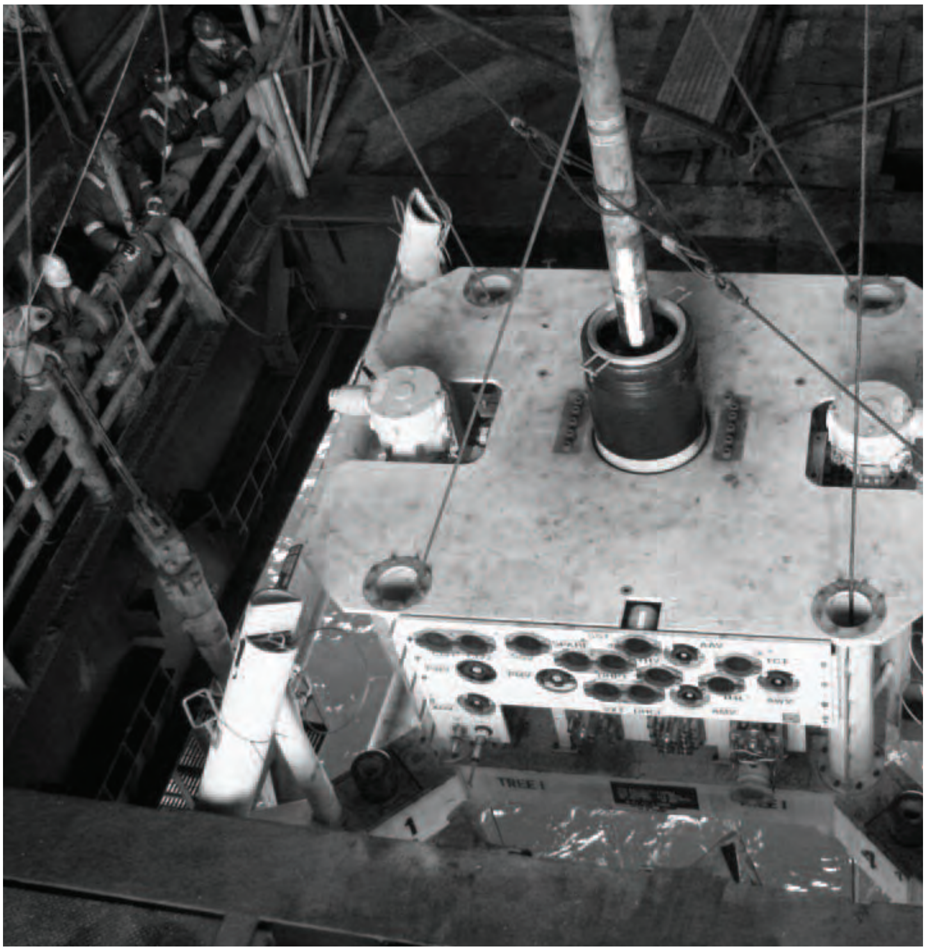
Production and Cash Generation

Trapoil continues to benefit from ongoing production at Athena, which has enabled cash reserves to grow despite the operational issues encountered throughout the year. These issues principally involved the failure of two pumps on the P4 production well, which resulted in a lower overall gross production rate for the field of approximately 7,000 barrels of oil per day ("bopd"), (1,050 bopd net to Trapoil), rather than the planned rate of c.11,000 bopd prior to the failure. The P4 well continues to produce a few hundred

"Trapoil is well funded, with an established revenue stream from Athena which can support its current strategy for the next few years.

barrels per day without assistance but may need to be worked over or re-drilled in order for production to return to higher levels. As the P4 well is no longer flowing at its full potential this has meant that the water cut has reduced to minimal levels. We expect to receive additional information on depletion rates in Q2 2014 (and associated water cut) and which parts of the field have been poorly swept thereby enabling planned remedial work in 2014 to be more accurately focused. Ithaca Energy (UK) Limited, the operator of Athena, currently expects to secure a rig for a minimum one slot campaign to take place in the middle of 2014, following which we look forward to production returning to higher levels. In addition, bad weather experienced at the beginning of 2014 was unsuitable for any floating production system leading to temporary suspensions in production and therefore, delayed income and cash flows.

Production from Athena through the year resulted in the Group's total cash reserves (including restricted cash) increasing by just over £7m to approximately £16.4m at the year end. At the current estimated reduced production rate, we expect to continue to generate just under £1m per month from our 15 per cent. equity interest in Athena at oil prices of approximately US$105/barrel after absorbing field operating costs.



Equipment on the FPSO Athena.

Compensation on Loss of Planned Wells and Impairments

2013 was disappointing in terms of the lack of certain anticipated drilling activity combined with impairment costs, of which a significant amount was due to the joint interests held alongside Caithness. We were also adversely impacted by our partner Norwegian Energy Company UK Limited's ("Noreco") financial problems, which led to severe partner drag. Both partners left us with potential commitments to DECC that required intensive and careful management. Following long and detailed negotiations with Caithness, its parent company Caithness Petroleum Limited and IGas, we secured shares in IGas valued at more than £4m as compensation, which provides us with exposure to potential future upside from onshore UK shale gas. As a consequence of the settlement we were forced to lose the Knockinnon asset. In this situation, decisions had to be taken to ensure that Trapoil maximised its compensation package and that shareholder value was protected as far as possible.

Noreco's default on the Crazy Horse well (Licence P1650, Block 14/13), originally due to be drilled in 2012 (on which we were also partly carried), deprived us of a drilling opportunity in 2013. However, Noreco ultimately assumed overall responsibility to DECC and we were compensated by Noreco by way of receiving increased equity in the Romeo discovery (Licence P1666, Block 30/11), which was drilled in 2012, together with a full carried interest on our seismic programme on the Homer asset (Licence P1989, Blocks 14/11, 12 & 16) acquired in DECC's 27th Seaward Licensing Round valued at approximately £1.5m. We also secured a 10 per cent. carried interest on any well ultimately drilled on the Homer licence, which is currently expected in the mid to long term. The equity transfer arrangement with Noreco was completed in April 2014 and awaits approval by DECC.

During the year, we chose not to proceed with the planned acquisition of a working interest in the Trent East Terrace Area ("TET") (Licence P685, Block 43/24a) and to surrender our 30 per cent. interest in the Conrad prospect (Licence P1923, Block 43/20c), as one of the proposed partners in TET, Holywell Resources Limited ("Holywell") was unable to meet certain financing pre-requisites. Accordingly, we decided that the risk of proceeding with the proposed transaction was unacceptable and no longer in shareholders' best interests. The loss of this potential opportunity, and the export option it offered for any gas in the area, meant that proceeding with Centrica Resources Limited and Holywell on the surrounding acreage, including our delayed 27th Seaward Licensing Round award on the Opal asset, no longer made commercial sense.

2013 Drilling – Magnolia and Scotney

The start of the year saw the Group drill two successive dry holes: Magnolia (Licence P1610, Block 13/23a) and Scotney (Licence P1658, Block 20/5b). Whilst disappointing, our exploration activities will only increase shareholder value by drilling wells, and it is our carried interest model that enables us to manage those risks and where possible protect shareholders' funds. The combined cost of the 2012-2013 drilling campaign was only £2m for an average 12 per cent. equity position against a real

"The combined cost of the 2012-2013 drilling campaign was only £2m for an average 12 per cent. equity position against a real cost of £14m.

Support workers boarding a flight from Athena.

cost of £14m. We did not have to meet any of the drilling costs for Magnolia or Scotney and these wells are discussed in greater detail below.

The Magnolia well was drilled close to the Captain field but ultimately failed due to the lack of a required stratigraphic trapping mechanism, but the nearby Liberator well, drilled by the same operator Dana Petroleum (E&P) Limited ("Dana") at the end of 2013, was a success and confirmed the merits of the play concept. Seismic information suggested the Liberator accumulation extended into the Magnolia licence. However, further drilling on our acreage will be required and we look forward to the appraisal of the Liberator find and working further with Dana.

Scotney was disappointing as the Group had a significant carried interest and the prospect was of a good size, with estimated net reserves of approximately 7 million barrels of oil equivalent ("mmboe"). The best in class seismic data used to evaluate the opportunity had reflectors that were interpreted to be sand based on the geological model. However, the drill bit ultimately proved these reflectors to be limestone stringers and non reservoir bearing.

Despite the disappointing drilling results in 2013, our business model is such that Trapoil is able to provide drilling opportunities to our shareholders with managed reduced costs and associated risks.

Portfolio Management

Since the end of 2013, we are beginning to see some evidence of 'green shoots' of an improving climate for active portfolio management. During the last 18 months the challenging macroeconomic environment and lack of risk appetite has led to the loss of promising assets such as Inverewe, Lytham and Sienna, all of which were returned to DECC as we were unable to progress such assets with our then partners. However, it is encouraging that we are now presenting several of our existing portfolio assets to a number of interested parties and we are optimistic about potentially sharing equity in return for carried interest positions, albeit such discussions are still at an early stage.

Our Bordeaux-Brule asset (Licence P1768, Blocks 14/14b, 18c & 19c) is currently being reviewed by several parties either owning infrastructure in the area, or who are keen to develop a multi-asset sour oil play for which the Bordeaux discovery is a potentially valuable addition to their portfolio. The Brule discovery offers immediate value potential via a short tie back to existing infrastructure and additional value upside could be harnessed from nearby exploration plays. One such exploration play, secured before the year end, was the Valleys acreage, situated immediately west of the giant Forties field. Trapoil's operating subsidiary secured Valleys in the 27th Seaward Licensing Round with a 44 per cent. paying interest and a 6.25 per cent. carried interest from Noreco. We subsequently exchanged our paying interest with Total in return for a 13.12 per cent. carried interest giving us an aggregate 19.37 per cent. carried interest position. In summary, the licence commitment to fund over £1m of seismic work is being met by our partners who will also cover the drilling of the first well if an election to drill is made. We negotiated a break fee should a well on Valleys not be drilled, as well as the ability to transfer equity in Valleys for equity in Block 29/15, adjacent to our Romeo discovery; an opportunity which is discussed further below.

Portfolio management is important to a group of Trapoil's size and over the last six months, as the market has appeared to be improving, we have focused our efforts on cultivating strong partnerships with the aim of avoiding future partner drag. We have also managed to significantly reduce our committed expenditure from £12m to just £2m.

Accretion of Shareholder Value

At Board level there has been much debate about how best, within the North Sea environment, to create value for the Company's shareholders from the free cash reserves that we currently have available and are likely to generate from Athena over the course of the next 18 months. We have formulated a strategy for 2014 and beyond that focuses on allocating those cash reserves over the better opportunities within our existing portfolio. There may well be some modest additions to the portfolio such as those stemming from the 28th Seaward Licensing Round assuming that we are able to identify opportunities of interest for ourselves and our partners.

Whilst actively pursuing the advancement of our existing assets, described further below, we will search for new ventures that create production (and therefore cash flow) or provide clear added value within the next few years.

Looking at our existing portfolio we are pleased to have secured the support of DECC in retaining our Surprise (Licence P1267, Blocks 12/25a & 13/21b) development opportunity for a further year with no additional or further commitment. Trapoil now operates this

asset following Dana's withdrawal from the licence. Surprise (with Nutmeg) is a potentially 14 mmbbls development opportunity, supported by three existing historic wells, with the only unknown factors being the oil quality and flow rate from the nearby Nutmeg discovery, which forms an integral part of the development. We continue with our search for partners to drill the first development well on Nutmeg and, if successful, will then proceed to agree a field development plan with DECC. Our aim, subject to securing suitable partners and rig availability, would be to drill a Nutmeg development well later this year.

In the short term we would like to move Brule into production. It is a small accumulation (approximately 5 mmbbls)

"We have managed to significantly reduce our committed expenditure from £12m to just £2m.

that could readily be tied into nearby infrastructure thereby requiring close collaboration with one of the existing operators. We are looking to drill Brule later in 2014 or in 2015 and there is a significant amount of additional exploration potential in the licence area although our focus is currently on the discovered oil resource.

The 2012 Romeo discovery is important to us given its potentially large size. Suncor Energy UK Limited ("Suncor") is the operator and Total control the adjacent block to the west that contains approximately 20 per cent. of Romeo and is a lookalike structure named Alfa or Scaranish. In Q4 2013 Trapoil farmed out its Valleys asset near the Forties field to Total and in return negotiated the right to take up to a 35 per cent. equity interest in Alfa. Trapoil believes that it should be involved in the Alfa well in order to help unlock the potential of Romeo.

Alfa will be drilled in 2015 as a commitment to DECC. Trapoil will focus on the Alfa/Romeo assets in 2014/15 together with its partners to ensure that new wells unlock the full potential of these assets.

Within our exploration portfolio we have three assets with carried interest positions, namely Niobe, Valleys and Homer. Niobe will be drilled in 2015 by Suncor who are the operator, and we have a 28 per cent. interest of which 8 per cent. is carried. For Valleys we have a 19.37 per cent. carried interest and our seismic costs are carried and once this work is completed in H1 2014 there will be a decision as to whether or not to drill a well provisionally scheduled for 2015. Trapoil will be carried in this well and we believe that it could represent a value of £23.5m on success. Homer is an immature prospect close to Athena and new seismic data will be acquired in H1 2014 and Trapoil are fully carried by Noreco. Should a well ultimately be drilled on Homer, we would benefit from a 10 per cent. carried interest as well as a 40 per cent. paying interest.

There are also a number of other assets within our portfolio that we will be working hard to monetise, but as we do not currently have carried positions in them they will not be drilled unless there is an acceptable change in our equity interest. These assets include Orchid and our non conventional oil play in the northern North Sea in Quad 16 near the Brae field. We have a 60 per cent. paying interest in Orchid and although we operate this asset we have partners who are not yet aligned to drill an appraisal well following the 2012 untested discovery. We currently have a 100 per cent. equity interest in our non conventional oil play and in 2013 we completed our desk top studies and presented the results to DECC who remain supportive of the technical work performed. We are marketing this opportunity to major oil companies in 2014 and targeting drilling in 2015 if we are able to secure a carried position and funding for a proof of concept well to test that commercial flow rates can be obtained from tight sands and silts.

Our goal is therefore, to carefully manage and maximise the Group's available and anticipated cash reserves in order to establish a drilling programme that will afford shareholders exposure to an asset base that is capable of delivering increased value. With our existing cash reserves and ability to manage risks and secure carried interest positions, we will aim to deliver this strategy over the next three years and hope to enhance the Group's position with value driven new ventures.

Outlook

We will proceed to execute our planned drilling programme following partner and rig availability confirmation, thereby seeking to maximise the potential value of our carried interests. Preserving our cash reserves for existing assets is a priority as is the focus on any new venture to drill or add clear value in the short term. To this end, management will continue to monitor and if necessary curtail expenditure. To recognise increased costs in the running of the business, in 2014, management have taken a 20 per cent. pay cut and staff levels have been trimmed, as has administrative expenditure.

Mark Groves Gidney
Chief Executive Officer
22 April 2014

> **"The goal for Trapoil is therefore, to manage and maximise the available and expected cash reserves to secure a drilling programme that will allow shareholder exposure to an asset base that will deliver increased value.**

The Ocean Nomad drilling rig, that drilled the Magnolia exploration well.

Business Review and Future Activities

The principal activity of the Company is oil and gas exploration, appraisal, development and production in the United Kingdom. The Company is a public limited Company incorporated in England and Wales (Company number 07503957) and is listed in London on AIM under the designation TRAP. The Company is required by the Companies Act 2006 to set out in this report a review of the business of the Group during the year ended 31 December 2013 and the position of the Group at the end of the year and principal risks and uncertainties facing the Group. The information that fulfils these requirements, including discussion of the business and future developments, is set out in the Chief Executive Officer's Report, Strategic Report and the Finance Director's Report.

Risks

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

Financial Risks:

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

Managed:

The Group relies for funding on its own cash reserves and operating cash flows, with support from a Borrowing Base Facility. Budgets and cash flow projections taking account of a range of cost inflation, oil and gas price, taxation, production volume and joint venture investment scenarios are prepared and updated regularly, circulated to all Directors and reviewed at Board meetings. An oil price forward contract has been undertaken in conjunction with the Borrowing Base Facility and is considered necessary to provide certainty around projected operating cash flows.

The Group also continuously reviews its portfolio of assets and considers farming-out and the selling of assets as part of its financial planning process. The Group is exposed to changes in the UK tax regime and supports the work of industry bodies in influencing government policy to encourage investment in oil exploration and production, in addition to the management of tax planning and compliance. During the year, the Group has not been exposed to material foreign exchange risk as a result of adverse foreign exchange movements and this will be reviewed as part of the on-going business risk appraisal process by the Board.

Operational Risks:

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

Managed:

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

The Group has shared equity and carried interests in its assets and operates several assets. As a result it will have to rely on third-party contractors and service suppliers. Joint venture partner ability to fund their own share of developments and manage projects to effectively cover other operational risks is also monitored together with relationships with government and regulators as part of the on-going Board review process.

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

Strategic and External Risks:	Managed:
> Further deterioration of capital markets, inhibiting efficient equity and/or debt raising for projects > Commercial misalignment with or default of co-venturers > Material fall in oil price	Close relationships are maintained with banks and the investor community as the Group may from time to time require access to new loan facilities and equity. In 2013 the Group secured a Borrowing Base Facility for US$20m. Joint venture partners' ability to fund their own share of developments is monitored and continuously assessed but the Group has no ability to predict where or when partners may change their priorities or if their financial circumstances might alter significantly. An oil price forward contract has been undertaken in conjunction with the Borrowing Base Facility and is considered necessary to provide greater certainty around projected operating cash flows. The risks set out above are not exhaustive and additional risks and uncertainties may arise or become material in the future. Any of these risks, as well as other risks and uncertainties discussed in this report, could have a material adverse effect on the business. There is no absolute assurance that the Group's exploration and appraisal activities will be successful. The Group's activities may also be curtailed, delayed or cancelled not only as a result of adverse weather conditions but also as a result of shortage or delays in the delivery of drilling rigs and other equipment, which at times are in short supply. The Group seeks to manage these risks through portfolio management, balancing them across a range of prospects and leads, which carry varying technical and commercial risks, and carefully managing the financial exposure to each asset in the portfolio through arrangements agreed with joint venture partners. The Group competes with other exploration and production companies, some of whom have much greater financial resources for the identification and acquisition of oil and gas licences and properties and also for the recruitment and retention of skilled personnel. The market price of hydrocarbon products can be volatile and is not within the control of the Group. If significant sustained declines occur in the price of oil, or detrimental changes occur to the UK fiscal regime, the economic commerciality of the Group's projects may be significantly reduced or rendered uneconomic. The successful progression of the Group's oil and gas assets depends not only on technical success, but also on the ability of the Group to obtain appropriate financing through equity financing, debt financing, farm-outs and other means. The availability of funding may continue to be influenced by macroeconomic events, such as oil price fluctuations or the overall state of the economy, both of which remain outside the control of the Group. There is no assurance that the Group will be successful in obtaining the required financing going forward. If the Group is unable to obtain the additional financing required to fulfil its planned work programmes, some interests may be relinquished and/or the scope of its operations reduced. The financial risk management policies are set out in note 4.

Outlook

The Directors consider that the Group remains well capitalised with a balanced portfolio of assets offering near term upside. The commitments of the Group remain low with only one well at Niobe having a firm commitment obligation to DECC and this well is expected to be drilled in 2015 at an estimated cost of £2m net to the Group.

The continuation of the revised strategy will be to effectively deploy capital on the remaining portfolio assets and to drill them out over the next few years whilst also remaining open to events as and when they arise and new opportunities as we create them.

Finance Director's Report

Cash Resources and Short-Term Investments

We ended 2013 in a strong financial position even though the year presented us with many challenges. As at 31 December 2013 we were well funded holding over £16m of cash in the bank as well as short-term investments by way of shares in IGas valued at over £4m. Importantly, the Group now has a clear and focused strategy as to how it aims to deploy its resources over the short- to medium-term in order to maximise shareholder returns.

Capital Expenditure and Acquisitions

Three wells were completed during the year: Romeo (Licence P1666, Block 30/11c), Scotney (Licence P1658, Block 20/5n) and Magnolia (Licence P1610, Block 13/23a). The Group was fully carried on these wells and accordingly did not incur any material capital expenditure. As a result of these carries, the Group spent a little under £2m in total on capital expenditure in 2013. Around £0.5m was spent on remedial intervention work on our producing field Athena, which required a small amount of work midway through the year, with the balance being spent across our other portfolio assets, licence fees, seismic interpretation and other operator related costs together with the capitalisation of some technical costs.

We also completed two acquisitions during the year, the first was an additional 45 per cent. interest in the Orchid oil discovery (Licence P1556, Block 29/1c) which we acquired from Summit Petroleum Limited for £1.5m and the second was our acquisition of 85 per cent. of the Surprise & Nutmeg oil discoveries (Licence P1267, Blocks 12/25a & 13/21b) from Dana Petroleum Limited for no consideration.

Statement of Comprehensive Loss

2013 saw a significant increase in our revenues as we experienced our first full year of production from the Athena oil field (Licence P1293, Block 14/18b) which produced over 3 mmboe earning us £30m of revenue and generating approximately £13m of cash flow in the year. The Group, however, reported a loss after tax of approximately £10.3m for the year. Our Cost of Sales, which includes amortisation, was a little under £26m, some £14m of this related to our share of the operating and production costs of the Athena oil field. A large contributing factor towards our results was a loss on disposal of £9.4m (note 22) in addition to impairment costs in respect of our other assets during the year. The loss on disposal related to wells we had hoped would be drilled by Caithness who were unable to honour their commitments to us. We did, however, receive a degree of compensation for this, amounting to US$7.5m, but unfortunately this was insufficient to avoid impairing the remaining carrying value, which was substantially higher than the sum received as a result of our acquisition of Reach Exploration Limited in 2011. We also depreciated our producing assets in line with production by some £8.5m during the year. The balance represents costs incurred in supporting our assets and amortisation of the CGG Services (UK) Limited data licence.

Financing

Tied to our production we also finalised a US$20m senior secured debt facility in January 2013 with G E Capital, importantly at the year end it remained undrawn but finance charges in the year increased as a result of the costs associated with setting up and running this facility. The facility provided us with useful access to potential additional capital should it have been required during the year. The Group also maintained its swap position taken out with Britannic Trading Limited, a subsidiary of BP International Limited, a requirement of the G E Capital facility, where we have entered into certain oil price swap arrangements for a significant proportion of our production from January 2013 through to January 2016.

Administrative Expenses

We have kept a tight rein on costs, reducing expenditure where possible and increasing costs only where absolutely necessary, such as our move in 2013 towards Operatorship, which required us to meet certain regulatory obligations and maintain particular capabilities in-house. We successfully managed to reduce some of our historic overhead costs in the year to mitigate some of the increases experienced elsewhere. Importantly, going forward we have made further significant cuts to our overall budget for 2014 where we are aiming for a reduction of over £1m before exceptional items.

“We ended 2013 in a strong financial position even though the year presented many challenges for us.

Assets

Our asset portfolio has been actively managed during the year resulting in a portfolio that has the potential to deliver significant future upside for shareholders.

We believe that we have a broad and balanced mix of assets including:

- Licence P1938, Blocks 3/2c, 4c, 7d, 9c, 13b, 14h, 14j, 16/12b, 17c, 211/22b, 27d, 28b & 29b, which we farmed into last year from Extract Petroleum Limited, which is an exciting but early stage Unconventional Offshore concept play
- Lower risk appraisal assets such as Brule (Licence P1768, Blocks 14/14b, 18c & 19c), Surprise and Romeo
- Higher risk, but therefore commensurately higher return, assets such as Niobe (Licence P1889, Blocks 12/26b & 27) and Valleys (Licence P2032, Blocks 21/8c, 9b, 10c, 14a & 15b)

It remains the Group's focus to achieve significant carried interest positions where possible in order to mitigate its exposure and the capital requirements traditionally associated with exploration.

Scott Richardson Brown
Finance Director
22 April 2014

The Finance Team: Scott Richardson Brown, Finance Director & John Church, Company Secretary.

Directors & Advisers

Board of Directors

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

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

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

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

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

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

Marcus Stanton
Non-Executive Director
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 Director of Velosi Limited. He also acts as a financial expert witness in litigation involving banks and is a member of both the Institute of Chartered Accountants in England and Wales and the Chartered Institute for Securities and Investment.

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

Directors & Advisers continued

Left to right: Paul Collins, Chief Operating Officer, Mark Groves Gidney, Chief Executive Officer, Scott Richardson Brown, Finance Director & Martin David, Technical Director.

Registered in England and Wales
No. 7503957

Trap Oil Head Office
4 Park Place
St James
Mayfair
London
SW1A 1LP
T. +44 (0)20 3170 5586
F. +44 (0)20 3170 5587

Trap Oil Operations Office
3rd Floor
35 King Street
London
EC2V 8EH

Company Secretary
John Church

Financial and Nominated Adviser
Strand Hanson Limited
26 Mount Row
London W1K 3SQ

Brokers
FirstEnergy Capital LLP
85 London Wall
London EC2M 7AD

Mirabaud Securities LLP
33 Grosvenor Place
London SW1X 7HY

Solicitors
Field Fisher Waterhouse LLP
35 Vine Street
London EC3N 2AA

Auditors
PricewaterhouseCoopers LLP
32 Albyn Place
Aberdeen AB10 1YL

Financial PR
Cardew Group
Albemarle House
1 Albemarle Street
London W1S 4HA

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Corporate Governance

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

Board of Directors

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

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

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

The Company considers that it is of importance that where possible its Non-Executive Directors maintain a strong element of independence. The Board considers that in respect of Mr M S Newman and Mr T E Jones, as they have substantial shareholdings and to a lesser extent small options holdings they cannot be considered as independent. However, for Mr K P Watts and Mr M J Stanton, as they have nominal shareholdings and small options holdings that were awarded at the IPO they are considered independent for the purposes of corporate governance.

The roles of the Chairman and Chief Executive Officer are separate and as a result this ensures 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.

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

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

Independent Directors

To comply with the Code the Board considers the following Non-Executive Directors i.e. Mr K P Watts and Mr M J Stanton, to be independent in character and judgement although they have small nominal shareholdings and options holdings the latter of which were awarded at the IPO. The Board considers that these circumstances do not affect, or appear to affect, the Directors' judgement and as such they are considered independent for the purposes of corporate governance.

Audit Committee

The Audit Committee is chaired by Mr M J Stanton and its other member is Mr K P Watts (both independent Non-Executive Directors and Chartered Accountants) who are deemed to have recent and relevant financial expertise 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.

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

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

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 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 Officers 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 Non-Executive Directors).

Under its terms of reference it is required to meet twice a year and is responsible for identifying and nominating candidates to fill Board vacancies.

Board Effectiveness

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

Board and Committee Attendance in 2013

	Board Attended	Audit Committee Attended	Remuneration Committee Attended	Nomination Committee Attended
Non-Executive Directors				
Kevin Watts	11	3	4	3
Marcus Stanton	12	3	4	3
Elwyn Jones	11	–	4	3
Miles Newman	10	–	–	–
Executive Directors				
Mark Groves Gidney	11	–	–	–
Paul Collins	12	–	–	–
David Kemp (Resigned 12 April 2013)	5	–	–	–
Martin David	12	–	–	–
Scott Richardson Brown (Appointed 3 June 2013)	5	–	–	–

Internal Control

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

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

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 objectives with shareholders 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 on the Group's activities.

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

Health and Safety

General

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

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

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

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

Management and Employee Responsibility

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

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

Job Safety Analysis

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

Consultation

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

Training

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

Reporting and Investigation of Accidents

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

Review of Policy

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

John Church
Company Secretary
22 April 2014

Directors' Report

The Directors present their report together with the Group and Company financial statements for the year ended 31 December 2013.

Results and Dividends

The Group's loss for the year was £10.5m (2012: loss of £10.9m). The Directors do not recommend the payment of a dividend (2012: Nil).

Directors interests

The beneficial and other interests of the Directors holding office during the year and their families in the shares of the Company at 31 December 2013 were:

	As at 31 December 2013 1p Ordinary Shares		As at 31 December 2012 1p Ordinary Shares	
	Shares	**Options**	Shares	Options
Non-Executive Directors				
K P Watts (Chairman)	**50,000**	**209,302**	50,000	209,302
M J Stanton	**146,512**	**156,977**	46,512	156,977
T E Jones	**2,804,902**	**139,535**	2,804,902	139,535
M S Newman	**23,203,402**	**139,535**	23,203,402	139,535
Executive Directors				
M N Groves Gidney (Chief Executive Officer)	**5,497,710**	**4,082,199**	4,973,347	3,332,911
P M Collins (Chief Operations Officer)	**5,497,710**	**4,082,199**	4,973,347	3,332,911
M J David (Technical Director)	**440,585**	**1,741,946**	440,585	1,121,395
S J Richardson Brown (Finance Director) (Appointed 3 June 2013)	**730,000**	**1,500,000**	–	–
D M Kemp (Finance Director) (Resigned 12 April 2013)	**1,564,874**	**106,200**	1,564,874	3,032,361

Directors' Third Party Indemnity Provisions

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

Share Capital

At 31 December 2013, 227,169,331 (2012: 225,910,417) ordinary shares of 1p each were issued and fully paid. Each ordinary share carries one vote. Details of ordinary shares issued during the financial year can be found in note 17 of the financial statements.

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

Substantial Shareholders

At 31 March 2014, notification had been received by the Company of the following who had a disclosable interest in 3 per cent. or more of the nominal value of the ordinary share capital of the Company:

	Percentage of issued share capital
The Union Discount Company Of London Ltd	14.44%
Schroder Investment Management (UK)	5.92%
Mr P Curtis	4.49%
Charles Stanley & Co	3.20%
TD Direct Investing	3.14%

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

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 performance. The Group is committed to being an equal opportunity employer and engages employees with a broad range of skills and backgrounds.

Brokers and Nominated Adviser
The Company's joint brokers are FirstEnergy Capital LLP and Mirabaud Securities LLP and the Company's Nominated Adviser is Strand Hanson Limited.

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

Key Performance Indicators
The Board regularly reviews Key Performance Indicators (KPIs), which are determined at the beginning of each financial year as part of the budget process, and the progress towards achieving its objectives. The KPIs include Farm-Ins, Farm-Outs, Wells Drilled, Net Risked Resource Changes and control of capital expenditure, overhead costs and cash reserves as set out in the financial statements.

Going Concern
Following the Board's review of the Group's financial position and cash flow projections, and despite the loss recognised in the year, the Directors consider 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.

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

On behalf of the Board

Scott Richardson Brown
Finance Director
22 April 2014

Remuneration Report

Directors' Emoluments

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

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

> Providing appropriate incentives to encourage enhanced performance
> Providing remuneration packages needed to attract, retain and motivate Executives of the quality required
> Determining targets for performance related pay and whether the Executives should be eligible for annual bonuses
> Considering the Group's relative position for remuneration in relation to other companies
> Aligning the Executives interests with those of the shareholders
> Maintaining relevance of the remuneration policy taking into account share incentive plans, performance targets and long term incentive schemes

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

Executive Directors' emoluments consist of salary, bonus, pension and discretionary share options whilst Non-Executive Directors emoluments consist of salary and discretionary share options the details of which, for the year to 31 December 2013, are as follows:

Management Remuneration

	Salary/Fees £	Pension £	Benefits £	Bonus £	Total 2013 £	Total 2012 £
Non-Executive Directors						
K P Watts (Chairman)	72,100	–	–	–	**72,100**	70,000
M J Stanton	51,500	–	–	–	**51,500**	50,000
T E Jones	46,350	–	–	–	**46,350**	45,000
M S Newman	51,500	–	–	–	**51,500**	49,166
Executive Directors						
M N Groves Gidney (CEO)	250,000	25,000	3,324	60,000	**338,324**	252,167
D M Kemp (Finance Director) (Resigned 12 April 2013)	73,897	7,390	1,206	60,000	**142,493**	249,741
P M Collins (COO)	232,780	23,137	8,703	60,000	**324,620**	251,436
M J David (Technical Director)	234,332	21,338	6,589	15,000	**277,259**	253,408
S J Richardson Brown (Finance Director) (Appointed 3 June 2013)	135,683	13,568	–	–	**149,251**	–
	1,148,142	**90,433**	**19,822**	**195,000**	**1,453,397**	1,220,918

Share Options Incentivisation

	Held at 1 January 2013	Held at 31 December 2013	Exercise Price p	Issue Date	Expiry Date	Type
K P Watts	209,302	209,302	43.00	13/03/11	12/03/21	*3*
	209,302	209,302				
M J Stanton	156,977	156,977	43.00	13/03/11	12/03/21	*3*
	156,977	156,977				
T E Jones	139,535	139,535	43.00	13/03/11	12/03/21	*3*
	139,535	139,535				
M S Newman	139,535	139,535	43.00	01/07/11	01/07/21	*3*
	139,535	139,535				
M N Groves Gidney	1,048,725	524,362	1.00	11/03/11	10/03/21	*1*
	1,744,186	1,598,837	43.00	13/03/11	12/03/21	*2*
	540,000	459,000	27.12	01/12/11	01/12/21	*2*
	–	1,500,000	15.00	31/05/13	31/05/23	*5*
	3,332,911	4,082,199				
P M Collins	1,048,725	524,362	1.00	11/03/11	10/03/21	*1*
	1,744,186	1,598,837	43.00	13/03/11	12/03/21	*2*
	540,000	459,000	27.12	01/12/11	01/12/21	*2*
	–	1,500,000	15.00	31/05/13	31/05/23	*5*
	3,332,911	4,082,199				
M J David	581,395	532,946	43.00	13/03/11	12/03/21	*2*
	540,000	459,000	27.12	01/12/11	01/12/21	*2*
	–	750,000	15.00	31/05/13	31/05/23	*5*
	1,121,395	1,741,946				
S J Richardson Brown	–	1,500,000	15.00	31/05/13	31/05/23	*5*
	–	1,500,000				
Total	**8,432,566**	**12,051,693**				

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

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

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

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

***5* Trap Oil Group plc Unapproved Share Option Plan 2011**
Vest in equal portions over a three year period from the date of grant and are not subject to the completion of performance conditions.

Kevin Watts
Chairman of the Remuneration Committee
22 April 2014

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Independent Auditors

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

Annual General Meeting

The Annual General Meeting will be held on 29 May 2014 as stated in the Notice of Meeting.

On behalf of the Board

Scott Richardson Brown
Finance Director
22 April 2014

Independent Auditors' Report

to the members of Trap Oil Group plc

Our Opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What We Have Audited

The Group financial statements (the "financial statements"), which are prepared by Trap Oil Group plc, comprise:

- the Consolidated Statement of Financial Position as at 31 December 2013;
- the Consolidated Statement of Comprehensive Loss for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

What An Audit of Financial Statements Involves

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

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

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

Opinion on Other Matter Prescribed by the Companies Act 2006

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

Other Matters on Which We Are Required to Report by Exception

Adequacy of Information and Explanations Received

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

Directors' Remuneration

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

Responsibilities for the Financial Statements and the Audit

Our Responsibilities and Those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 25, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Other Matter

We have reported separately on the parent Company financial statements of Trap Oil Group plc for the year ended 31 December 2013.

Mark Higginson

Mark Higginson
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
22 April 2014

Consolidated Financial Statements

Contents

Consolidated Statement of Comprehensive Loss

For the year ended 31 December 2013

	Notes	**2013 £**	2012 £
Revenue	3	**30,309,304**	1,674,698
Cost of sales		**(25,688,613)**	(9,812,361)
Gross profit/(loss)		**4,620,691**	(8,137,663)
Other operating income		**75,120**	172,245
Exceptional item	6	**(9,367,378)**	–
Administrative expenses		**(4,520,274)**	(3,002,611)
Operating loss		**(9,191,841)**	(10,968,029)
Finance costs	7	**(1,100,664)**	(68,495)
Finance income	7	**31,667**	174,707
Loss for the year before tax	8	**(10,260,838)**	(10,861,817)
Tax	9	**–**	–
Loss for the year		**(10,260,838)**	(10,861,817)
Other comprehensive loss			
Change in value of available for sale financial asset	13, 22	**(279,597)**	–
Total comprehensive loss for the year		**(10,540,435)**	(10,861,817)
Total comprehensive loss for the year attributable to:			
Owners of the parent		**(10,540,435)**	(10,861,817)

		2013 Pence	2012 Pence
Loss per share expressed in pence per share:	10		
Basic and diluted		**(4.65)**	(5.00)

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

The notes on pages 32 to 49 are an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 £	2012 £
Non-current assets			
Intangible assets – Exploration costs	11	**12,256,350**	25,193,180
Intangible assets – Data licence costs	11	**1,333,332**	1,833,332
Property, plant and equipment	12	**14,295,852**	28,093,548
		27,885,534	55,120,060
Current assets			
Available for sale investment	13	**4,410,934**	–
Inventories	14	**1,249,599**	–
Trade and other receivables	15	**5,456,723**	1,625,311
Cash and cash equivalents (including restricted cash)	16	**16,438,908**	9,275,542
		27,556,164	10,900,853
Total assets		**55,441,698**	66,020,913
Equity			
Shareholders' equity			
Called up share capital	17	**2,271,693**	2,259,104
Share premium account		**68,321,083**	68,101,922
Share options reserve	20	**2,575,472**	2,341,644
Accumulated losses		**(27,107,644)**	(16,985,796)
Reorganisation reserve		**(382,543)**	(382,543)
Available for sale investment reserve	13	**(279,597)**	–
Total equity		**45,398,464**	55,334,331
Liabilities			
Non-current liabilities			
Trade and other payables	18	**1,676,078**	2,645,228
Provisions for liabilities and charges	19	**4,662,912**	5,176,396
		6,338,990	7,821,624
Current liabilities			
Trade and other payables	18	**3,704,244**	2,864,958
		3,704,244	2,864,958
Total liabilities		**10,043,234**	10,686,582
Total equity and liabilities		**55,441,698**	66,020,913

The financial statements on pages 28 to 49 were approved by the Board of Directors and authorised for issue on 22 April 2014. They were signed on its behalf by Scott Richardson Brown – Finance Director.

Company Registration Number: 07503957

The notes on pages 32 to 49 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Called up share capital £	Share premium account £	Share options reserve £	Accumulated losses £	Reorganisation reserve £	Available for sale reserve £	**Total equity £**
At 1 January 2012	2,053,731	64,222,583	1,774,310	(6,123,979)	(382,543)	–	**61,544,102**
Loss and total comprehensive loss for the year	–	–	–	(10,861,817)	–	–	**(10,861,817)**
Issue of share capital	205,373	4,107,460	–	–	–	–	**4,312,833**
Cost of issue of share capital	–	(228,121)	–	–	–	–	**(228,121)**
Transactions with owners – share based payments (note 20)	–	–	567,334	–	–	–	**567,334**
At 31 December 2012	2,259,104	68,101,922	2,341,644	(16,985,796)	(382,543)	–	**55,334,331**
Loss for the year	–	–	–	(10,260,838)	–	–	**(10,260,838)**
Other comprehensive loss for the year (note 13)	–	–	–	–	–	(279,597)	**(279,597)**
Total comprehensive loss for the year	–	–	–	(10,260,838)	–	(279,597)	**(10,540,435)**
Issue of share capital (note 17)	12,589	219,161	(219,161)	–	–	–	**12,589**
Lapsed share options (note 20)	–	–	(138,990)	138,990	–	–	**–**
Transactions with owners – share based payments (note 20)	–	–	591,979	–	–	–	**591,979**
At 31 December 2013	**2,271,693**	**68,321,083**	**2,575,472**	**(27,107,644)**	**(382,543)**	**(279,597)**	**45,398,464**

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

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

The notes on pages 32 to 49 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 £	2012 £
Cash flows from operating activities			
Cash generated from/(used in) operations	25	**8,604,958**	(1,082,496)
Interest paid		**(62,404)**	–
Net cash generated from/(used in) operating activities		**8,542,554**	(1,082,496)
Cash flows from investing activities			
Purchase of intangible assets	11	**(4,189,222)**	(5,141,129)
Purchase of property, plant and equipment	12	**(302,783)**	(23,062,638)
Refund on purchase of Production interest	12	**4,214,508**	–
Athena insurance refund	12	**441,081**	–
Sale proceeds of intangible assets	11	**–**	2,584,152
Interest received		**31,667**	174,707
Net cash generated from/(used in) investing activities		**195,251**	(25,444,908)
Cash flows from financing activities			
CGG Services (UK) Limited repaid	18	**(1,118,000)**	(700,000)
G E Capital finance charges		**(819,028)**	–
Proceeds from share issue	17	**12,589**	4,084,712
Net cash (used in)/generated from financing activities		**(1,924,439)**	3,384,712
Increase/(Decrease) in cash and cash equivalents	26	**6,813,366**	(23,142,692)
Cash and cash equivalents at beginning of year	26	**9,275,542**	32,418,234
Cash and cash equivalents at end of year	26	**16,088,908**	9,275,542

The notes on pages 32 to 49 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. General Information

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

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

2. Significant Accounting Policies

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

Basis of Accounting

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

Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that would be expected to have a material impact on the Company.

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

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

Significant Accounting Judgements and Estimates

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

- amortisation (note 11),
- impairment (note 11),
- depreciation (note 12),
- decommissioning (note 19), and
- the estimation of share based payment costs (note 20).

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

Basis of Consolidation

(a) Subsidiaries

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

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

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

Acquisition related costs are expensed as incurred.

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

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

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

2. Significant Accounting Policies continued

liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

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

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

(c) Disposal of subsidiaries

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

(d) Associates

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

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

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

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

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

Acquisitions, Asset Purchases and Disposals

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

Transactions involving the purchase of an individual field interest, farm-ins, farm-outs, or acquisitions of exploration and evaluation 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 arises. Consideration from farm-ins/farm-outs are adequately credited from, or debited to, the asset. The purchase consideration is allocated to the assets and liabilities purchased on an appropriate basis. Proceeds on disposal are applied to the carrying amount of the specific intangible asset or development and production assets disposed of and any surplus is recorded as a gain on disposal in the Consolidated Statement of Comprehensive Loss.

Revenue Recognition

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

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

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

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

Exploration and Evaluation Costs

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

2. Significant Accounting Policies continued

seismic acquisition, exploratory drilling and testing.

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

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

Data Licence

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

Property, Plant and Equipment

Production interests and fields under development

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

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

Amortisation, depletion and impairment of oil and gas assets

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

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

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

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

Computer & office equipment – 3 years

Decommissioning and site restoration

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

Inventories

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

Joint Ventures

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

Investments

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

Financial Instruments

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

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

Trade receivables are recognised initially at fair value and

2. Significant Accounting Policies continued

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

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

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

Available for Sale Investment

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

Deferred Tax

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

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

Foreign Currencies

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

Employee Benefit Costs

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

Share Based Payments

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

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

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

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

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

2. Significant Accounting Policies continued

Share Capital

Ordinary shares are classified as equity.

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

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

Segmental Reporting

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

3. Segmental Reporting

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

Revenue from one major customer exceeded 10 per cent., and amounted to £30.3m. In 2012 revenue from one major customer exceeded 10 per cent., and amounted to £1.6m.

4. Financial Risk Management

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

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

Credit Risk

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

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

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

Management review trade receivables across the Group based on receivable days calculations to assess performance. There is significant management focus on receivables that are overdue. Trade receivable days for the Group for the year ended 31 December 2013 were 23 days (2012: 4 days), based on the ratio of Group trade receivables at the end of the year to the amount invoiced during the year to trade receivables.

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

Liquidity Risk

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

Capital Risk Management

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

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

The ratio of net debt to equity as at 31 December 2013 is Nil (2012: Nil).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

4. Financial Risk Management continued

Maturity Analysis of Financial Assets and Liabilities

Financial Assets

	2013 £	2012 £
Up to 3 months	**3,966,911**	20,764
3 to 6 months	**664,519**	1,604,547
Over 6 months	**5,703,917**	–
	10,335,347	1,625,311

Financial Liabilities

	2013 £	2012 £
Up to 3 months	**529,670**	376,227
3 to 6 months	**3,031,207**	2,271,785
Over 6 months	**1,676,079**	2,864,958
	5,236,956	5,512,970

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

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

Financial Assets

Available for sale investment

	2013 £	2012 £
Level 1 (note 13)	**4,410,934**	–
Level 2	**–**	–
Level 3	**–**	–
	4,410,934	–

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

5. Employees and Directors

	2013 £	2012 £
Wages and short-term employee benefits	**2,250,929**	1,755,110
Share based payments (note 20)	**591,979**	567,334
Post-employment benefits	**375,571**	295,916
	3,218,479	2,618,360

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

The average monthly number of employees during the year was as follows:	2013 Number	2012 Number
Directors	**8**	8
Employees	**8**	6
	16	14

	2013 £	2012 £
Directors' remuneration	**1,244,832**	1,014,234
Directors' pension contributions to money purchase scheme	**188,740**	186,800
	1,433,572	1,201,034

The average number of Directors to whom retirement benefits were accruing was as follows:	2013 Number	2012 Number
Money purchase schemes	**4**	4

Information regarding the highest paid Director is as follows:	2013 £	2012 £
Emoluments	**310,000**	226,000
Pension contributions	**25,000**	20,717

Key Management Compensation

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

	2013 £	2012 £
Wages and short-term employee benefits	**1,424,328**	1,127,992
Share based payments (note 20)	**508,460**	511,272
Post-employment benefits	**210,520**	236,792
	2,143,308	1,876,056

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

6. Exceptional Item

	2013 £	2012 £
Loss on disposal of intangible assets	**9,367,378**	–
	9,367,378	–

The loss on disposal relates to the disposal of assets to Caithness Petroleum Limited. This transaction was outside the normal course of business (note 22).

7. Net Finance Costs

	2013 £	2012 £
Finance income:		
Interest received	**31,667**	174,707
Finance costs:		
CGG Services (UK) Limited interest (note 18)	**30,852**	54,128
Unwinding of discount on the decommissioning liability (note 19)	**186,516**	14,367
Joint venture finance charge	**1,864**	–
G E Capital facility fees	**819,028**	–
Loan interest	**62,404**	–
	1,100,664	68,495
Net finance (costs)/income	**(1,068,997)**	106,212

8. Loss Before Tax

The loss before tax is stated after charging:	2013 £	2012 £
Cost of sales recognised as expense (excluding amortisation and impairments)	**13,498,920**	1,568,303
Depreciation	**35,198**	32,230
Depletion of oil assets	**8,584,883**	940,027
Intangible asset amortisation	**500,000**	500,000
Impairment of intangible assets	**3,190,671**	6,804,031
Loss on disposal of intangible assets	**9,367,378**	–
Auditors' remuneration – audit of parent company and consolidation	**27,500**	26,247
Auditors' remuneration – audit of subsidiaries	**28,500**	16,753
Foreign exchange loss	**911,615**	4,001
Directors' remuneration (note 5)	**1,433,572**	1,201,034
Employee costs (note 5)	**1,192,928**	849,992
Share based payments (notes 5 and 20)	**591,979**	567,334

For the year ended 31 December 2013

9. Tax

Factors Affecting the Tax Charge

Trap Oil Group plc is a trading group but no liability to UK corporation tax arose on the ordinary activities for the year ended 31 December 2013 or for the year ended 31 December 2012 due to the losses incurred.

Reconciliation of Tax Charge

	2013 £	2012 £
Loss before tax	**(10,260,838)**	(10,861,817)
Tax at the domestic rate of 20% (2012: 20%)	**(2,052,167)**	(2,172,363)
Expenses not deductible for tax purposes and non-taxable income	**3,782,285**	692,992
Deferred tax asset not recognised	**65,695**	1,479,371
Utilisation of prior year trading losses	**(1,795,813)**	–
Total tax expense reported in the Consolidated Statement of Comprehensive Loss	**–**	–

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

The deferred tax asset has not been recognised in the Statement of Financial Position as it is currently not possible with any degree of certainty to calculate the value of this asset and the time scale over which the asset would be recovered. The Group has corporation tax retained losses at 31 December 2013 of £9m (2012: £16m).

10. Loss Per Share

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

Diluted loss per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares. As a loss was recorded for the current and prior year, the issue of potential ordinary shares would have been anti dilutive (see note 20 for share options in place at the end of the year).

	Loss attributable to ordinary shareholders £	Weighted average number of shares	Per share amount Pence
Year ended 31 December 2013			
Basic and Diluted EPS			
Loss attributable to ordinary shareholders	**(10,540,435)**	**226,629,262**	**(4.65)**
Year ended 31 December 2012			
Basic and Diluted EPS			
Loss attributable to ordinary shareholders	(10,861,817)	217,020,291	(5.00)

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

11. Intangible Assets

	Exploration costs £	Data licence costs £	**Total £**
Cost			
At 1 January 2012	30,087,654	4,000,000	**34,087,654**
Additions	5,141,129	–	**5,141,129**
Disposals	(2,411,907)	–	**(2,411,907)**
Transfer to tangible assets (note 12)	(817,599)	–	**(817,599)**
At 31 December 2012	31,999,277	4,000,000	**35,999,277**
Additions	4,189,222	–	**4,189,222**
Disposals	(23,930,082)	–	**(23,930,082)**
At 31 December 2013	**12,258,417**	**4,000,000**	**16,258,417**
Amortisation			
At 1 January 2012	2,066	1,666,668	**1,668,734**
Charge for the year	–	500,000	**500,000**
Impairments	6,804,031	–	**6,804,031**
At 31 December 2012	6,806,097	2,166,668	**8,972,765**
Charge for the year	–	500,000	**500,000**
Impairments*	3,190,671	–	**3,190,671**
Loss on disposal (note 6)**	9,367,378	–	**9,367,378**
Eliminated on disposal	(19,362,079)	–	**(19,362,079)**
At 31 December 2013	**2,067**	**2,666,668**	**2,668,735**
Net book value			
At 31 December 2013	**12,256,350**	**1,333,332**	**13,589,682**
At 31 December 2012	25,193,180	1,833,332	27,026,512
At 1 January 2012	30,085,588	2,333,332	32,418,920

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

	2013 £	2012 £
Receivables from joint venture partners	**300,437**	1,127,830
Payable to subcontractors and operators	**697,606**	190,710

Cash payments of £4,189,222 (2012: £5,141,129) have been incurred relating to exploration and evaluation activities.

11. Intangible Assets continued

The net cash proceeds due from the disposal of interests included in Exploration costs is as follows:

	2013 £	2012 £
P1181 Lacewing	–	1,000,000
P1864 Inverewe (Kew)	–	1,584,152
	–	2,584,152

A total impairment charge of £3,190,671 (made up from the impairments below at *) is included in Cost of sales in the Consolidated Statement of Comprehensive Loss as an impairment trigger was identified requiring a full impairment review to be carried out in accordance with IAS 36 "Impairment of assets". An economic assessment of all assets was carried out as at 31 December 2013 using Expected Monetary Value models.

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

	£
Trent exploration activities	256,177
Licence P1286 Forse	53,221
Licence P1547 Whitbeck	176,525
Licence P1610 Magnolia	57,010
Licence P1624 Forties A & B	1,208,166
Licence P1650 Crazy Horse	668,741
Licence P1658 Scotney	141,690
Licence P1776 Sienna	32,559
Licence P1856 Lytham	26,454
Licence P1859 EMMM	46,835
Licence P1864 Inverewe	3,000
Licence P1923/P*4/18c Conrad	335,485
P1925 North Kelvin	184,808
	3,190,671

** Loss on disposal of the following licences included in Exceptional item in note 6:

	£
Licence P1270 Lybster	9,222,990
PEDL 158	144,388
	9,367,378

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

12. Property, Plant and Equipment

	Production interests and fields under development £	Computer and office equipment £	**Total £**
Cost			
At 1 January 2012	–	30,015	**30,015**
Additions	28,148,173	76,494	**28,224,667**
Transfer from intangible assets (note 11)	817,599	–	**817,599**
At 31 December 2012	28,965,772	106,509	**29,072,281**
Additions	174,243	128,540	**302,783**
Lybster reduction in site restoration obligations	(593,425)	–	**(593,425)**
Refund on purchase of Production interest	(4,214,508)	–	**(4,214,508)**
Athena insurance refund	(441,081)	–	**(441,081)**
Disposals (note 22)	(925,453)	–	**(925,453)**
At 31 December 2013	**22,965,548**	**235,049**	**23,200,597**
Amortisation, depletion and depreciation			
At 1 January 2012	–	6,476	**6,476**
Charge for the year	940,027	32,230	**972,257**
At 31 December 2012	940,027	38,706	**978,733**
Charge for the year	8,584,883	35,198	**8,620,081**
Disposal (note 22)	(694,069)	–	**(694,069)**
At 31 December 2013	**8,830,841**	**73,904**	**8,904,745**
Net book value			
At 31 December 2013	**14,134,707**	**161,145**	**14,295,852**
At 31 December 2012	28,025,745	67,803	28,093,548
At 1 January 2012	–	23,539	23,539

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

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

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

13. Available for Sale Investment

	2013 £	2012 £
At 1 January	**–**	–
Additions	**4,690,531**	–
Change in value of available for sale investment	**(279,597)**	–
At 31 December	**4,410,934**	–

The available for sale investment represents the Company's holding of shares in IGas Energy plc which were acquired in exchange for Trap Oil Limited's interest in a number of exploration licences and the production licence known as Lybster (note 22).

As an available for sale investment the shares have been revalued at the year end at their market price. This has resulted in an impairment charge of £279,597 which has been charged to the available for sale reserves within the Statement of Changes in Equity.

For the year ended 31 December 2013

14. Inventories

	2013 £	2012 £
Oil inventories held for resale	**1,249,599**	–

15. Trade and Other Receivables

	2013 £	2012 £
Current:		
Trade receivables (net)	**1,889,804**	20,764
Other receivables	**2,951,438**	1,341,168
Value added tax	**188,535**	133,564
Prepayments	**426,946**	129,815
	5,456,723	1,625,311

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

16. Cash and Cash Equivalents

	2013 £	2012 £
Unrestricted cash in bank accounts	**16,088,908**	8,732,655
Restricted cash in escrow bank accounts (note 21)	**350,000**	542,887
	16,438,908	9,275,542

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

17. Called Up Share Capital

Issued and fully paid:

Number	Class	Nominal value	2013 £	2012 £
227,169,331	Ordinary	1p	**2,271,693**	2,259,104
(2012: 225,910,417)				

During the year 1,258,914 ordinary shares were issued following the exercise of share options, which raised £12,589 (gross and net proceeds) in additional capital. During 2012, 20,537,300 ordinary shares were issued which raised £4,312,833 (gross) in additional capital and the net proceeds were £4,084,712.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

18. Trade and Other Payables

	2013 £	2012 £
Current:		
Trade payables	**401,078**	376,227
Accrued expenses	**261,057**	216,946
Other payables	**2,779,655**	2,271,785
Taxation and Social Security	**262,454**	–
	3,704,244	2,864,958
Non-current:		
Other payables	**1,676,078**	2,645,228
Aggregate amounts	**5,380,322**	5,510,186

Included in Non-current: Other payables is £1,300,000 (2012: £2,300,000) and capitalised interest of £374,426 (2012: £345,228) which relates to the consideration for the data licence obtained from CGG Services (UK) Limited, capitalised under Intangible Assets. The term of the licence is eight years and the final liability is due on expiry of the licence in August 2016. On the first two success fees that were obtained from using the data from the licence, £350,000 each has been paid as part of the consideration. A further £1,000,000 was paid in 2013. The outstanding balance is payable in equal quarterly instalments during the licence term and will attract interest at LIBOR plus 1 per cent. per annum. The accrued interest will be paid at the end of the licence term. The remaining £2,000 of other payables is immaterial.

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

19. Provisions for Liabilities and Charges

	Decommissioning and site restoration £
At 1 January 2012	–
Creation of Athena and Lybster provisions	5,162,029
Unwinding of discount	14,367
At 1 January 2013	5,176,396
Lybster site restoration obligation adjustment	(593,425)
Disposal of Lybster (note 22)	(106,575)
Unwinding of discount	186,516
At 31 December 2013	**4,662,912**

The Group recognises decommissioning and site restoration provisions in relation to Production interests. The provisions are based on the discounted net present value of the assessment of the obligation to decommission assets in place at the reporting date, discounted at 4 per cent. The provision will increase as additional infrastructure is installed, as needed, and will be settled on the actual decommissioning of fields. The closing provision relates to the Athena producing asset. It is expected that the decommissioning work will start after production has ceased. Production is expected to cease within five years.

The Lybster site restoration obligation adjustment was recognised on the finalisation of the expected restoration obligation by the operator.

20. Share Based Payments

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

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

The total expense included within the operating results in respect of equity based share based payments was £591,979 (2012: £567,334).

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

Date Of Grant	Exercise price Pence	Vesting date	Expiry date	Number of shares for which options outstanding at 1 January 2013	Options granted during the year	Options exercised in the year	Number of shares for which options outstanding at 31 December 2013
Pre IPO Options							
March 2011	1.00	Vested	Mar 2021	3,672,750	–	1,258,914	2,413,836
Under the Trap Oil Group plc Unapproved Share Option Plan 2011 and Individual Option Agreements							
Mar 2011	43.00	Vested	Mar 2021	2,505,813	–	–	2,505,813
Mar 2011	43.00	Mar 2013	Mar 2021	1,744,186	–	–	1,168,605
Mar 2011	43.00	Mar 2014	Mar 2021	1,744,186	–	–	1,744,186
Jul 2011	43.00	Jul 2011	Jul 2021	139,535	–	–	139,535
Jul 2011	43.00	Mar 2012	Jul 2021	534,883	–	–	–
Jul 2011	43.00	Mar 2013	Jul 2021	534,884	–	–	–
Jul 2011	43.00	Mar 2014	Jul 2021	534,884	–	–	–
Jul 2011	1.00	Mar 2013	Jul 2021	641,975	–	–	–
Jul 2011	43.00	Jul 2012	Jul 2021	155,038	–	–	155,038
Jul 2011	43.00	Jul 2013	Jul 2021	155,039	–	–	155,039
Jul 2011	43.00	Jul 2014	Jul 2021	155,039	–	–	155,039
Dec 2011	27.12	Dec 2012	Dec 2021	1,056,666	–	–	122,166
Dec 2011	27.12	Dec 2013	Dec 2021	1,056,667	–	–	1,056,667
Dec 2011	27.12	Dec 2014	Dec 2021	1,056,667	–	–	1,056,667
May 2013	15.00	May 2013	May 2023	–	2,583,307	–	2,183,336
May 2013	15.00	May 2014	May 2023	–	2,583,333	–	2,183,333
May 2013	15.00	May 2015	May 2023	–	2,583,330	–	2,183,331
Total							**17,222,591**

Out of the 17,222,591 outstanding options (2012: 15,688,212), 9,048,329 (2012: 8,064,685) were exercisable. Options exercised in 2013 resulted in 1,258,914 shares (2012: Nil) being issued at a weighted average price as shown above. The weighted average share price at the time of exercise was 12.25p per share.

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was 6.35p per option. The significant inputs into the model were the mid market share price on the day of grant or 1p exercise price as shown above and an annual risk-free interest rate of 1.1 per cent. The volatility measured at the standard deviation of continuously compounded share returns is based on a statistical analysis of daily share prices from the date of admission to AIM to the date of grant on an annualised basis.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

21. Guarantees

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

- BW Offshore (UK) Limited – a guarantee for the purpose of providing security to BW Offshore (UK) Limited in relation to the obligations of Trap Oil Limited in respect of a Contract for the Provision and Operation of a Floating Production, Storage and Offloading Vessel for the Athena Field Development dated 8 September 2010 with Ithaca Energy (UK) Limited.
- EWE Vertrieb GmbH – an undertaking for the purpose of providing security to EWE Vertrieb GmbH in relation to the obligations of Trap Oil Limited in respect of the Joint Operating Agreement and certain other agreements related to the Athena Oil Field dated 12 February 2007.

In addition, a letter of credit was established on 20 December 2012 for £350,000 in favour of Ithaca Energy (UK) Limited as security for anticipated obligations under the Athena field Joint Operating Agreement. In 2013, the letter of credit was replaced by funds placed in escrow (note 16).

22. Caithness Oil Limited

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

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

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

The Group's licence interests to be sold were:

- A 70 per cent. interest in Licence P1270 Block 11/24 Knockinnon Sub Area
- A 35 per cent. interest in Licence P1270 Block 11/24 Lybster Sub Area
- A 35 per cent. interest in Licence PEDL 158 Blocks ND/1a, 2a, 12, 13a, 23a and 33a

In addition, the Group released Caithness Oil Limited from certain obligations due to Trap Oil Limited in respect of Licence P1270, Block 11/24 Forse Sub Area.

The gross consideration was reduced by 92,713 fully paid ordinary shares of 10p each in the capital of IGas Energy plc. to cover outstanding Lybster field costs prior to 31 July 2013 of £108,855 owed by Trap to Caithness. This resulted in a final consideration of 4,084,198 fully paid ordinary shares of 10p each in the capital of IGas Energy plc.

Financial Impact

The carrying values of the assets relevant to this transaction included in note 11, Exploration costs are: Licence P1270 Block 11/24 Knockinnon £13.8m and Licence PEDL158, Blocks ND/1a, 2a, 12, 13a, 23a and 33a £0.1m. The carrying value of the asset relevant to this transaction included in note 12, Production interests and fields under development for Licence P1270 Block 11/24 Lybster is £0.1m.

The amount relevant to this transaction included in note 19, Provisions for liabilities and charges at 31 December 2013 for Licence P1270 Block 11/24 Lybster is £0.1m.

Completion of the proposed disposal resulted in a net loss on disposal for the Group in respect of the licence interests of £9.4m, reflecting aggregate carrying value of approximately £14m less US$7.5m (approximately £4.7m) in IGas Energy plc shares (at the prevailing USD/GBP exchange rate). The loss on disposal has been disclosed as an exceptional item within the Statement of Comprehensive Loss (note 6).

23. Commitments

Capital Commitments

At the year end the Group had a firm commitment obligation to DECC for one well, which is expected to be drilled in 2015 at a cost of approximately £2m net to the Group.

Operating Lease Commitments – Group Company as Lessee

The Group leases an office under a non-cancellable operating lease agreement. The lease term is between five and ten years and is renewable at the end of the lease period at market rate. There is a break clause after five years which can only be exercised by the lessee.

	2013 £	2012 £
No later than 1 year	**–**	25,950
Later than 1 year and no later than 5 years	**631,632**	–
Later than 5 years	**–**	–
	631,632	25,950

24. Related Party Disclosures and Ultimate Controlling Party

During the year Trap Oil Group plc made loans available to wholly owned subsidiaries. The balances outstanding at the end of the year are Predator Oil Limited £7,524 (2012: £7,116), Trap Oil Limited £34,744,528 (2012: £29,673,498), Trap Oil & Gas Limited £85,671 (2012: £85,230), Trap Petroleum Limited £149,183 (2012: £148,775) and Trap Exploration (UK) Limited £16,202 (2012: £15,018) which are included in Trade and Other Receivables, as Amounts owed by Group undertakings. During the year the Company also made sales to Trap Oil Limited amounting to £4,189,746 (2012: £2,808,060).

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

25. Notes to the Consolidated Statement of Cash Flows

Reconciliation of Loss Before Tax to Cash Generated From/(Used in) Operations

	2013 £	2012 £
(Loss) for the year before tax		
Adjusted for:	**(10,260,838)**	(10,861,817)
Amortisation, impairments, depletion and depreciation	**21,571,555**	972,257
Profit on disposal of Intangible Assets	**–**	7,304,031
Share based payments (net)	**591,979**	(172,245)
Finance costs	**1,067,948**	567,334
Finance income	**(31,667)**	68,495
Other payables	**–**	(174,707)
	12,938,977	(2,296,652)
Increase in inventories	**(1,249,598)**	–
Increase in trade and other receivables	**(4,181,412)**	(523,212)
Increase in trade and other payables	**1,096,991**	1,737,368
Cash generated from/(used in) operations	**8,604,958**	(1,082,496)

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2013

26. Cash and Cash Equivalents

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

Year ended 31 December 2013

	31 December 2013 £	1 January 2013 £
Cash and cash equivalents (excluding restricted cash)	**16,088,908**	9,275,542

Year ended 31 December 2012

	31 December 2012 £	1 January 2012 £
Cash and cash equivalents	9,275,542	32,418,234

Analysis of net

	At 1 January 2013 £	Cash flow £	**At 31 December 2013 £**
Cash and cash equivalents	9,275,542	6,813,366	**16,088,908**
Net cash	9,275,542	6,813,366	**16,088,908**

27. Availability of the Annual Report 2013

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

Independent Auditors' Report

to the members of Company

Report on the Parent Company Financial Statements

Our Opinion

In our opinion the financial statements, defined below:

> give a true and fair view of the state of the parent Company's affairs as at 31 December 2013 and of its cash flows for the year then ended;
> have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
> have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What We Have Audited

The parent Company financial statements (the "financial statements"), which are prepared by Trap Oil Group plc, comprise:

> the Company Statement of Financial Position as at 31 December 2013;
> the Company Statement of Cash Flows for the year then ended;
> the Company Statement of Changes in Equity for the year then ended; and
> the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

What an Audit of Financial Statements Involves

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

> whether the accounting policies are appropriate to the 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.

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

Opinion on Other Matter Prescribed by the Companies Act 2006

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

Other Matters on Which We Are Required to Report by Exception

Adequacy of Accounting Records and Information and Explanations Received

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

> we have not received all the information and explanations we require for our audit; or
> adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
> the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' Remuneration

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

Responsibilities for the Financial Statements and the Audit

Our Responsibilities and Those of the Directors

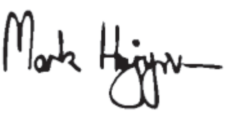
As explained more fully in the Statement of Directors' Responsibilities set out on page 25, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Other Matter

We have reported separately on the Group financial statements of Trap Oil Group plc for the year ended 31 December 2013.



Mark Higginson
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
22 April 2014

Company Statement of Financial Position

As at 31 December 2013

	Notes	2013 £	2012 £
Non-current assets			
Property, plant and equipment	3	**154,098**	55,994
Investments	4	**9,998**	31,942,632
		164,096	31,998,626
Current assets			
Trade and other receivables	5	**35,753,717**	30,234,321
Cash and cash equivalents	6	**3,286,223**	8,682,655
		39,039,940	38,916,976
Total assets		**39,204,036**	70,915,602
Equity			
Shareholders' equity			
Called up share capital	7	**2,271,693**	2,259,104
Share premium account		**68,321,083**	68,101,922
Share options reserve		**2,575,467**	2,341,639
Accumulated losses		**(34,442,284)**	(2,013,014)
Total equity		**38,725,959**	70,689,651
Liabilities			
Non-current liabilities			
Trade and other payables	8	**478,077**	225,951
Total liabilities		**478,077**	225,951
Total equity and liabilities		**39,204,036**	70,915,602

The financial statements on pages 51 to 57 were approved by the Board of Directors and authorised for issue on 22 April 2014. They were signed on its behalf by Scott Richardson Brown – Finance Director.

Company Registration Number: 07503957

The notes on pages 54 to 57 are an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2013

	Called up share capital £	Share premium account £	Share options reserve £	Accumulated losses £	**Total equity £**
At 1 January 2012	2,053,731	64,222,583	1,774,305	(1,493,622)	**66,556,997**
Total comprehensive loss and loss for the year	–	–	–	(519,392)	**(519,392)**
Issue of share capital (note 7)	205,373	4,107,460	–	–	**4,312,833**
Cost of issue of share capital	–	(228,121)	–	–	**(228,121)**
Transactions with owners (share based payments)	–	–	567,334	–	**567,334**
At 31 December 2012	2,259,104	68,101,922	2,341,639	(2,013,014)	**70,689,651**
Total comprehensive loss and loss for the year	–	–	–	(32,568,260)	**(32,568,260)**
Issue of share capital (note 7)	12,589	219,161	(219,161)	–	**12,589**
Lapsed options	–	–	(138,990)	138,990	**–**
Transactions with owners (share based payments)	–	–	591,979	–	**591,979**
At 31 December 2013	**2,271,693**	**68,321,083**	**2,575,467**	**(34,442,284)**	**38,725,959**

The notes on pages 54 to 57 are an integral part of these financial statements.

Company Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 £	2012 £
Cash flows from operating activities			
Cash generated from/(used in) operations	11	**642,150**	(541,913)
Interest paid		**(59,162)**	–
Net cash generated from/(used in) operating activities		**582,988**	(541,913)
Cash flows from investing activities			
Purchase of property, plant and equipment	3	**(128,540)**	(63,807)
Interest received		**29,030**	160,758
Net cash (used in)/generated from investing activities		**(99,510)**	96,951
Cash flows from financing activities			
Proceeds from share issue	7	**12,589**	4,084,712
G E Capital finance charges		**(819,028)**	–
Loans to subsidiary companies		**(5,073,471)**	(24,881,666)
Net cash used in financing activities		**(5,879,910)**	(20,796,954)
Decrease in cash and cash equivalents	11	**(5,396,432)**	(21,241,916)
Cash and cash equivalents at beginning of year	11	**8,682,655**	29,924,571
Cash and cash equivalents at end of year	11	**3,286,223**	8,682,655

The notes on pages 54 to 57 are an integral part of these financial statements.

Notes to the Company Financial Statements

For the year ended 31 December 2013

1. Significant Accounting Policies

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

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

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

2. Loss of Parent Company

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

The parent Company's loss for the year was £32,568,260 (2012: £519,392).

3. Property, Plant and Equipment

	Office equipment £
Cost	
At 1 January 2012	25,758
Additions	63,807
At 31 December 2012	89,565
Additions	128,540
At 31 December 2013	**218,105**
Depreciation	
At 1 January 2012	4,372
Charge for the year	29,199
At 31 December 2012	33,571
Charge for the year	30,436
At 31 December 2013	**64,007**
Net book value	
At 31 December 2013	**154,098**
At 31 December 2012	55,994
At 1 January 2012	21,386

Notes to the Company Financial Statements continued

For the year ended 31 December 2013

4. Investments

	Shares in Group undertakings £
At 1 January 2013	31,942,632
Impairments	(31,932,634)
At 31 December 2013	**9,998**

Investments in subsidiaries are stated at cost. At 31 December 2013, the Company's subsidiary undertakings, all of which are registered and incorporated in the United Kingdom, and included in the consolidated Group financial information were:

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

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

* Impairments relate to the following subsidiaries included in the Statement of Comprehensive Loss:

	£
Predator Oil Limited	1,618,157
Trap Oil & Gas Limited	30,314,477
	31,932,634

5. Trade and Other Receivables

	2013 £	2012 £
Current:		
Trade receivables	**–**	92
Amounts owed by Group undertakings	**35,003,108**	29,929,637
Other receivables	**244,108**	188,392
Value Added Tax	**181,440**	12,035
Prepayments	**325,061**	104,165
	35,753,717	30,234,321

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

6. Cash and Cash Equivalents

	2013 £	2012 £
Cash at bank	**3,286,223**	8,682,655

7. Called Up Share Capital

Issued and fully paid:

Number	Class	Nominal value	**2013 £**	2012 £
227,169,331	Ordinary	1p	**2,271,693**	2,259,104
(2012: 225,910,417)				

During the year, 1,258,914 ordinary shares were issued from which it raised £12,589 (gross and net proceeds) in additional capital. During 2012, 20,537,300 ordinary shares were issued which raised £4,312,833 (gross) in additional capital and the net proceeds were £4,084,712.

For the year ended 31 December 2013

8. Trade and Other Payables

	2013 £	2012 £
Current:		
Trade payables	**45,477**	91,408
Other payables	**273,357**	6,508
Accrued expenses	**159,243**	128,035
	478,077	225,951

9. Related Party Disclosures and Ultimate Controlling Party

During the year Trap Oil Group plc made loans available to wholly owned subsidiaries. The balances outstanding at the end of the year are Predator Oil Limited £7,524 (2012: £7,116), Trap Oil Limited £34,744,528 (2012: £29,673,498), Trap Oil & Gas Limited £85,671 (2012: £85,230), Trap Petroleum Limited £149,183 (2012: £148,775) and Trap Exploration (UK) Limited £16,202 (2012: £15,018) which are included in Trade and Other Receivables, as Amounts owed by Group undertakings. During the year the Company also made sales to Trap Oil Limited amounting to £4,189,746 (2012: £2,808,060).

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

10. Guarantees

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

- BW Offshore (UK) Limited – a guarantee for the purpose of providing security to BW Offshore (UK) Limited in relation to the obligations of Trap Oil Limited in respect of a Contract for the Provision and Operation of a Floating Production, Storage and Offloading Vessel for the Athena Field Development dated 8 September 2010 with Ithaca Energy (UK) Limited.
- EWE Vertrieb GmbH – an undertaking for the purpose of providing security to EWE Vertrieb GmbH in relation to the obligations of Trap Oil Limited in respect of the Joint Operating Agreement and certain other agreements related to the Athena Oil Field dated 12 February 2007.

Notes to the Company Financial Statements continued

For the year ended 31 December 2013

11. Notes to the Company Statement of Cash Flows

Reconciliation of Loss Before Income Tax to Cash Generated from Operations

	2013 £	2012 £
Loss for the year before tax	**(32,568,260)**	(519,392)
Adjusted for:		
Depreciation charge (note 3)	**30,436**	29,199
Impairment of investment in subsidiaries (note 4)	**31,932,634**	–
Share based payments (net)	**591,979**	567,334
Finance income	**(98,519)**	(160,758)
Finance costs	**878,190**	–
	766,460	(83,617)
Decrease in receivables	**(376,436)**	(118,748)
Increase/(Decrease) in trade and other payables	**252,126**	(339,548)
Cash generated from/(used in) operations	**642,150**	(541,913)

Cash and Cash Equivalents

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

Year ended 31 December 2013

	31 December 2013 £	1 January 2013 £
Cash and cash equivalents	**3,286,223**	8,682,655

Year ended 31 December 2012

	31 December 2012 £	1 January 2012 £
Cash and cash equivalents	8,682,655	29,924,571

Analysis of net debt

	At 1 January 2013 £	Cash flow £	At 31 December 2013 £
Cash and cash equivalents	8,682,655	(5,396,432)	**3,286,223**
Net cash	8,682,655	(5,396,432)	**3,286,223**

Glossary

AIM	Alternative Investment Market
bbl	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 and Safety Executive
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
mmcfgd	Millions of cubic feet of gas per day
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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Trap Oil Group plc

Trap Oil Head Office
4 Park Place
St James, Mayfair
London
SW1A 1LP

Trap Oil Operations Office
3rd Floor
35 King Street
London
EC2V 8EH

T +44 (0)20 3170 5586
www.trapoil.com