

TRAP OIL GROUP PLC
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

TRAP OIL GROUP PLC
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FOR THE SIX MONTHS ENDED 30 JUNE 2014

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TRAP OIL GROUP PLC
HIGHLIGHTS AND OUTLOOK
FOR THE SIX MONTHS ENDED 30 JUNE 2014

Highlights

- Continued production and cashflow generation from Athena during the first half of 2014, although bad weather experienced in the early part of the year caused the field to be temporarily shut-in resulting in some loss of revenue.
- Application made in the Department of Energy and Climate Change's ("DECC") 28th Seaward Licensing Round ("28th Round").
- Increased the Group's equity interest in the Romeo (Licence P.1666, Block 30/11c) discovery by 50.625% to 73.125% following a swap with Suncor Energy UK Limited ("Suncor") involving the extinguishment of Suncor's 5.5% share of the Group's carried interest in the Kratos prospect, formerly called Niobe, (Licence P.1889, Blocks 12/26b & 27).
- Realisation of cash following partial sale of the Group's holding of shares in IGas Energy plc.
- Cancellation of Group's secured borrowing base facility with an affiliate of GE Energy Financial Services in order to minimise on-going financing costs. This measure is expected to save approximately US\$900,000 on an annualised basis for a one-off cost in this financial year of approximately US\$300,000.
- The Group has always taken a very prudent approach to forecasting in respect of our producing asset Athena. In light of the present uncertainties in the field following the A2 well failure and particularly in relation to the upcoming work-over, it was decided to make an impairment to the carrying value of this asset in these results of approximately £4.7m.
- Cash reserves of c.£16.5m at the period end
- Loss (before and after tax) for the six month period of £8.4m

Post period end

- As announced on 12 August 2014, Mark Groves Gidney (CEO) and Paul Collins (COO) to step down from the Board and leave the Group by 31 October 2014, following which both have agreed to provide the Company with consultancy services on an ad hoc basis as required.
- Further to the cancellation of the Group's secured borrowing base facility, the Group took the decision in September to close out both the Oil Price Hedging Arrangements with Britannic Trading Limited, a subsidiary of BP International Limited. These swap positions were closed out for a liability of approximately \$900,000.

Outlook

- Planned work-over on Athena expected to be completed in October 2014 by the operator, Ithaca Energy (UK) Limited.
- 28th Round awards expected to be announced by DECC in H2 2014.
- Further to its corporate update announcement made on 12 August 2014, the Company has actively engaged in a number of initiatives to significantly reduce operating costs to the minimum level required to maintain the Company's existing assets alongside seeking to maximise returns from these assets and further announcements are expected to be made in due course
- Kratos (a new well location for the previous prospect called Niobe), expected to be drilled in H2 2015. .

TRAP OIL GROUP PLC
CHIEF EXECUTIVE OFFICER'S REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2014

Introduction

The period under review has continued to be challenging for Trapoil and other North Sea oil and gas exploration and production companies. As announced on 12 August 2014, the Directors spent a considerable amount of time in the first half of this year working with partners and certain shareholders to decide how best to optimise the future of the business. We considered a number of options at length but ultimately recognised that the best way forward was to reduce operating costs to a minimum in order to maintain the Company's existing assets alongside seeking to maximise returns from those assets. In part this decision was taken in light of the poor levels of activity in the UK North Sea.

Financial results

Our unaudited financial results for the first six months of the year show a loss of £8.4m and small increase in the Group's cash balances. Both were impacted by the weather related downtime in Athena production earlier in the year and the resulting negative working capital movements. Bad weather prevented oil from being offloaded and consequently production had to be shut-in for a period of time in the first quarter. Although this lost oil production will ultimately be recovered, we still had to contribute our share of the full operating costs of running the facilities which were not offset by production income. It was decided, in light of the present given the future uncertainties with the field, to prudently reduce the carrying value of the asset which has in turn led to a £4.7m impairment charge in the period.

In the period, we decided to cancel the secured debt facility from an affiliate of GE Energy Services resulting in exceptional one-off cancellation fees of approximately US\$300,000 and incurred some additional one-off costs in relation to redundancies made as part of the Group's previously announced cost cutting programme.

Production and Activity

The first half saw our production adversely affected by the aforementioned bad weather at Athena restricting the lifting of crude from the FPSO coupled with the reported A2 well's pump failures which led to fewer tanker loads being delivered and sold during the period. Whereas at the beginning of the field's life, when all the wells were online with fully functional electrical submersible pumps, there were multiple loads being delivered for sale each month. We are currently, on average, experiencing less than one tanker load per month which results in some months not having any production income. Such timing differences can have a significant impact on our cashflow and working capital position as we can only recognise our share of the income only once the oil is sold in accordance with the Group's accounting policies.

The quiet first six months of the year and the lack of near term activity were recognised as being a large impediment to management's ability to add value to the asset base for shareholders. This was illustrated by the delay and cost uncertainties in the planned drilling of the Alfa (Scarinish) well by Total E&P UK Limited ("Total") in which Trapoil had an option to participate and which could potentially have unlocked our Romeo asset. In light of this, the Board decided not to commit to the Alfa wells drilling costs since this could have resulted in a significant amount of expenditure for the Company. As a result, we allowed our option on Alfa with Total to expire. The Company will, however, continue to evaluate ways of maximising the value of its interest in the adjacent Romeo asset (Licence P.1666, Block 30/11c).

In May, Trapoil agreed revised terms with Suncor Energy UK Limited ("Suncor") in respect of the Romeo discovery (Licence P.1666, Block 30/11c), whereby the Company assumed a majority equity position in this potentially high value asset in return for the extinguishment of Suncor's 5.5 per cent. share of Trapoil's existing carried interest in the Niobe prospect (Licence P.1889, Blocks 12/26b & 27). Trapoil therefore acquired the entire 50.625 per cent. equity interest that Suncor had in the Romeo licence and now holds a total interest of 73.125 per cent.

In addition, management has continued to work on the Group's unconventional oil play during the period as partners are sought to drill a proof of concept well, and realised approximately £2.3m from the partial sale of the Group's holding of shares in IGas Energy Energy plc.

Well funded and financially prudent

It is important that the Group remains well funded at all times. As we moved into the second half of the year, it was necessary and prudent to cut costs to protect shareholder value. As part of the solution to cut general and administrative expenses certain senior management personnel agreed to leave the Company and so we reached the half year stage with approximately £16m of cash reserves in the bank and the ability to again significantly reduce the Group's cash burn going forwards. Although there is a short term requirement to spend on the planned Athena work over and provide for the abandonment, it is currently anticipated that a successful workover will substantially increase future production and cash generation from Athena.

Outlook

In addition to the reduction in staffing levels and management pay cuts announced in early 2014, the Group has taken further measures to reduce the cost base of the business, as announced in August 2014. This has resulted, and will continue to result, in a number of senior personnel and Directors leaving the business. It is currently anticipated that the associated cost reductions will result in general and administrative expenses being reduced by at least a further £1 million on an annualised basis, from 1 January 2015. The Company also cancelled the three-year facility entered into on 29 January 2013 with an affiliate of GE Energy Financial Services in order to minimise on-going financing costs. This is expected to save approximately US\$900,000 an annualised basis, with a one-off cancellation cost of approximately US\$300,000 paid in 2014. In September, we also decided to close out the associated Oil Price Hedging Arrangements with Britannic Trading Limited, a subsidiary of BP International Limited, for a one-off cost of approximately \$900,000.

As part of these changes, Simon Bragg resigned his position as Chairman and left the Group in August, Mark Groves Gidney, Chief Executive Officer and Paul Collins, Chief Operating Officer will step down from the Board by 31 October 2014 and Marcus Stanton, a Non-Executive of the Company, assumed the position of Non-Executive Chairman in August to oversee the transition process.

With the planned workover on Athena currently underway, the Group continues to monitor the performance of this field closely as the asset has a relatively short remaining productive life.

TRAP OIL GROUP PLC
CHIEF EXECUTIVE OFFICER'S REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2014

We look forward to hearing by the end of September 2014 from Total E&P UK Limited ("Total") in relation to the Farm-out agreement entered into in December 2013 for Licence P.2032 (Blocks 21/8c, 21/9c, 21/10c, 21/14a and 21/15b) ("Valleys"), where a 'drill or drop' decision is required confirming whether or not an exploration well will be drilled. In the event that they don't elect to farm-in to Valleys Total has agreed to compensate Trapoil for the loss of the potential opportunity.

In 2015 it is also expected that Kratos (a new well location for the previous prospect called Niobe), will be drilled. Anticipated timing for drilling of such as well is currently expected to be in the second half of 2015.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group in the second half of 2014 that could lead to a significant loss of reputation or could impact on the performance of the Group, along with our approach to managing and mitigating these risks, remain broadly unchanged from those described in the Group's 2013 Annual Report.

The key risks are in the following areas:

Financial: Relating to Cost inflation, Adverse commodity price movements, Legislative tax regime changes, Foreign exchange movements and funding and access to capital markets.

Operational: Loss of key employees, Project delays, overruns and reliance on third parties, HSE incidents, Inherent uncertainties in locating hydrocarbons, Reservoir performance and well failures.

The mitigating factors set out in the 2013 Annual Report are designed to reduce, but cannot be relied upon to eliminate, the risk areas identified. For further details on the management of risk and the principal risks and uncertainties identified see pages 12 to 13 of the Group's 2013 Annual Report.



Mark Groves Gidney
Chief Executive Officer
22 September 2014

TRAP OIL GROUP PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Notes	6 months to 30/06/14 (unaudited) £	6 months to 30/06/13 (unaudited) £	Year to 31/12/13 (audited) £
CONTINUING OPERATIONS				
Revenue		8,589,962	16,923,220	30,309,304
Cost of sales		(9,290,041)	(13,653,817)	(25,688,613)
GROSS (LOSS)/PROFIT		<u>(700,079)</u>	<u>3,269,403</u>	<u>4,620,691</u>
Other operating income		-	202,615	75,120
Other operating expenses		(582,517)	-	-
Exceptional item	6	(4,823,382)	-	(9,367,378)
Administrative expenses		(1,942,026)	(1,860,667)	(4,520,274)
OPERATING (LOSS)/PROFIT		<u>(8,048,004)</u>	<u>1,611,351</u>	<u>(9,191,841)</u>
Finance costs		(394,474)	(226,767)	(1,100,664)
Finance income		10,278	15,317	31,667
(LOSS)/PROFIT BEFORE TAX		<u>(8,432,200)</u>	<u>1,399,901</u>	<u>(10,260,838)</u>
Tax	7	-	-	-
(LOSS)/PROFIT FOR THE PERIOD		<u>(8,432,200)</u>	<u>1,399,901</u>	<u>(10,260,838)</u>
OTHER COMPREHENSIVE INCOME				
Items that will be reclassified subsequently to profit or loss				
Change in value of available for sale financial asset		787,828	-	(279,597)
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE PERIOD		<u>(7,644,372)</u>	<u>1,399,901</u>	<u>(10,540,435)</u>
Total comprehensive (loss)/profit attributable to:				
Owners of the parent		<u>(7,644,372)</u>	<u>1,399,901</u>	<u>(10,540,435)</u>
(Loss)/Earnings per share expressed in pence per share:				
	8			
Basic		(3.37)	0.62	(4.65)
Diluted		<u>(3.37)</u>	<u>0.58</u>	<u>(4.65)</u>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

TRAP OIL GROUP PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	30/06/14 (unaudited) £	30/06/13 (unaudited) £	31/12/13 (audited) £
NON-CURRENT ASSETS				
Intangible assets - Exploration costs	9	13,047,369	26,581,863	12,256,350
Intangible assets - Data licence costs	9	1,083,333	1,583,333	1,333,332
Property, plant & equipment	10	6,897,141	18,661,558	14,295,852
		<u>21,027,843</u>	<u>46,826,754</u>	<u>27,885,534</u>
CURRENT ASSETS				
Available for sale investment	11	2,864,613	-	4,410,934
Inventories	12	1,584,057	2,086,576	1,249,599
Trade and other receivables		4,574,086	5,131,491	5,456,723
Cash and cash equivalents (including restricted cash)		16,508,193	13,093,907	16,438,908
		<u>25,530,949</u>	<u>20,311,974</u>	<u>27,556,164</u>
TOTAL ASSETS		<u>46,558,792</u>	<u>67,138,728</u>	<u>55,441,698</u>
EQUITY				
SHAREHOLDERS' EQUITY				
Called up share capital		2,271,693	2,271,693	2,271,693
Share premium account		68,321,083	68,321,083	68,321,083
Share options reserve		2,714,867	1,934,712	2,575,472
Accumulated losses		(35,226,986)	(15,446,905)	(27,107,644)
Reorganisation reserve		(382,543)	(382,543)	(382,543)
Available for sale investment reserve		195,373	-	(279,597)
TOTAL EQUITY		<u>37,893,487</u>	<u>56,698,040</u>	<u>45,398,464</u>
LIABILITIES				
NON-CURRENT LIABILITIES				
Trade and other payables > 1 year	15	1,448,297	2,659,906	1,676,078
Provisions for liabilities and charges	16	4,760,057	4,676,229	4,662,912
		<u>6,208,354</u>	<u>7,336,135</u>	<u>6,338,990</u>
CURRENT LIABILITIES				
Trade and other payables < 1 year		2,456,951	3,104,553	3,704,244
TOTAL LIABILITIES		<u>8,665,305</u>	<u>10,440,688</u>	<u>10,043,234</u>
TOTAL EQUITY AND LIABILITIES		<u>46,558,792</u>	<u>67,138,728</u>	<u>55,441,698</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

TRAP OIL GROUP PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Called up share capital £	Share premium account £	Share options reserve £	Accumulated losses £	Re- organisation reserve £	Available for sale reserve £	Total equity £
At 1 January 2013	2,259,104	68,101,922	2,341,644	(16,985,796)	(382,543)	-	55,334,331
Proceeds from the 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	<u>2,271,693</u>	<u>68,321,083</u>	<u>1,934,712</u>	<u>(15,446,905)</u>	<u>(382,543)</u>	<u>-</u>	<u>56,698,040</u>
At 1 January 2014	2,271,693	68,321,083	2,575,472	(27,107,644)	(382,543)	(279,597)	45,398,464
Loss for the period and total comprehensive loss	-	-	-	(7,998,855)	-	354,483	(7,644,372)
Transfer on sale of assets available for sales	-	-	-	(120,487)	-	120,487	-
Transactions with owners	-	-	139,395	-	-	-	139,395
At 30 June 2014	<u>2,271,693</u>	<u>68,321,083</u>	<u>2,714,867</u>	<u>(35,226,986)</u>	<u>(382,543)</u>	<u>195,373</u>	<u>37,893,487</u>

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 Income
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 above consolidated statement of change in equity should be read in conjunction with the accompanying notes

TRAP OIL GROUP PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Notes	6 months to 30/06/14 (unaudited) £	6 months to 30/06/13 (unaudited) £	Year to 31/12/13 (audited) £
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash (used in)/generated from operations	13	(316,130)	2,461,741	8,604,958
Interest paid		-	(133,509)	(62,404)
Net cash (used in)/generated from operating activities		<u>(316,130)</u>	<u>2,328,232</u>	<u>8,542,554</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of intangible assets		(792,701)	(2,731,462)	(4,189,222)
Purchase of property, plant & equipment		(522,170)	(20,819)	(302,783)
Sale proceeds of assets available for sale		2,334,149	-	-
Credit adjustment in respect of Athena		-	4,214,508	4,214,508
Athena Insurance refund		-	-	441,081
Interest received		10,278	15,317	31,667
Net cash generated from investing activities		<u>1,029,556</u>	<u>1,477,544</u>	<u>195,251</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
CGG Services (UK) Limited repaid		(236,363)	-	(1,118,000)
GE Energy Financial Services finance charge		(407,778)	-	(819,028)
Proceeds from share issue		-	12,589	12,589
Net cash (used in)/generated from financing activities		<u>(644,141)</u>	<u>12,589</u>	<u>(1,924,439)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		69,285	3,818,365	6,813,366
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	13	<u>16,088,908</u>	<u>9,275,542</u>	<u>9,275,542</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13	<u><u>16,158,193</u></u>	<u><u>13,093,907</u></u>	<u><u>16,088,908</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

TRAP OIL GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

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 plc 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 2014 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 2013, which have been prepared in accordance with IFRS as adopted by the European Union.

The Group meets its day-to-day working capital requirements through its cash reserves. The current economic conditions and exploration activities continue to create uncertainty. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate with the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its condensed interim financial statements.

The reports for the six months ended 30 June 2014 and 30 June 2013 are unaudited and do not constitute statutory accounts as defined by the Companies Act 2006. The financial statements for 31 December 2013 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.

Under IFRS 11, the Group will continue to proportionately account for their share of assets, liabilities, revenue and expenses in their joint operations.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial period beginning on or after 1 January 2014 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 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 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.

TRAP OIL GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

3. SIGNIFICANT ACCOUNTING POLICIES continued

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.

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 operations

The Group participates in several joint operations 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, revenue and expenses of these joint operations and discloses the details in the appropriate Statement of Financial Position and Statement of Comprehensive Income headings in the proportion that relates to the Group.

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 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 Income 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 Income.

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.

TRAP OIL GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

3. SIGNIFICANT ACCOUNTING POLICIES continued

Available for sale investments

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 Income. 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 Income. 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 Income.

4. 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 £8.6m. In 2013 revenue from one major customer exceeded 10 per cent., and amounted to £30.3m.

5. FAIR VALUE OF NON-DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Maturity analysis of financial assets and liabilities

Financial Assets

	30/06/14	30/06/13	31/12/13
	£	£	£
Up to 3 months	3,973,256	4,323,647	3,966,911
3 to 6 months	523,749	807,844	664,519
Over 6 months	<u>3,291,694</u>	<u>350,000</u>	<u>5,703,917</u>
	<u>7,788,699</u>	<u>5,481,491</u>	<u>10,335,347</u>

Financial Liabilities

	30/06/14	30/06/13	31/12/13
	£	£	£
Up to 3 months	423,960	497,809	529,670
3 to 6 months	2,032,991	2,606,744	3,031,207
Over 6 months	<u>1,448,297</u>	<u>2,659,906</u>	<u>1,676,079</u>
	<u>3,905,248</u>	<u>5,764,459</u>	<u>5,236,956</u>

Fair value estimation

Below 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

	30/06/14	30/06/13	31/12/13
	£	£	£
Level 1 (note 11)	2,864,613	-	4,410,934
Level 2	-	-	-
Level 3	-	-	-
	<u>2,864,613</u>	<u>-</u>	<u>4,410,934</u>

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

TRAP OIL GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

6. EXCEPTIONAL ITEM

	30/06/14
	£
Cancellation fee for secured debt facility	119,030
Impairment charge on Athena production asset (note 10)	<u>4,704,352</u>
	<u>4,823,382</u>

In the period the secured debt facility from an affiliate of GE Energy Financial Services was cancelled resulting in exceptional one-off cancellation fees of approximately \$300,000.

7. TAX

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 2014 due to the availability of losses incurred.

8. 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 period.

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

	Earnings attributable to ordinary shareholders £	Weighted average number of shares	Per share amount pence
Period ended 30 June 2014			
Basic & Diluted EPS			
Loss attributable to ordinary shareholders	<u>(7,644,372)</u>	<u>227,169,331</u>	<u>(3.37)</u>

9. INTANGIBLE ASSETS

	Exploration costs £	Data licence costs £	Total £
COST			
At 1 January 2014	12,258,417	4,000,000	16,258,417
Additions	<u>792,701</u>	<u>-</u>	<u>792,701</u>
At 30 June 2014	<u>13,051,118</u>	<u>4,000,000</u>	<u>17,051,118</u>
ACCUMULATED AMORTISATION			
At 1 January 2014	2,067	2,666,668	2,668,735
Amortisation for the period	-	249,999	249,999
Impairments *	<u>1,682</u>	<u>-</u>	<u>1,682</u>
At 30 June 2014	<u>3,749</u>	<u>2,916,667</u>	<u>2,920,416</u>
NET BOOK VALUE at 30 June 2014	<u>13,047,369</u>	<u>1,083,333</u>	<u>14,130,702</u>

A total impairment charge of £1,682 (made up from the impairments below) is included in Cost of sales in the Consolidated Statement of Comprehensive Income 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 30 June 2014 using the Expected Monetary Value models.

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

	£
Licence P.1610 Magnolia	1,458
Licence P.1650 Crazy Horse	<u>224</u>
	<u>1,682</u>

TRAP OIL GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

10. PROPERTY, PLANT & EQUIPMENT

	Production interests & fields under development £	Computer & office equipment £	Total £
COST			
At 1 January 2014	22,965,548	235,049	23,200,597
Additions	<u>502,170</u>	<u>20,000</u>	<u>522,170</u>
At 30 June 2014	<u>23,467,718</u>	<u>255,049</u>	<u>23,722,767</u>
ACCUMULATED AMORTISATION, DEPLETION & DEPRECIATION			
At 1 January 2014	8,830,841	73,904	8,904,745
Charge for period	3,172,469	44,060	3,216,529
Impairment charge	<u>4,704,352</u>	<u>-</u>	<u>4,704,352</u>
At 30 June 2014	<u>16,707,662</u>	<u>117,964</u>	<u>16,825,626</u>
NET BOOK VALUE at 30 June 2014	<u>6,760,056</u>	<u>137,085</u>	<u>6,897,141</u>

11. AVAILABLE FOR SALE INVESTMENT

	30/06/14 £	30/06/13 £	31/12/13 £
Value at the start of the period	4,410,934	-	-
Additions	-	-	4,690,531
Disposals	(2,334,149)	-	-
Change in value of available for sale investments	<u>787,828</u>	<u>-</u>	<u>(279,597)</u>
Value at the end of the period	<u>2,864,613</u>	<u>-</u>	<u>4,410,934</u>

The available for sale investment represents the Company's shareholding in IGas Energy plc.

12. INVENTORIES

	30/06/14 £	30/06/13 £	31/12/13 £
Oil inventories held for resale	<u>1,584,057</u>	<u>2,086,576</u>	<u>1,249,599</u>

13. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

RECONCILIATION OF (LOSS)/PROFIT BEFORE TAX TO CASH (USED IN)/GENERATED FROM OPERATIONS

	30/06/14 (unaudited) £	30/06/13 (unaudited) £	31/12/13 (audited) £
(Loss)/Profit for the period before tax	(8,432,200)	1,399,901	(10,260,838)
Adjusted for:			
Amortisation, impairments, depletion and depreciation	8,172,562	6,237,654	21,571,555
Share based payments (net)	139,395	(48,781)	591,979
Finance costs	513,504	226,767	1,067,948
Finance income	<u>(10,278)</u>	<u>(15,317)</u>	<u>(31,667)</u>
	382,983	7,800,224	12,938,977
Increase in inventories	(334,457)	(2,086,576)	(1,249,598)
Decrease/(Increase) in trade and other receivables	882,637	(3,506,180)	(4,181,412)
(Decrease)/Increase in trade and other payables	<u>(1,247,293)</u>	<u>254,273</u>	<u>1,096,991</u>
Cash (used in)/generated from operations	<u>(316,130)</u>	<u>2,461,741</u>	<u>8,604,958</u>

TRAP OIL GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

13. **NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS continued**

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 2014

	30/06/14	31/12/13
	£	£
Unrestricted Cash and cash equivalents	16,158,193	16,088,908
Restricted cash in escrow bank accounts	<u>350,000</u>	<u>350,000</u>
	<u>16,508,193</u>	<u>16,438,908</u>

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

14. **COMMITMENTS**

Capital Commitments

At the period 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 £3m 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.

	30/06/14	30/06/13	31/12/13
	£	£	£
No later than 1 year	-	15,936	-
Later than 1 year and no later than 5 years	631,632	-	631,632
Later than 5 years	<u>-</u>	<u>-</u>	<u>-</u>
	<u>631,632</u>	<u>15,936</u>	<u>631,632</u>

15. **TRADE AND OTHER PAYABLES**

Included in Non-Current Liabilities – Other payables is £1,063,636 (2013: £2,300,000) and capitalised interest of £384,661 (2013: £359,904) 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. 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.

16. **PROVISIONS FOR LIABILITIES AND CHARGES**

	Decommissioning and site restoration £
PROVISION	
At 1 January 2014	4,662,912
Additions	-
Disposals	-
Unwinding of discount	<u>97,145</u>
At 30 June 2014	<u>4,760,057</u>

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 in 2017.

TRAP OIL GROUP PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

17. RELATED PARTIES

The salary of Simon Bragg, formerly Chairman, was paid via Oriel Securities Limited, a related party of the Group. The amount paid during the period is shown below:

	30/06/14
	£
Wages and short-term employee benefits	<u>10,000</u>

During the period Trap Oil Group plc made loans available to wholly owned subsidiaries. The balances outstanding at the end of the period are Predator Oil Ltd £7,559 (2013: £7,524), Trap Oil Ltd £35,262,806 (2013: £34,744,528), Trap Oil & Gas Limited £85,707 (2013: £85,671), Trap Petroleum Limited £149,219 (2013: £149,183) and Trap Exploration (UK) Limited £16,238 (2013: £16,202) which are included in Trade and Other Receivables, as Amounts owed by Group undertakings. During the period the Company also made sales to Trap Oil Limited amounting to £1,940,481 (2013: £4,189,746).

18. SUBSEQUENT EVENTS

Further to the cancellation of the Group's secured borrowing base facility, the Group took the decision in September to close out it's associated Oil Price Hedging Arrangements with Britannic Trading Limited ("Britannic"), a subsidiary of BP International Limited. These swap positions were closed out for a liability of approximately \$900,000.

19. AVAILABILITY OF THE INTERIM REPORT 2014

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

TRAP OIL GROUP PLC
STATEMENT OF DIRECTORS RESPONSIBILITIES
FOR THE SIX MONTHS ENDED 30 JUNE 2014

The directors confirm that the interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The directors of Trap Oil Group plc are listed in the Group's 2013 Annual Report and Accounts. The following changes have occurred since the signing of the 2013 accounts: Kevin Watts resigned as a Director and as Chairman on 1 May 2014, Simon Bragg was appointed as Director and Chairman on 1 May 2014, Miles Newman resigned as a Director on 29 May 2014, Martin David resigned as a Director on 29 May 2014 and Simon Bragg resigned as a Director and as Chairman on 11 August 2014,



Mark Groves Gidney
Chief Executive



Scott Richardson Brown
Finance Director

Date 22 September 2014

TRAP OIL GROUP PLC
INDEPENDENT REVIEW REPORT
BY THE AUDITORS TO TRAP OIL GROUP PLC
FOR THE SIX MONTHS ENDED 30 JUNE 2014

Introduction

We have been engaged by the company to review the consolidated interim financial statements in the half-yearly financial report for the six months ended 30 June 2014, which comprises the consolidated statement of comprehensive income, the consolidated statement of financial position, consolidated statement of changes in equity, 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 consolidated interim 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 company's annual financial statements.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The consolidated interim set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the consolidated interim 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 company 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 consolidated interim set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules for Companies.

PricewaterhouseCoopers LLP
Chartered Accountants
22 September 2014
Aberdeen

Notes:

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.