

Trapoil

Interim
Report 2013



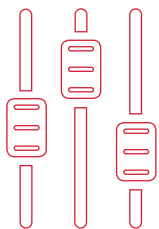
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Trapoil is an oil and gas exploration, appraisal and production business focused on the United Kingdom Continental Shelf in the North Sea. Established in 2007, we create exploration opportunities and shareholder value by combining organic development of our existing portfolio with the acquisition of additional assets.

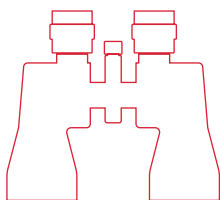
We identify and exploit the value that others might not see by applying a combination of skillsets, and our opportunism is supported by a rigorous approach to risk management.

- **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.

Highlights

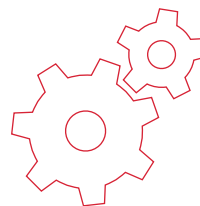


Romeo (Licence P.1666 Block 30/11c) discovery - the well encountered hydrocarbons at 3 different stratigraphic levels within the Jurassic and Triassic comprising some 200 feet of gross oil pay



New strategic consortium partnership formed with Taqa Bratani UK Limited (“Taqa”), Cieco Exploration and Production UK Limited (“Cieco”) and Japan Petroleum Exploration Co., Limited (“Japex”) to identify prospects for joint exploration in the UKCS area and continuation of the Group’s niche exploration model targeting additional carried interests.

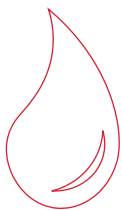
Farm-in to Extract Petroleum Limited’s (“Extract”) UK acreage with the emphasis on pursuing an unconventional oil play within the northern part of the North Sea



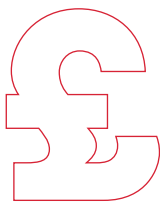
Operatorship status secured for the Orchid (Licence P.1556, Block 29/1c) oil discovery and approvals pending for operatorship of the Trent East (Licence P.685, Block 43/24a) and Surprise (Licence P.1267, Blocks 12/25a & 13/21b) discoveries, enabling the Group to exert greater control and influence over the scheduling of future development activities

Positive monthly cashflow achieved from Athena including receipt of £4.2m further to a post completion price adjustment

Acquisition of an additional 45 per cent. working interest in the Orchid (Licence P.1556, Block 29/1c) oil discovery taking the Group’s overall working interest pre farm-out to 60 per cent.



The Group will hold (subject to Department of Energy & Climate Change (“DECC”) approval and transaction completion) a 90 per cent. working interest in the Surprise (including Nutmeg) (Licence P.1267, Blocks 12/25a & 13/21b) discovery following Dana Petroleum (E&P) Limited’s transfer of its 85 per cent. working interest



The Group entered into a secured borrowing base facility agreement for up to US\$20m with an affiliate of General Electric Capital Corporation (“GE Capital”) in January 2013 to provide additional flexibility and the facility remained undrawn at 30 June 2013 with revised headroom available of US\$17.2m, reflecting the reduction in reserves from on-going production at Athena

Cash reserves of £13.1m at the period end with net positive cashflow for the period of £3.8m

Profit (before and after tax) for the six month period of £1.4m

Outlook

- Working towards a 2014/2015 exploration programme which may include high impact wells at Crazy Horse (Licence P.1650, Block 14/13) and Niobe (Licence P.1889, Blocks 12/26b & 27), subject to partners’ ambitions, funding and future farm-outs, in addition to follow up wells on the existing discoveries at Romeo (Licence P.1666, Block 30/11c) and Brulé (Licence P.1768, Blocks 14/14b, 18c & 19c)
- Trent East (Licence P.685, Block 43/24a) (pending partner approval) and Surprise (Licence P.1267, Blocks 12/25a & 13/21b), both subject to transaction completion, and Orchid (Licence P.1556, Block 29/1c) could be appraised, however, in all cases the drilling of appraisal wells will be subject to securing the required funding
- Potential follow up wells on the discoveries at Romeo (Licence P.1666, Block 30/11c) and Brulé (Licence P.1768, Blocks 14/14b, 18c & 19c) in the 2014/2015 exploration programme, subject to securing the required funding
- Continued development of our unconventional oil play to attract relevant partners in 2014 and target future drilling of a proof of concept well
- Continued drive to deliver value to shareholders demonstrated by the recent conditional disposal of our interests with Caithness Oil Limited for a total consideration of US\$7.5m to be satisfied in shares in IGas Energy plc as announced on 9 September 2013

Chief Executive Officer's Report



Mark Groves-Gidney

Mark Groves-Gidney

27 September 2013

I Introduction

I am pleased to report on the Group's unaudited interim results for the six months ended 30 June 2013. This has been a period of steady progress for Trapoil with strong foundations being established to support the Group's long term growth via its balanced business model of both carried and working interests in relation to risk management and control via operatorship.

In December 2012 we successfully completed the acquisition of a 15 per cent. working interest in the producing Athena oil field (Licence P.1293, Block 14/18b) ("Athena") from Dyas UK Limited, which generates positive cashflow and tax efficiencies for the Group. This cashflow combined with our cash resources of £13.1m and unutilised debt facility of US\$17.2m as at 30 June 2013 secured with G E Capital with associated hedging arrangements over approximately 75 per cent. of our crude oil production from Britannic Trading Limited (a subsidiary of BP International Limited), ensures that we are well funded to execute our core exploration investment programme.

II Financial Results

Our financial results for the first half of 2013 show revenue of £16.9m (2012: £0.8m) and a profit before and after tax of £1.4m (2012: loss £1.6m) reflecting the contribution from our interests in producing UKCS assets.

At 30 June 2013 cash reserves were £13.1m, which was in line with our expectations and we remain well funded to deliver our near term goals. In addition, there was a significant working capital position in our favour with inventories of £2.1m (2012: Nil), relating to oil produced and in transit prior to sale, and trade and other receivables of £5.1m (2012: £1m) primarily reflecting receivables due from our partners in respect of oil sales.

III Production and resulting cash flow

As previously reported, in December 2012 we successfully completed the acquisition of a 15 per cent. working interest in the Athena producing oil field from Dyas UK Limited, which has generated positive cashflow and enabled us to conduct our exploration activities as tax efficiently as possible.

Following our AGM in May 2013 we informed shareholders that the previously announced effective acquisition cost of our interest in Athena had been reduced from £21.8m to £17.6m reflecting a £4.2m post completion price adjustment in our favour. This adjustment related to unsold oil in the Athena FPSO, on the shuttle tanker and at the terminal, and income less operating and other costs to the completion date of 21 December 2012. Although this transaction took 12 months to complete it was ultimately secured on significantly improved commercial terms following successful renegotiation with Dyas UK Limited.

We are pleased to be part of the Athena consortium and initially benefitted from an extended production plateau at a gross production rate of approximately 10,800 barrels of oil per day (“bopd”) for much of the reporting period until June 2013 when natural decline and certain operational issues reduced the gross production rate to approximately 8,900 bopd. More recently, production has been reduced by a fault on the P4 well, which engineers are currently investigating, and until this well is returned to production the current gross production rate has been reduced by approximately 1,400 bopd gross. Current production from the field is therefore running at approximately 7,500 bopd gross (1,125 bopd net to Trapoil). The field’s partners are currently assessing the most appropriate remedial actions, which may include repairing or a workover of the existing well or the potential drilling of a new well. The optimal flow rate from the field (i.e. all wells producing) remains in line with our initial and current reserve estimates until such time as there is sufficient water being produced to be able to undertake further meaningful calculations. In our opinion, a 20% water cut is required before we will be in a position to more accurately assess reserves and as a result we are amortising the asset on a conservative basis.

During the period small volumes of oil, being immaterial to the Group, were also produced from our Lybster field (Licence P.1270, Block 11/24) and the well currently remains shut in due to excessive waxing. A conditional agreement to dispose of the field to the operator, Caithness Oil Limited, as part of its conditional acquisition by IGas Energy plc was announced on 9 September 2013.

IV New partners secured

In May 2013, we secured Taqa, a subsidiary of Abu Dhabi National Energy Company PJSC and Cieco, a wholly owned subsidiary of Itochu Corporation, as our new strategic consortium partners to consider future exploration and appraisal opportunities. In early September 2013 we were delighted to announce that Japex had also joined as an additional member of the consortium and our new partners are already working positively with us in preparation for DECC’s forthcoming UK 28th Seaward Licensing Round with efforts being focused on the assessment of both open acreage and farm-ins to held acreage. This new consortium replaces our previous partnering arrangements with Norwegian Energy Company UK Limited (“Noreco”) and Suncor Energy UK Limited (“Suncor”), which expired on 31 December 2012.

The formation of this strong and ambitious new consortium will allow us to identify and pursue prospects for joint exploration in the UKCS area and our new partners are committed to the UK North Sea region and have the financial resources required to engage in future exploration activities in respect of opportunities secured via farm-in transactions and new licensing rounds.

V Operatorship

We currently hold interests in a number of assets requiring appraisal and we consider it imperative to maintain control of these in order that, as operator, we can influence the timing of drilling by minimising partner drag experienced previously by large incumbent partners for whom the asset is not material or from companies that do not have the necessary financial resources. We also consider it important to influence the way in which appraisals are carried out.

We have secured operatorship status for Orchid from DECC, with approvals pending for operatorship of further assets and as a result we are in a much stronger position to drive assets forward and realise value. However, operator status does require increased investment in additional resources and a high level of diligence at an estimated cost of approximately £1m per annum.

We currently have three key assets requiring appraisal in our existing portfolio, namely, Trent East (Licence P.685, Block 43/24a) and Surprise (Licence P.1267, Blocks 12/25a & 13/21b), both subject to transaction completion and Orchid (Licence P.1556, Block 29/1c). The Group is currently seeking to accelerate an operated three well appraisal programme, which could occur in 2014, following completion of the Trent East and Surprise transactions and subject to the requisite funding being secured.

We are actively looking to secure partners, which subject to funding will enable drilling of Orchid and Surprise. We believe that drilling multiple opportunities is an attractive approach for a strategic funding partner and we would also benefit from the cost synergies associated with a larger programme of operations. However, we recognise that the appetite for providing such risk capital and the associated follow on funding for development is very low in the current market environment such that there may be no short term solution to this search for finance.

In line with our focus of achieving operator status and assuming greater control over our assets, we completed the acquisition of an additional 45 per cent. working interest in Licence P.1556 Block 29/1c containing the promising Orchid oil discovery. This acquisition has taken us to a 60 per cent. working interest and we have assumed operatorship with Ithaca Causeway Limited holding a 30 per cent. working interest and Atlantic Petroleum UK Limited holding a 10 per cent. working interest. Subject to completion, we will also hold a 90 per cent. working interest in Surprise following Dana Petroleum (E&P) Limited's transfer of its 85 per cent. working interest.

As previously announced, we are awaiting formal approval by DECC as the approved operator for Surprise and subject to securing the requisite funding, we then plan to proceed to drill a single sub horizontal deviated appraisal well to seek to establish commercial flow rates from the Coracle reservoir. If successful we would then aim to progress the asset to the field development plan stage.

In terms of the Orchid discovery (Licence P.1556, Block 29/1c), we believe that there is moveable oil in the zone of interest and future activity will require a further appraisal well to test flow rates. If such a well is successful, we believe that there is sufficient oil for a commercial development based on the use of nearby export facilities.

VI Exploration programme

Trapoil maintains a balanced portfolio of carried and paying interests and we are keen to see our assets drilled so that they can be monetised at the earliest opportunity to create tangible value for our shareholders.

There is an exploration programme being planned for 2014/2015, the exact timing of wells being a function of partner alignment and rig availability. Within the existing portfolio, the Group holds a 5 per cent. carried interest together with a 17 per cent. paying interest in the Crazy Horse well (Licence P.1650, Block 14/13) and an 8 per cent. carried interest together with a 20 per cent. paying interest in the Niobe well (Licence P.1889, Blocks 12/26b & 27), both of which represent commitments to DECC. Noreco and Suncor respectively, operate these assets and both wells are currently expected to be drilled in 2014, although Niobe could be a year later.

In addition, we expect the 2014/2015 exploration programme to include follow up wells on the discoveries at Romeo (Licence P.1666, Block 30/11c) and Brulé (Licence P.1768, Blocks 14/14b, 18c & 19c). Both of these assets require a larger reserve base to be established before being moved forward such that the planned wells will be step outs from the existing discoveries.

During the period under review, drilling at both the Scotney prospect in Block 20/5b, in which the Group holds a 12.5 per cent. carried interest and the Magnolia prospect in Block 13/23a, in which the Group held a 10 per cent. carried interest resulted in dry holes with no significant hydrocarbons being encountered and the wells were accordingly plugged and abandoned. As a result, the Group's interest in Magnolia was relinquished and the remaining carrying value impaired during the period. The Group also relinquished its 50 per cent. working interest in Forties A&B (Licence P.1624 Block 23/26c), where in our view, there was a lack of commercially robust drillable features.

In DECC's 27th Offshore Oil and Gas Licensing Round the Group was awarded interests in three traditional North Sea licences and through its involvement with Extract it also secured, via a farm-in to Extract's licence award, a large position in an unconventional offshore play. The Group will fund approximately £1m of research and development activity into this concept and work towards establishing a consortium of major oil companies to drill a proof of concept well. On success, our reward is likely to be a carried interest in the acreage. We still await one further potential 27th Round award that has been delayed by DECC for environmental reasons.

The new exploration consortium is now actively preparing for DECC's 28th Seaward Licensing Round (due to commence in January 2014) and we intend to replenish and grow the Group's existing high impact exploration asset portfolio whilst at the same time enhancing shareholder value by earning carried interests.

VII Intended disposal of certain licence interests following the period end

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

The total consideration payable on completion of US\$7.5m will be satisfied by the allotment or transfer of fully paid ordinary shares in IGas. We believe that this proposed transaction is in the best interests of our shareholders in light of Caithness Oil's anticipated exit from the North Sea region and the fact that they have had limited finances to apply to the development of the licence interests concerned. I am pleased that this transaction will, on completion, provide the Group with share consideration in IGas to the value of US\$7.5m. As a result of this proposed disposal we will recognise an impairment charge of approximately £9.2m in the second half of 2013 (see note 14).

IX Well funded and financially prudent

We remain a well funded business principally due to our interest in Athena, which continues to generate cash flow, with cash reserves at the period end of £13.1m. At 30 June 2013 there was also a significant working capital position in our favour with inventories of £2.1m (2012: Nil), relating to oil produced and in transit prior to sale and trade and other receivables of £5.1m (2012: £1m) primarily relating to receivables due from our partners in respect of oil sales. This capital base combined with our unutilised debt facility of approximately US\$17.2m (reflecting the reduction in reported reserves from on-going production at Athena) provides the Group with financial flexibility. Athena continues to enjoy good reservoir performance and excellent operational uptime from the FPSO with modest water levels encountered to date. However, there are inevitably issues with individual wells and currently one well (P4) is shut in which is reducing the field's production capability pending further investigation and assessment of the most appropriate remedial actions.

Management recognises that in the current market environment where drilling activity has been scaled back largely due to the lack of risk capital in the industry as a whole and the scarcity of rigs, it is essential to be prudent with cash resources and the Group has taken appropriate measures to lower costs and overheads where possible. Additionally, the consultancy income received from our consortium partners enables us to defray a material amount of our overhead costs. The measures taken include reducing non-essential capital expenditure and overhead commitments and maintaining a balanced tax efficiency programme. We continue to keep our capital expenditure programme under review without affecting our core activities.

People

IX

Following the departure of David Kemp in April 2013 and as we move towards operatorship, we have decided to broaden our Finance team with Scott Richardson Brown being appointed Finance Director in June 2013, possessing significant City and industry experience and more recently, Ben Haber joining as Assistant Financial Controller. John Church, who acted as the interim Finance Director continues in his previous role as Company Secretary and Financial Controller and as a member of the executive management team. Michael Cameron was due to join the team in August 2013 but, due to personal reasons, has decided not to pursue this opportunity and has therefore forfeited the previously announced option awards. We wish him well in his future endeavours.

I would like to thank our dedicated staff for their consistent and loyal support and acknowledge our appreciation of the valuable assistance and guidance provided by our non-executive directors.

X Outlook

The Group is at a positive stage of its development and although elements of the planned drilling programme have been re-scheduled to 2014/2015 we have successfully adapted our strategy by becoming and applying to become operator in respect of the promising Trent East, Surprise and Orchid discoveries. We have also taken on larger equity positions in certain assets than normal in order to be able to drive forward decision making processes whilst continuing to maximise our carried interest positions in attractive exploration assets.

The new strategic consortium with Taqa, Ciecو and Japex will enable us to identify and secure future exploration and appraisal opportunities in DECC's forthcoming 28th Seaward Licensing Round. Our consortium partners are committed to the UK North Sea region and have the necessary financial resources and desire to engage in future exploration activities secured via both potential farm-in transactions and new licensing rounds.

In respect of our unconventional play, in the second half of this year we will be actively discussing this opportunity with industry partners and hope to report a positive outcome on the proposed future drilling of a proof of concept well.

We continue to generate a positive monthly cashflow from our interest in Athena with additional funding flexibility from our currently unutilised debt facility with G E Capital of approximately US\$17.2m. We shall continue to be prudent with our cash reserves in what we consider to be a period of minimal risk capital availability that is re-shaping the UK E&P industry.

We remain committed to creating value for our shareholders and continue to assess all options for doing so. I would like to thank shareholders for their continued patience, support and interest in our activities and reaffirm that as a management team we remain focused on realising meaningful shareholder returns.

Mark Groves Gidney
Chief Executive Officer
27 September 2013

Consolidated

Interim

Statements

Scott Richardson Brown
Finance Director

Consolidated statement of comprehensive income for the six months ended 30 June 2013

	Notes	6 months to 30/06/13 (unaudited) £	6 months to 30/06/12 (unaudited) £	Period to 31/12/12 (audited) £
CONTINUING OPERATIONS				
Revenue		16,923,220	770,789	1,674,698
Cost of sales		(13,653,817)	(953,828)	(9,812,361)
GROSS PROFIT/(LOSS)		3,269,403	(183,039)	(8,137,663)
Other operating income		202,615	174,860	172,245
Administrative expenses		(1,860,667)	(1,608,435)	(3,002,611)
OPERATING PROFIT/(LOSS)		1,611,351	(1,616,614)	(10,968,029)
Finance costs		(226,767)	(32,595)	(68,495)
Finance income		15,317	97,417	174,707
PROFIT/(LOSS) BEFORE TAX		1,399,901	(1,551,792)	(10,861,817)
Tax	4	-	-	-
PROFIT/(LOSS) FOR THE PERIOD		1,399,901	(1,551,792)	(10,861,817)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD		1,399,901	(1,551,792)	(10,861,817)
Total comprehensive profit/(loss) attributable to: Owners of the parent		1,399,901	(1,551,792)	(10,861,817)
Profit/(Loss) per share expressed in pence per share:	5			
Basic		0.62	(0.75)	(5.00)
Diluted		0.58	(0.75)	(5.00)

Consolidated statement of financial position as at 30 June 2013

	Notes	30/06/13 (unaudited) £	30/06/12 (unaudited) £	31/12/12 (audited) £
NON-CURRENT ASSETS				
Intangible assets – Exploration costs	6	26,581,863	31,759,832	25,193,180
Intangible assets – Data licence costs	6	1,583,333	2,083,332	1,833,332
Property, plant & equipment	7	18,661,558	2,049,051	28,093,548
		46,826,754	35,892,215	55,120,060
CURRENT ASSETS				
Inventories	8	2,086,576	-	-
Trade and other receivables		5,131,491	967,828	1,625,311
Cash and cash equivalents (including restricted cash)	9	13,093,907	33,465,340	9,275,542
		20,311,974	34,433,168	10,900,853
TOTAL ASSETS		67,138,728	70,325,383	66,020,913
EQUITY				
SHAREHOLDERS' EQUITY				
Called up share capital	10	2,271,693	2,259,104	2,259,104
Share premium account		68,321,083	68,101,922	68,101,922
Share options reserve		1,934,712	2,057,977	2,341,644
Retained earnings/(deficit)		(15,446,905)	(7,675,771)	(16,985,796)
Reorganisation reserve		(382,543)	(382,543)	(382,543)
TOTAL EQUITY		56,698,040	64,360,689	55,334,331
LIABILITIES				
NON-CURRENT LIABILITIES				
Trade and other payables > 1 year	11	2,659,906	3,321,260	2,645,228
Provisions for liabilities and charges	12	4,676,229	1,334,745	5,176,396
		7,336,135	4,656,005	7,821,624
CURRENT LIABILITIES				
Trade and other payables < 1 year		3,104,553	1,308,689	2,864,958
TOTAL LIABILITIES		10,440,688	5,964,694	10,686,582
TOTAL EQUITY AND LIABILITIES		67,138,728	70,325,383	66,020,913

Consolidated statement of changes of equity for the six months ended 30 June 2013

	Called up share capital £	Share premium account £	Share options reserve £	Retained earnings/ (deficit) £	Re- organisation reserve £	Total equity £
At 1 January 2013	2,259,104	68,101,922	2,341,644	(16,985,796)	(382,543)	55,334,331
Issue of share capital	12,589	219,161	(219,161)	-	-	12,589
Profit for the period and total comprehensive income	-	-	-	1,399,901	-	1,399,901
Lapsed options	-	-	(138,990)	138,990	-	-
Transactions with owners	-	-	(48,781)	-	-	(48,781)
At 30 June 2013	2,271,693	68,321,083	1,934,712	(15,446,905)	(382,543)	56,698,040
At 1 January 2012	2,053,731	64,222,583	1,774,310	(6,123,979)	(382,543)	61,544,102
Proceeds from the issue of share capital	205,373	4,107,460	-	-	-	4,312,833
Cost of issue of share capital	-	(228,121)	-	-	-	(228,121)
Loss for the period and total comprehensive income	-	-	-	(1,551,792)	-	(1,551,792)
Transactions with owners	-	-	283,667	-	-	283,667
At 30 June 2012	2,259,104	68,101,922	2,057,977	(7,675,771)	(382,543)	64,360,689
At 1 January 2012	2,053,731	64,222,583	1,774,310	(6,123,979)	(382,543)	61,544,102
Proceeds from the issue of share capital	205,373	4,107,460	-	-	-	4,312,833
Cost of issue of share capital	-	(228,121)	-	-	-	(228,121)
Loss for the period and total comprehensive income	-	-	-	(10,861,817)	-	(10,861,817)
Transactions with owners	-	-	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

Consolidated statement of cash flows for the six months ended 30 June 2013

	Notes	6 months to 30/06/13 (unaudited) £	6 months to 30/06/12 (unaudited) £	Period to 31/12/12 (audited) £
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated/(used) in operations	9	2,461,741	(748,483)	(1,082,496)
Interest paid		(133,509)	-	-
Net cash generated/(used) in operating activities		2,328,232	(748,483)	(1,082,496)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of intangible assets		(2,731,462)	(3,405,972)	(5,141,129)
Purchase of property, plant & equipment		(20,819)	(64,827)	(23,062,638)
Sales proceeds of intangible assets		-	1,084,259	2,584,152
Credit adjustment in respect of Athena	7	4,214,508	-	-
Interest received		15,317	97,417	174,707
Net cash generated/(used) in investing activities		1,477,544	(2,289,123)	(25,444,908)
CASH FLOWS FROM FINANCING ACTIVITIES				
CGG Services (UK) Limited repaid		-	-	(700,000)
Proceeds from share issue	10	12,589	4,084,712	4,084,712
Net cash generated from financing activities		12,589	4,084,712	3,384,712
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,818,365	1,047,106	(23,142,692)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9	9,275,542	32,418,234	32,418,234
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9	13,093,907	33,465,340	9,275,542

Notes to the **Consolidated** **Financial** **Statements**

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. **Basis of preparation**

These consolidated interim financial statements have been prepared under the historic cost convention, using the accounting policies that will be applied in the Group’s statutory financial information for the year ended 31 December 2013 and in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (previously the Financial Services Authority) and with IAS 34 ‘Interim financial reporting’. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRS as adopted by the European Union.

The reports for the six months ended 30 June 2013 and 30 June 2012 are unaudited and do not constitute statutory accounts as defined by the Companies Act 2006. The financial statements for 31 December 2012 have been prepared and delivered to the Registrar of Companies. The auditors’ report on those financial statements was unqualified, did not draw attention by way of emphasis of matter and did not contain a statement under section 498 of the Companies Act 2006.

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

The results are not impacted by seasonality.

3. **Significant accounting policies**

The accounting policies adopted are consistent with those applied in the previous financial year.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for services supplied, stated net of discounts, returns and value added tax. Revenue is derived from the principal activities of the Group. The Group is involved in the analysis of seismic data and information for the exploitation and development of oil and gas reserves in the UK Continental Shelf. Revenue is principally derived from the production of hydrocarbons and in addition from strategic partners on the identification of opportunities for application for a licence to explore further

and is recognised at the point the invoice is raised or the date a trigger event occurs if this is later.

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

Inventories

Inventories are stated at the lower of cost and net realisable value.

Exploration and evaluation costs

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

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

Exploration costs included in Intangible Assets relating to exploration licences and prospects are carried forward until the existence (or otherwise) of commercial reserves have been determined subject to certain limitations including review for indications of impairment. If commercial reserves are discovered, the carrying value, after any impairment loss of the relevant assets, is then reclassified as a Tangible Asset under Production interests & fields under development. If, however, commercial reserves are not found, the capitalised costs are charged to the consolidated statement of comprehensive income. If there are indications of impairment prior to the conclusion of exploration activities, an impairment test is carried out.

Production interests & 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 commercial 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 income 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 income, net of any depreciation that would have been charged since the impairment.

Decommissioning and site restoration

Provision for decommissioning and site restoration is recognised during the initial development stage of the field when the obligation to restore the site is triggered. 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.

Joint agreements

The Group is engaged in oil and gas exploration, development and production through unincorporated joint ventures. The Group accounts for its share of the results and net assets of these joint ventures as jointly controlled assets and where it acts as operator of the joint venture, the gross liabilities and receivables, including amounts due to or from non-operating partners, of the joint venture are included in the consolidated statement of financial position.

Derivative financial instruments and hedging activities

The Group uses derivative financial instruments to manage its exposure to fluctuations and movements in oil and gas prices and derivative financial instruments are stated at fair value.

The purpose for which a derivative is used is established at inception. To qualify for hedge accounting, the derivative must be highly effective in achieving its objective and this effectiveness must be documented at inception and throughout the period of the hedge relationship. The hedge must be assessed on an on-going basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

For the purpose of hedge accounting, hedges are classified as either fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges, where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or forecasted transaction. There are no fair value hedges.

For cash flow hedges, the portion of the gain and loss on the hedging instrument determined to be an effective hedge, where appropriate, is taken to other comprehensive income, in the consolidated statement of comprehensive income, and the ineffective portion, in addition to any change in time value, where appropriate, is recognised in other gains/losses (net) in the consolidated statement of comprehensive income. Gains and losses taken to other comprehensive income are subsequently transferred to the income statement during the period in which the hedged transaction affects the income statement or if the hedge is subsequently deemed to be ineffective.

Gains or losses on derivatives that do not qualify for hedge accounting treatment, either from inception or during the life of the instrument, are taken directly to the income statement in the period.

4. Taxation

Trap Oil Group plc is a trading company but no liability to UK corporation tax arose on the ordinary activities for the period ended 30 June 2013 due to the losses incurred.

5. Earnings per share

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

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

	Earnings attributable to ordinary shareholders £	Weighted average number of shares	Per share amount pence
Period ended 30 June 2013			
Basic EPS			
Earnings attributable to ordinary shareholders	1,399,901	226,099,254	0.62
Diluted			
Earnings attributable to ordinary shareholders	1,399,901	240,979,909	0.58

6. Intangible assets

	Exploration costs £	Data licence costs £	Total £
COST			
At 1 January 2013	31,999,277	4,000,000	35,999,277
Additions	2,731,462	-	2,731,462
At 30 June 2013	34,730,739	4,000,000	38,730,739
AMORTISATION			
At 1 January 2013	6,806,097	2,166,668	8,972,765
Amortisation for the period	-	249,999	249,999
Impairments*	1,342,779	-	1,342,779
At 30 June 2013	8,148,876	2,416,667	10,565,543
NET BOOK VALUE at 30 June 2013	26,581,863	1,583,333	28,165,196

* Impairments relate to the following licences included in Cost of sales in the consolidated statement of comprehensive income:

Licence P.1624 Forties A & B	1,208,589
Licence P.1610 Magnolia	33,824
Licence P.1776 Sienna	24,078
Licence P.1856 Quad 41	26,452
Licence P.1859 EMMM	46,836
Licence P.1864 Inverewe	3,000

1,342,779

7. Property, plant & equipment

	Production interests & fields under development £	Computer & office equipment £	Total £
COST			
At 1 January 2013	28,965,772	106,509	29,072,281
Additions	20,819	-	20,819
Lybster reduction in site restoration obligation *	(593,425)	-	(593,425)
Athena completion adjustment **	(4,214,508)	-	(4,214,508)
At 30 June 2013	24,178,658	106,509	24,285,167
AMORTISATION, DEPLETION & DEPRECIATION			
At 1 January 2013	940,027	38,706	978,733
Charge for period	5,182,105	17,309	5,199,414
Eliminated on disposal	(554,538)	-	(554,538)
At 30 June 2013	5,567,594	56,015	5,623,609
NET BOOK VALUE at 30 June 2013	18,611,064	50,494	18,661,558

* In February 2013 the operator, Caithness Oil Limited issued a revised estimate for the Lybster field site restoration obligation.

** Following the acquisition of a 15% working interest in the Athena oil field from Dyas UK Limited completed in December 2012 the Group received a completion amount of £4.2 million.

The charge for Production interests & fields under development is included within Cost of sales in the consolidated statement of comprehensive income and the charge for Computer & office equipment is included in Administrative expenses.

8. Inventories

	30/06/13 £	30/06/12 £	31/12/12 £
Oil inventories held for resale	2,086,576	-	-

9. Notes to the consolidated statement of cashflows

Reconciliation of profit/(loss) before tax to cash generated from operations

	30/06/13 (unaudited) £	30/06/12 (unaudited) £	31/12/12 (audited) £
Profit/(Loss) for the period before tax	1,399,901	(1,551,792)	(10,861,817)
Adjusted for:			
Amortisation, impairment, depletion and depreciation	6,237,654	443,953	8,276,288
Profit on disposal of Intangible Assets	-	(174,860)	(172,245)
Share based payments (net)	(48,781)	283,667	567,334
Finance costs	226,767	32,595	68,495
Finance income	(15,317)	(97,417)	(174,707)
	7,800,224	(1,063,854)	(2,296,652)
(Increase)/Decrease in inventories	(2,086,576)	-	-
(Increase)/Decrease in trade and other receivables	(3,506,180)	134,272	(523,212)
(Decrease)/Increase in trade and other payables	254,273	181,099	1,737,368
Cash generated/(used) in operations	2,461,741	(748,483)	(1,082,496)

Cash and cash equivalents

The amounts disclosed in the consolidated statement of cash flows in respect of cash and cash equivalents are in respect of these consolidated statement of financial position amounts.

Period ended 30 June 2013

	30/06/13 £	01/01/13 £
Cash and cash equivalents	13,093,907	9,275,542

10. Issue of share capital

During the period, Trap Oil Group plc issued 1,258,914 ordinary shares from which it raised £12,589 (gross and net proceeds) in additional capital.

11. Trade and other payables

Included in Non-Current Liabilities – Trade and other payables is £2,300,000 and capitalised interest of £359,904 which relates to the consideration for the data licence obtained from CGG Services (UK) Limited which has been capitalised under Intangible Assets. The term of the licence is 8 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 with £300,000 becoming due on each subsequent success fee. Any balance remaining when the licence expires is due on that date and shall attract interest at LIBOR plus 1% per annum.

12. Provisions for liabilities and charges

	Decommissioning and site restoration £
PROVISION	
At 1 January 2013	5,176,396
Adjustment to prior period provision (note 7)	(593,425)
Unwinding of discount	93,258
At 30 June 2013	4,676,229

13. Related parties

The consolidated financial statements include the financial statements of Trap Oil Group plc and its subsidiaries, Predator Oil Limited, Trap Oil Limited, Trap Oil & Gas Limited, Trap Exploration (UK) Limited and Trap Petroleum Limited. Transactions between members of the Group are eliminated on consolidation.

The Group has no related parties other than with Group members.

14. Subsequent events

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 will be to dispose of its interests in the Knockinnon and Lybster prospects and certain other assets to Caithness Oil Limited. The legal agreements are 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 is US\$7.5 million 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 Group has agreed not to dispose of US\$4 million 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 are:

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

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

The Group's original interests in Knockinnon, Lybster, PEDL and Forse were acquired as part of the acquisition of Reach Oil & Gas Limited, as announced previously in July 2011 and the current interests reflect certain equity swaps and revised arrangements entered into with Caithness Oil Limited details of which were announced in November 2012.

Financial impact

The carrying values of the assets relevant to this transaction included in note 6, Exploration costs are: Licence P.1270 Block 11/24 Knockinnon £13,782,482 and Licence PEDL158 ND/1a, 2a, 12, 13a, 23a and 33a £124,207.

The carrying value of the asset relevant to this transaction included in note 7, Production interests & fields under development for Licence P.1270 Block 11/24 Lybster is £121,528.

The amount relevant to this transaction included in note 12, Provisions for liabilities and charges at 30 June 2013 for Licence P.1270 Block 11/24 Lybster is £106,575.

Completion of the proposed disposal will result in a net impairment charge for the Group in respect of the licence Interests of approximately £9.2 million, reflecting their current aggregate carrying values of approximately £14 million less US\$7.5 million (approximately £4.8 million) in IGas Energy plc shares (at the prevailing USD/GBP exchange rate).

15. Availability of the Interim 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
Review Report
by the Auditors
to Trap Oil
Group plc

Introduction

We have been engaged by the Group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013, which comprises the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the Group's annual financial statements. As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the basis of preparation set out in note 2.

Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Group for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 and the AIM Rules for Companies.

PricewaterhouseCoopers LLP
Chartered Accountants
27 September 2013
Aberdeen

The maintenance and integrity of the Trap Oil Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.