Sirius Petroleum plc

Annual Report and Financial Statements

for the year ended 31 December 2013

Contents

SIRIUS PETROLEUM

Corporate Advisers

Company registration number	05181462
Registered office	16 Great Queen Street London WC2B 5DG
Directors	**J Pryde** Chairman **O O Kuti** Chief Executive Officer **S Fletcher** Finance Director **A Kejriwal** Non-Executive Director
Secretary	**Kitwell Consultants Limited** Kitwell House The Warren Radlett WD7 7DU
Nominated adviser	**Cairn Financial Advisors LLP** 61 Cheapside London EC2V 6AX
Broker	**Cantor Fitzgerald Europe Ltd** One Churchill Place Canary Wharf London E14 5RB
Registrars	**Capita Asset Services** The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Bankers	**HSBC Bank plc** Unit 6C Borehamwood Shopping Park Borehamwood WD6 4PR
Solicitors	**Fladgate LLP** 16 Great Queen Street London WC2B 5DG
Auditors	**Grant Thornton UK LLP** Registered Auditor Chartered Accountants Colmore Plaza 20 Colmore Circus Birmingham B4 6AT

Chairman's Statement

FOR THE YEAR ENDED 31 DECEMBER 2013

I am pleased to report on the progress of Sirius covering the twelve month period to 31 December 2013. During this period Sirius conducted a detailed assessment of the potential recoverable reserves around the Ororo-1 well, utilising existing Chevron data.

The company subsequently engaged Schlumberger to produce a well re-entry proposal based on the sub-surface analysis of the Schlumberger reserve report, with a view to putting the Ororo Field into production.

Overview

- **The company's initial focus is the re-entry of the Ororo-1 well,** originally drilled and flow tested by Chevron, located on the Ororo field in OML 95. Management expects the field to be producing with an initial production rate of approximately 2,000 bopd which is expected to ramp up to 3,000+ bopd as the asset is developed.
- **Off-take agreement with Glencore for up to 60,000 bopd,** facilitating secure marketing and sale of the Company's crude.
- **The company has constructed an exciting pipeline of Nigerian off-shore asset opportunities** and has strong local relationships that are aligned with the company's success. Sirius is ideally positioned to participate in the upcoming marginal field bid round through these partnerships.
- **Technical partnership with Schlumberger,** the world's largest petro-technical services company, has completed an independent Field Evaluation Study on the Ororo Field in OML 95 and, the well development plan, and will be conducting the drilling operations for the Ororo field when they commence.

Well Re-entry Program – Ororo-1

The Group is focussing its initial drilling activities on the re-entry of the Ororo-1 well located in the Ororo Field (OML 95). The well flowed at approximately 2,200 barrels of crude oil per day (bopd) from a single zone, and 600 bopd from another oil-producing sand of light crude oil (43 API) when originally tested by Chevron in 1986.

Sirius acquired rights to 40% of the Ororo field in 2011 and is entitled to a preferential cash flow of 88% while it is net invested in the project, which reverts to 40% post recovery. The field is situated in shallow water offshore in depths ranging between 23 ft and 27 ft.

Summary of Independent Assessment of the Ororo Field by Schlumberger

Schlumberger has been involved in the Ororo Field from the earliest stages and, due to the results from the Field Evaluation, we are now in discussions with them to provide Project Management and Drilling Services to accelerate our development activities on OML95 in order to get it to first oil. A summary of the Field Evaluation is as follows:

- Ororo Field hydrocarbon in place estimated at 35.2-44.1 MMstb (P50-P10 oil-in-place).
- Seven oil bearing sands (D1, D2, D3, D4, D5, F and G) were identified in the Ororo-1 well.
- The P50-P10 Recoverable Oil from the single Ororo-1 well estimated at 10.0 MMstb-12.8 MMstb.
- In 1986, the Ororo-1 well flow tested at a combined production rate of approximately 2,800 barrels of oil per day (bopd) from two oil producing sands.
- Ororo-1 well contains 125ft true vertical thickness (TVT) of net oil pay.
- The P50-P10 Gas Initially In Place estimated at 396.5-557.6 Bscf with Recoverable Gas of 276.9-390.66 Bscf (P50-P10).
- Ororo-1 well did not encounter any hydrocarbon water contact in any of the seven hydrocarbon bearing reservoirs which suggests that the contacts are located down dip of the Ororo structure.
- The combined results from the petro-physical analysis, seismic interpretation and volumetric studies shows the exploitation potential of the field is good.

Chairman's Statement

CONTINUED

Loss of capital

The financial statements show that the Company's net assets are less than half its called up share capital. In these circumstances, the directors of the Company are obliged by section 656 of the Companies Act 2006 to convene a general meeting for the purposes of considering whether any and, if so, what, steps should be taken to deal with the Company's current financial position. The Directors will consider this issue at the Company's forthcoming annual general meeting.

Board changes

During the year, Sirius announced the appointments of Olukayode ('Bobo') Kuti as Chief Executive, Stephen Fletcher as Finance Director and Ajay Kejriwal as a Non-Executive Director. The new appointments align the Board and executive management team with the next stage of our strategy and the transition of the Company from an investment company to a fully fledged owner and developer of oil and gas assets. Bobo has been instrumental in both building Sirius Petroleum's business base in Nigeria and securing the Company's options to acquire oil and gas assets. As Chairman, I have also spent a significant amount of time in the past few years helping to progress the Company's plans to reach first oil and I believe that we are on the cusp of achieving this goal.

I would also like to thank Toby Hayward and Mike Hirschfield who stepped down from the Board of Directors. The Board would like to thank Toby and Mike for their significant contributions to the Company during the formative stages of its development. Kitwell Consultants, of which Mike Hirschfield is a Director, has been retained as Company Secretary to Sirius. Mr Babatunde Agboola also stepped down from the Board to pursue other interests.

Outlook

Sirius, with the assistance of the technical partner Schlumberger, has continued to make good progress on the Ororo field development plan and on building a pipeline of investment opportunities. We look forward to working with our partners in Nigeria as we move into the next stage of developing our portfolio of assets and taking the first of these into near term production, which remains conditional upon the completion of our financing strategy. We continue to actively review a number of funding options to complete our financing strategy and look forward to bringing news of further progress to shareholders in due course.

Annual general meeting

The AGM will be held at 10.00 a.m. on Wednesday 23 July 2014 at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG.

Finally, I would like to thank our shareholders for their on-going support as we continue to develop the busines

Jack Pryde
Chairman

30 June 2014

Strategic Report

FOR THE YEAR ENDED 31 DECEMBER 2013

Business review

The results of the Group are shown on page 22. The directors do not recommend the payment of a dividend.

The results represent the costs of developing our strategy and reviewing interests in both potential oil and gas blocks and individual marginal field opportunities. Total comprehensive loss for the year amounted to $6,570,000 (2012: $3,867,000). Finance costs on loans increased from $785,000 to $1,590,000, and share based payments increased from a credit of $121,000 to a charge of $990,000.

Since the end of the period, Sirius has issued a further 63,230,681 new ordinary shares of 0.25p each, in settlement of outstanding professional and other fees, and repayment of loans for general working capital, and now has 1,019,730,666 shares in issue. Sirius does not hold any shares in treasury and, hence, the total number of voting rights in the Company is 1,019,730,666. This figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the Financial Conduct Authority's Disclosure and Transparency Rules.

Aims and objectives

The strategy of the company is to target and develop offshore proven oil discoveries in Nigeria that have beneficial indigenous tax regimes. The Company's initial focus will be to bring the Ororo field (OML 95) into production. The company has commenced the initial work program activities and will seek to develop and drill additional appraisal wells on the field to reach full field production, as funding becomes available.

Key performance indicators

As the Group has not undertaken any trade in the year it has no key financial or non-financial performance indicators.

Principal risks and uncertainties

The Group's overall strategy to risk management is to employ suitably skilled personnel, and implement appropriate policies and procedures. The risks we face have evolved over the course of the year as the business has grown and external factors have impacted the environment in which we operate.

Responsibility for reviewing the system of Risk Management rests with the Audit Committee of the Board which has reviewed and approved the measures that are being taken to mitigate the most significant risks.

The principal risks faced by Sirius during 2013 relate to, political risks in respect of the situation in Nigeria, and strategic risks associated with the growth of the organisation and the economic climate.

Exploration Risk

Exploration activities can be capital intensive and may involve a high degree of risk. Thus budgets are produced by experienced individuals and reviewed to ensure best practice exists. Exploration programmes are approved by the Board.

Nigeria country risks

Political instability in this developing economy could result in the loss of the business. Ongoing monitoring and close liaison on the ground are utilised to monitor the situation.

Loss of key employees

Loss of knowledge and skills to the Group in particular countries of operation is a key risk. In response remuneration policies are designed to incentivise, motivate and retain key employees.

Taxation and other legislation changes

Operating in developing countries has additional risk of significant changes in taxation legislation on oil field profits or other legislation. Maintenance of good open working relationships with local authorities in the countries of operation are key.

Going concern

The directors have prepared cash flow projections through to 30 June 2015. These projections only take account of the on-going management costs of the Group, and the clearance of all payables outstanding at the date of this report. The payment of accrued directors' remuneration and certain of the directors' remuneration payable in respect of the current year has been excluded as the directors have agreed to defer payment until such time as funds are available. The projections also do not assume any oil extraction or income from oil trading nor do they assume any acquisitions take place or that any additional assessment of the prospective resources is undertaken over and above that authorised as at the date of this report.

On 30 April 2013 the Company signed a convertible loan facility with Calvet International Limited which provides up to £1.5 million ($2.4 million) of funding for general working capital, of which only £250,000 has been drawn down to date. On the basis that the remaining £1.25 million of this facility is drawn in full, the cash flow projections indicate that the Group has sufficient headroom to meet its working capital requirements.

On the basis of the assumptions above and following a detailed review by the directors of the Group's cash flow forecast, the directors believe that the Group has sufficient cash resources to meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are signed. Consequently, the financial statements have been prepared on a going concern basis.

Fundraising

The Board continues to review potential project finance to bring the Ororo field into production. We will seek to conclude on funding which maximises value for shareholders.

Future prospects

The company is actively pursuing additional oil assets which are being divested by the Department of Petroleum Resources ("DPR") and the International Oil Companies ("IOCs"). There is a marginal field bid round ongoing which commenced in December 2013. The Company will seek to farm-in to these assets when the bid round is concluded. The DPR have stated the bid round winners will be announced in H2 2014.

IOCs like Shell and Chevron continue to divest their onshore assets as strategic moves to focus on developing deep offshore assets. This divestment process continues to be monitored by the Board as a potential source of new producing and development assets in Nigeria.

Jack Pryde
Chairman

30 June 2014

Report of the Directors

FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

Principal activity

The Group is actively seeking to acquire and develop offshore proven oil discoveries in Nigeria that have beneficial indigenous tax regimes.

Domicile and principal place of business

Sirius Petroleum plc is domiciled in the United Kingdom, which is currently also its principal place of business. It is expected that the Group's activities will become focussed in Nigeria once an investment in a marginal oil field has been secured.

Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and loans. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade payables, which arise directly from its operations. The Group does not enter into derivative transactions.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risk currently arising from the Group's financial instruments are liquidity risk and interest rate risk. The Board reviews and agrees policies for managing these risks and these are summarised below.

Liquidity risk

The Group's cashflow has historically been constrained as the Group has developed its business proposition. As a consequence, the Board of Directors continually review the cash available to the Group and seek to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs.

Interest rate risk

The Group has not been exposed to significant interest rate risk. As the Group evolves, this exposure is likely to increase and the Directors will introduce appropriate policies to deal with this risk at that point in time.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group reviews the credit risk of the entities that it enters into contractual arrangements with.

Report of the Directors

Post balance sheet events

On 22 January 2014, 4,621,212 ordinary shares of 0.25p were issued at 3.3p in settlement of loan arrangement fees, 7,575,757 ordinary shares of 0.25p were issued at 3.3p in settlement of fees invoiced and 17,037,500 ordinary shares of 0.25p were issued at 4p in settlement of fees.

On 10 March 2014, 15,475,000 ordinary shares of 0.25p were issued at 4p in repayment of loans, 6,400,000 ordinary shares of 0.25p were issued at 3.13p in settlement of loan arrangement fees and 12,121,212 ordinary shares of 0.25p were issued at 3.3p in repayment of loans.

Following these share issues there are 1,019,730,666 ordinary shares of 0.25p in issue, each of which is a voting share.

Directors

The membership of the Board is set out below:

J Pryde
O O Kuti
S Fletcher (appointed 25 September 2013)
A Kejriwal (appointed 25 September 2013)
T J Hayward (resigned 25 September 2013)
M B V C Hirschfield (resigned 25 September 2013)
B O Agboola (resigned 1 February 2013)

Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company which had been notified as at 11 June 2014 were as follows:

	Ordinary shares of 1p each Number	**Percentage of capital %**
Secure Nominees Limited	89,559,355	8.78%
HSBC Global Custody Nominee (UK)	89,315,526	8.76%
Spreadex Limited	88,196,864	8.65%
Barclayshare Nominees Limited	78,379,138	7.69%
Lynchwood Nominees Limited	64,865,000	6.36%
Huntress (CI) Nominees Limited	61,226,668	6.00%
W B Nominees Limited	42,384,671	4.16%
Platform Securities Nominees	42,262,479	4.14%

Payment to suppliers

It is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts and pay suppliers according to agreed terms and conditions, provided that the supplier meets those terms and conditions. The Group does not have a standard or code dealing specifically with the payment of suppliers.

Report of the Directors

CONTINUED

Group statement of Directors' responsibilities

The Directors are responsible for preparing the Group's Annual Report and the Group financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union (IFRS). Under Company law the directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs and profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each of the Directors is aware there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Auditors

Grant Thornton UK LLP, have expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

By order of the board

Kitwell Consultants Limited
Company Secretary

30 June 2014

Company Number: 05181462

Corporate Governance

FOR THE YEAR ENDED 31 DECEMBER 2013

Directors

The Company supports the concept of an effective board leading and controlling the Company. The Board is responsible for approving Company policy and strategy. It meets on a regular basis and has a schedule of matters specifically reserved to it for decision. Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Company Secretary and independent professional advice at the Company's expense.

The Board consists of four Directors, who bring a breadth of experience and knowledge and will be enhanced by additional appointments when the Company commences operations in Nigeria. The structure of the Board is intended to provide a balance whereby the Board's decision making cannot be dominated by any one individual.

Relations with shareholders

The Company values the views of its shareholders and recognises their interest in the Group's strategy and performance. The Annual General Meeting will be used to communicate with private investors and they are encouraged to participate. A number of the Directors will be available to answer questions. Separate resolutions will be proposed on each issue so that they can be given proper consideration and there will be a resolution to approve the annual report and accounts.

Internal control

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' investment and the Group's assets and for reviewing its effectiveness. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

Terms of reference for an audit committee have been established but, due to the current small number of directors, the Audit Committee's activities have been taken over by the Board as a whole until further appointments of non-executive directors are made. On re-establishment, it is intended that the Audit Committee will meet at least half yearly and will be responsible for ensuring that the financial performance of the Group is properly monitored and reported on, as well as meeting the auditors and reviewing any reports from the auditors regarding accounts and internal control systems.

The Board is committed to maintaining a reputation for honesty and integrity in all its business dealings and seeks to avoid the appearance of impropriety in its actions. Accordingly, an Anti-Bribery and Corruption Policy has been established and a hard copy is held at the Group's head office.

The Board has considered the need for an internal audit function but has decided the size of the Group does not justify it at present. However, it will keep the decision under annual review.

Going concern

The directors have prepared cash flow projections through to 30 June 2015. These projections only take account of the on-going management costs of the Group, and the clearance of all payables outstanding at the date of this report. The payment of accrued directors' remuneration and certain of the directors' remuneration payable in respect of the current year has been excluded as the directors have agreed to defer payment until such time as funds are available. The projections also do not assume any oil extraction or income from oil trading nor do they assume any acquisitions take place or that any additional assessment of the prospective resources is undertaken over and above that authorised as at the date of this report.

On 30 April 2013 the Company signed a convertible loan facility with Calvet International Limited which provides up to £1.5 million ($2.4 million) of funding for general working capital, of which only £250,000 has been drawn down to date. On the basis that the remaining £1.25 million of this facility is drawn in full, the cash flow projections indicate that the Group has sufficient headroom to meet its working capital requirements.

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Report on Remuneration

FOR THE YEAR ENDED 31 DECEMBER 2013

Directors' remuneration

The Board recognises that Directors' remuneration is of legitimate concern to shareholders and is committed to following current best practice. The Group operates within a competitive environment, performance depends on the individual contributions of the Directors and employees and it believes in rewarding vision and innovation.

Policy on executive Directors' remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain the Group's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary. The remuneration will also reflect the Directors' responsibilities and contain incentives to deliver the Group's objectives. The Company has established terms of reference for a remuneration committee which will be put into place once additional non-executive directors have been appointed.

The remuneration of the Directors was as follows:

	G Porter (resigned 26 November 2012) $	B Agboola (resigned 1 February 2013) $	T Hayward (resigned 25 September 2013) $	O Kuti $	S Fletcher (appointed 25 September 2013) $	M Hirschfield (resigned 25 September 2013) $	J Pryde $	E Johnson (resigned 26 November 2012) $	Total $
Short-term employment benefits:									
Year to 31 December 2013									
Salary and fees	–	–	207,696	103,142	30,921	190,845	84,861	6,634	624,099
Benefits in kind	–	–	–	1,307	–	483	–	–	1,790
Share based payments	–	–	–	–	–	–	–	–	–
Total	–	–	207,696	104,449	30,921	191,328	84,861	6,634	625,889
Employers NI	–	–	34,017	12,597	4,267	(36,759)	11,711	–	25,833
Year to 31 December 2012									
Salary and fees	132,790	6,340	147,988	103,432	–	274,369	124,006	265,596	1,054,521
Benefits in kind	–	–	–	1,409	–	449	–	2,141	3,999
Share based payments	40,775	–	61,162	82,525	–	99,722	43,965	(736,403)	408,254
Total	173,565	6,340	209,150	187,366	–	374,540	167,971	(468,666)	650,266
Employers NI	–	–	1,681	13,030	–	25,101	2,627	51,838	94,277

The above table includes amounts due but undrawn in respect of directors remuneration and National Insurance as at 31 December 2013 (and so are shown as liabilities within accruals) as follows:

J Pryde	$205,313
M Hirschfield	$457,213
T Hayward	$352,400
G Porter	$146,770
O Kuti	$8,933
S Fletcher	$30,921

The NI for M Hirschfield in the above table is negative as accrued salary will no longer be paid under PAYE and subject to employers NI, following his resignation as a director on 25 September 2013.

The amounts shown as "Share based payments" relate to a theoretical calculation of the non-cash cost to the Group of the share options granted to the directors, further details of which are provided in Note 10. These do not represent cash payments to the directors either made in the past or due in the future.

Report on Remuneration

The remuneration relating to E Johnson for 2012 includes a credit of $736k in respect of share based payments. E Johnson retired as a director of the Company on 26 November 2012 and on the same date his share options lapsed. The Group has therefore recalculated the number of total options expected to vest in accordance with its accounting policy.

On 23 April 2013 857,143 ordinary shares at 3.5p were issued to E Johnson in payment of fees relating to amendments to his compromise agreement at fair value. Further shares were issued to E Johnson in payment of fees relating to amendments to his compromise agreement as follows: 11 July 2013 625,000 ordinary shares at 4p, 7 August 2013 888,889 ordinary shares at 3.38p and 19 September 2013 774,194 ordinary shares at 3.38p.

On 1 November 2013 fees of $114,951 were paid through a share transfer by a third party to E Johnson.

Pensions
The Group does not make pension contributions on behalf of the Directors.

Benefits in kind
The Group provides medical and dental insurance to certain Directors.

Bonuses
No amounts were payable for bonuses in respect of the years ending 31 December 2013 nor 31 December 2012.

Notice periods
The Directors all have three month rolling notice periods.

Share option incentives

At 31 December 2013 the following share options were held by the Directors.

	Date of grant	Exercise price	Number of options
O Kuti	28 February 2011	5p	3,000,000
O Kuti	11 October 2011	5p	7,000,000
J Pryde	28 February 2011	5p	5,000,000
J Pryde	11 October 2011	5p	2,000,000

Options Granted 28 February 2011
The share options for Mr Pryde are exercisable 12 months after the date of grant. The share options for Mr Kuti are exercisable after the latest of 12 months after the date of grant or the completion of a reverse transaction, as defined by the AIM rules, by the Company.

Options Granted 11 October 2011
All of the share options are exercisable on the earlier of the first anniversary of the date of grant or a change of control of the Company or reverse transaction, as defined by the AIM rules, by the Company.

The highest and lowest share price for the year were 5p and 3.12p respectively. The share price at 31 December 2013 was 3.12p.

Report of the Independent Auditors

TO THE MEMBERS OF SIRIUS PETROLEUM PLC

We have audited the Group financial statements of Sirius Petroleum plc for the year ended 31 December 2013 which comprise the principal accounting policies, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the finanial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the Group financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

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

Report of the Independent Auditors

TO THE MEMBERS OF SIRIUS PETROLEUM PLC
CONTINUED

Matters on which we are required to report by exception

We have nothing to report in respect of the following: Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Other matter

We have reported separately on the parent Company financial statements of Sirius Petroleum plc for the year ended 31 December 2013.

David Munton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

30 June 2014

Principal Accounting Policies

FOR THE YEAR ENDED 31 DECEMBER 2013

Basis of preparation

The Group financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The Company's shares are listed on the AIM market of the London Stock Exchange. Separate financial statements of Sirius Petroleum plc (the Company) have been prepared on pages 39 to 51 under the historical cost convention and in accordance with applicable accounting standards under UK GAAP.

The principal accounting policies of the Group are set out below.

Going concern

The directors have prepared cash flow projections through to 30 June 2015. These projections only take account of the on-going management costs of the Group, and the clearance of all payables outstanding at the date of this report. The payment of accrued directors' remuneration and certain of the directors' remuneration payable in respect of the current year has been excluded as the directors have agreed to defer payment until such time as funds are available. The projections also do not assume any oil extraction or income from oil trading nor do they assume any acquisitions take place or that any additional assessment of the prospective resources is undertaken over and above that authorised as at the date of this report.

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Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the balance sheet date. Subsidiary undertakings are entities over which the Company has the power to control, directly or indirectly, the financial and operating policies so as to obtain benefits from their activities. The Company obtains and exercises control through voting rights. Subsidiary undertakings are fully consolidated from the date at which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Unrealised gains on transactions between the Group and its subsidiary undertakings are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiary undertakings have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiary undertakings are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary undertakings, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary undertaking prior to acquisition. Acquisition costs are expensed as incurred. On initial recognition, the assets and liabilities of the subsidiary undertaking are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of the consideration transferred to the vendor over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary undertaking at the date of acquisition.

Other income

Other income represents the total value, excluding VAT of income receivable from professional services. Income is recognised as the services are provided.

Principal Accounting Policies

CONTINUED

Taxation

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable result for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged or credited directly to equity or other comprehensive income are charged or credited directly to equity or other comprehensive income.

Intangible exploration and evaluation assets

The Group follows the successful efforts method of accounting for intangible exploration and evaluation (E&E) costs. Licence costs are initially capitalised as intangible assets, along with any directly attributable costs of evaluation, as these are recoverable if prospects are deemed successful.

If prospects are deemed to be impaired ('unsuccessful') on completion of the evaluation, the associated costs are charged to profit or loss. If the field is determined to be commercially viable, the licence costs are transferred to property, plant and equipment.

Financial assets

The Group's financial assets comprise cash, loans receivable and trade and other receivables.

All financial assets are recognised when the Group becomes party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value, plus transaction costs.

Financial assets categorised as loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest rate method.

Interest and other cash flows resulting from holding financial assets are recognised in profit or loss using the effective interest rate method, regardless of how the related carrying amount of financial assets is measured.

Trade and other receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, calculated by discounting using the original discounted rate.

Financial assets are derecognised when the rights to receive cash flows for the asset expires or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. On derecognition of a financial asset, the difference between the assets carrying amount and the sum of the consideration is recognised in profit or loss.

Principal Accounting Policies

CONTINUED

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, bank deposits repayable on demand, and other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less advances from banks repayable on demand from the date of advance if the advance forms part of the Group's cash management.

Classification as financial liabilities or equity

Financial instruments or their component parts are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to equity.

A compound instrument is a non-derivative financial instrument which contains both a liability and an equity component. These components are accounted for separately as financial liabilities and equity components, and are presented separately in the statement of financial position.

Equity

Share capital is determined using the nominal value of shares that have been issued.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits. Where warrants have been issued for services in relation to procuring subscribers, the relevant fair value charge has been set against share premium as a cost of issue.

The share based payment reserve represents the cumulative amount which has been expensed in the income statement in connection with share based payments, less any amounts transferred to retained earnings on the exercise of share options or warrants.

Retained earnings include all current and prior year results as disclosed in the income statement.

Financial liabilities

The Group's financial liabilities comprise trade and other payables and loans payable.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the profit/loss using the effective interest method.

Trade and other payables are recognised initially at fair value, net of direct issue costs, and are subsequently recorded at amortised cost using the effective interest method with interest related charges recognised as an expense in the profit/loss.

Loans payable are recognised initially at fair value, net of direct issue costs and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in profit/loss on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

SIRIUS PETROLEUM

Principal Accounting Policies

CONTINUED

Compound instruments

On initial recognition, the fair value of the consideration for the liability component of the instrument is determined based on the fair value of a similar instrument that does not have an equity conversion option and recognised as a financial liability. Subsequent measurement is in accordance with the financial liabilities accounting policy.

The equity component is recognised initially as the residual value remaining when the fair value of the debt component is compared to the fair value of the compound instrument as a whole. The equity component is not remeasured after initial recognition except on expiry.

Other provisions, contingent liabilities and contingent assets

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long term provisions are discounted to their present values, where time value of money is material. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the statement of financial position. Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

Share based payments

Options

The Group issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Group's estimate of the shares that will eventually vest.

Fair value is measured using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

No adjustment is made to the expense recognised in prior periods if fewer share options are, ultimately exercised than originally estimated. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of shares issued are allocated to share capital with any excess being recorded as share premium.

Warrants

The Group has also issued equity settled share-based payments in respect of services provided. The share-based payment is measured at fair value of the services provided at the grant date. The expense is allocated over the vesting period. Where services provided relate to the issue of shares the expense has been charged to share premium.

Principal Accounting Policies

CONTINUED

Fees and loans settled in shares

Where shares have been issued as consideration for services provided or loans outstanding they are measured at the fair value of the services provided. The difference between the carrying amount of the financial liability (or part thereof) extinguished, and the fair value of the shares, is recognised in profit or loss.

Property, plant and equipment

(i) **Measurement bases**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other costs, such as repairs and maintenance are charged to the profit/loss during the period in which they are incurred.

When assets are sold, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the profit/loss.

(ii) **Depreciation**

Depreciation is calculated so as to write off the cost of property, plant and equipment, less its estimated residual value, which is revised annually, over its useful economic life as follows:

Computer equipment	–	within the current financial year
Office equipment	–	straight line over 3 years

Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by another party, are classified as operating leases.

Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

Foreign currencies

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary items that are measured at historic cost in a foreign currency are translated at the exchange rate at the date of transaction and are not re-translated. Non-monetary assets that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit/loss in the period in which they arise.

In the consolidated financial statements all individual financial statements that are originally presented in a currency different from the Group's presentational currency have been converted into USD. Assets and liabilities have been translated into USD at the closing rates at the reporting date. Income and expenses have been converted into USD at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this process have been recognised in other comprehensive income and accumulated separately in the currency exchange reserve in equity.

The average GBP exchange rate used during the year was USD 1.56483 (2012: 1.58513). The closing exchange rate at 31 December 2013 was USD 1.6491 (31 December 2012: 1.6168).

Principal Accounting Policies

Segmental reporting

A segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the chief operating decision maker.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) **Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are discussed below:

Going concern

In view of the losses during the year the Directors have carefully considered the appropriateness of preparing the financial statements on a going concern basis. Details of the Directors review and conclusion are detailed under the heading 'Going Concern' above.

Intangible exploration and evaluation assets

Management is required to assess impairment in respect of intangible exploration and evaluation assets. Note 5 discloses the carrying value of such assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgements on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

Share based payment

Management have made a number of assumptions in calculating the fair value of the share options as detailed in note 10.

Included in the share based payment charge in the current year is an amount of $975,000 relating to the fair value of services received in connection with a financing project. This financing project culminated in the Glencore Off-Take agreement, further details are given in notes 9 and 10. The consideration given for these services was the issue of 900,000,000 warrants. In accounting for this item, the Directors have considered the definition of transaction costs within IAS39 and have concluded that the definition has not been met. The cost has therefore been expensed in the year.

(ii) **Critical judgments in applying the Group's accounting policies**

Sirius Taglient Petro Limited (STPL)

Management in applying the accounting policies, which are described above, considers that the most significant judgement they have had to make is whether STPL Limited should be consolidated as a subsidiary undertaking. The Company owns 50% of STPL's issued share capital but has the right to buy the remaining 50% for $15 per share and has management and operating control of that company. On this basis the Directors consider it is a subsidiary undertaking and, therefore, should be fully consolidated.

Principal Accounting Policies

CONTINUED

Adoption of new or amended IFRS

The Directors anticipate that the adoption of new standards which are in issue but not yet effective and have not been early adopted by the Group will be relevant to the group but will not result in significant changes to the Group's accounting policies. These are:

- IFRS 9 Financial Instruments (effective date 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective date 1 January 2014)
- IFRS 11 Joint Arrangements (effective date 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective date 1 January 2014)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2014)
- IFRIC 21 Levies (effective 1 January 2014)
- Amendments to IFRS 10, IFRS 11, IFRS 12, IAS 27, IAS 36 and IAS 39 (effective 1 January 2014)
- Amendments to IAS 19 and the annual updates to various other standards (effective 1 July 2014)

The Directors are in the process of reviewing IFRS 10 Consolidated Financial Statements (effective date 1 January 2014) to determine the impact on the financial statements and, in particular, whether Sirius Taglient Petro Limited will continue to be accounted for as a subsidiary undertaking.

There are other standards in issue but not yet effective, which are not likely to be relevant to the group which have therefore not been listed.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Year ended 31 December 2013 $000	Year ended 31 December 2012 $000
Other income		76	88
Share based payments		(990)	121
Other administrative expenses	1	(3,884)	(3,271)
Total administrative expenses		(4,874)	(3,150)
Loss from operations		(4,798)	(3,062)
Finance income	2	–	27
Finance cost	2	(1,590)	(785)
Loss before and after taxation, and loss attributable to the equity holders of the Company		(6,388)	(3,820)
Other comprehensive (loss)			
Exchange differences on translating foreign operations		(182)	(47)
Other comprehensive (loss) for the period, net of tax		(182)	(47)
Total comprehensive loss for the year, attributable to owners of the company		(6,570)	(3,867)
Total loss per ordinary share			
Basic and diluted loss per share (cents)	4	(0.75)	(0.47)

All of the activities of the Group are classed as continuing.

The accompanying principal accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital $000	Share premium $000	Share based payment reserve $000	Other reserves $000	Exchange reserve $000	Retained earnings $000	Total equity $000
Balance at 1 January 2012	3,334	9,955	6,914	–	31	(17,464)	2,770
Share based payments	–	–	(121)	–	–	–	(121)
Exercise of warrants	235	–	–	–	–	–	235
Share issue	11	110	–	–	–	–	121
Issue of loan fees equity instruments (note 9)	–	–	–	492	–	–	492
Settlement of loan fees equity instruments (note 9)	–	–	–	(220)	–	(106)	(326)
Transactions with owners	246	110	(121)	272	–	(106)	401
Exchange difference on translating foreign operations	–	–	–	–	(47)	–	(47)
Loss for the year	–	–	–	–	–	(3,820)	(3,820)
Total comprehensive loss for the period	–	–	–	–	(47)	(3,820)	(3,867)
Balance at 31 December 2012	3,580	10,065	6,793	272	(16)	(21,390)	(696)
Share based payments	–	–	990	–	–	–	990
Share issue	558	4,573	–	–	–	–	5,131
Share issue costs	–	(1,256)	–	–	–	–	(1,256)
Issue of loan fees equity instruments (note 9)	–	–	–	1,984	–	–	1,984
Settlement of loan fees equity instruments (note 9)	–	–	–	(2,177)	–	(970)	(3,147)
Transactions with owners	558	3,317	990	(193)	–	(970)	3,702
Exchange difference on translating foreign operations	–	–	–	–	(182)	–	(182)
Loss for the period	–	–	–	–	–	(6,388)	(6,388)
Total comprehensive loss for the period	–	–	–	–	(182)	(6,388)	(6,570)
Balance at 31 December 2013	4,138	13,382	7,783	79	(198)	(28,748)	(3,564)

The accompanying principal accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

AT 31 DECEMBER 2013

	Note	31 December 2013 $000	31 December 2012 $000
ASSETS			
Non-current			
Intangible exploration and evaluation assets	5	1,981	1,642
Property, plant and equipment	6	1	4
		1,982	1,646
Current			
Cash and cash equivalents		27	10
Trade and other receivables	7	287	45
Total current assets		314	55
Total assets		2,296	1,701
LIABILITIES			
Current			
Trade and other payables	8	4,184	2,022
Loans payable	9	1,676	375
Total liabilities		5,860	2,397
EQUITY			
Share capital	11	4,138	3,580
Share premium		13,382	10,065
Share based payment reserve		7,783	6,793
Other reserves		79	272
Exchange reserve		(198)	(16)
Retained earnings		(28,748)	(21,390)
Equity attributable to equity holders of the Company		(3,564)	(696)
Total equity and liabilities		2,296	1,701

The consolidated financial statements were approved by the Board on 30 June 2014.

Jack Pryde
Director

The accompanying principal accounting policies and notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2013

	Year ended 31 December 2013 $000	Year ended 31 December 2012 $000
Cash flows from operating activities		
Continuing operations		
Loss after taxation	(6,388)	(3,820)
Depreciation	4	5
Finance income	–	(27)
Finance cost	1,590	467
Decrease/(increase) in trade and other receivables	(232)	329
Equity settled share based payments	990	(121)
Expenses settled in shares	187	448
Increase/(decrease) in trade and other payables	2,164	1,441
Net cash outflow from operating activities from continuing operations	(1,685)	(1,278)
Cash flows from investing activities		
Finance income	–	27
Loan repayments received	–	1,219
Investment in intangibles	(339)	(642)
Purchase of property, plant and equipment	(1)	(1)
Net cash (outflow)/inflow from investing activities	(340)	603
Cash flows from financing activities		
Proceeds from issue of share capital	288	–
Warrants exercised	–	235
Finance cost	(29)	(3)
Loans received	1,978	404
Net cash inflow from financing activities	2,237	636
Net change in cash and cash equivalents	212	(39)
Cash and cash equivalents at beginning of period	10	49
Exchange differences on cash and cash equivalents	(195)	–
Cash and cash equivalents at end of period	27	10

The accompanying principal accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

1 Revenue, loss before taxation and segmental information

Loss before taxation

The loss before taxation is attributable to the principal activities of the Group.

The loss before taxation is stated after charging:

	Year ended 31 December 2013 $000	Year ended 31 December 2012 $000
Staff costs (see note 17)	1,074	1,610
Depreciation of owned fixed assets	4	5
Operating lease rentals: land and buildings	45	285
Foreign exchange gains/losses	–	51
Fees payable to the Company's auditor for the audit of the financial statements	47	62
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation compliance	4	3
Other services	–	20

Segmental information

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available.

The chief operating decision maker has defined that the Group's only reportable operating segment during the year is oil extraction and related activities.

The Group has not traded and has not generated any revenue from external customers during the period.

In respect of non-current assets $1,000 (2012: $3,000) arise in the UK and $1,981,000 (2012: $1,643,000) arise in Nigeria.

2 Finance income and finance costs

	Year ended 31 December 2013 $000	Year ended 31 December 2012 $000
Finance income		
Loan interest receivable	–	27

	Year ended 31 December 2013 $000	Year ended 31 December 2012 $000
Finance costs		
Finance fees	1,576	464
Revision of estimate of consideration payable (note 5)	–	318
Late payment interest	14	–
Interest payable on loans and overdrafts	–	3
	1,590	785

Finance fees of $1,576,000 are in respect of the short term loans received from unconnected third parties. Further information in respect of these loans are disclosed in note 9.

Notes to the Financial Statements

CONTINUED

3 Taxation

There is no tax charge for the year (year ended 31 December 2012: $nil).

Unrelieved tax losses of approximately $24,360,000 (2012: $18,794,000) remain available to offset against future taxable trading profits. The unprovided deferred tax asset at 31 December 2013 is $6,230,000 (2012: $4,922,000) which has not been provided on the grounds that it is uncertain when or in what tax jurisdiction taxable profits will be generated by the Group to utilise those losses.

The tax assessed for the year differs from the standard rate of corporation tax in the UK as follows:

	2013 $000	2013 %	2012 $000	2012 %
Loss before taxation	(6,388)		(3,820)	
Loss multiplied by standard rate of corporation tax in the UK	(1,485)	(23.25)	(936)	(24.5)
Effect of:				
Expenses not deductible for tax purposes	22		13	
Overseas loss not recognised	155		230	
Deferred tax asset not recognised	1,308	23.25	693	24.5
Total tax charge for year	–		–	

4 Loss per share

	2013 $000	2012 $000
(Loss) attributable to owners of the Company	(6,388)	(3,820)

	2013 Number	2012 Number
Weighted average number of shares for calculating basic loss per share	853,303,616	807,155,194

	2013 Cents	2012 Cents
Basic and diluted loss per share	(0.75)	(0.47)

There are 76,000,000 share options and 990,000,000 warrants outstanding, as detailed in note 10. Their effect is anti-dilutive, but are potentially dilutive against future profits.

5 Intangible exploration and evaluation assets

Cost of oil and gas exploration

	$000
Cost	
At 1 January 2012	1,000
Additions	317
Transferred from prepayments	325
At 31 December 2012	1,642
Additions	339
At 31 December 2013	1,981
Amortisation and impairment	
At 1 January 2012, 31 December 2012 and 31 December 2013	–
Net book value at 31 December 2013	1,981
Net book value at 31 December 2012	1,642
Net book value at 1 January 2012	1,000

During the year ended 31 December 2011 Sirius Ororo OML95 Limited entered into an agreement with Guarantee Petroleum Company Limited and Owena Oil and Gas Limited which gives it the right to acquire a 40% interest in the Ororo Oil Field.

The consideration for the 40% interest in the field was $1,000,000 paid on the date of the agreement with a further $500,000 due on the commencement of the operation of the well.

At the time of signing the agreement, the directors considered the fair value of the liability in respect of the additional $500,000 payable. Based on an assessment of how likely it would be that this would be paid discounted at 15%, the directors considered the amount to be immaterial and therefore did not recognise a liability at that time.

At 31 December 2012 the directors reassessed their estimate of the future cash flows in accordance with the Group's accounting policies. Following the additional work as noted below and the completion of the feasibility report along with the ongoing funding negotiations, the directors were confident of commencement of the operation of the well. As a result this liability was now expected to become payable. The directors have reviewed the assumptions made and do not consider them to have changed. Therefore the carrying value of the liability has been assessed at the same value at 31 December 2013 at $318,000 (31 December 2012 $318,000).

The movement in the carrying value of the liability has been shown in profit and loss in line with the accounting policy for financial liabilities.

The Group has undertaken certain works including commissioning the preparation of a Competent Persons Report and has conducted an environmental impact assessment. It has also commenced planning appropriate community projects and site surveys to finalise the subsequent drilling programme and will also cover certain operational costs related to the field. Under the agreement the Group will cover all costs of this phase of the project. Costs plus interest of LIBOR+3% will be recoverable on the production of oil before the profit interest split is applied; these costs are being added to the costs of the asset.

The directors have reviewed the investment for impairment. During the year end a Volumetric Estimation report has been received, which shows the field is economically viable.

The Volumetric Estimation report was commissioned by Sirius and produced by an experienced third party. This gives expected recoverability statistics from the well hole already drilled. These indicative predictions support the value of investment held on the balance sheet.

The Group intends investing further amounts into the Ororo Oil Field, as part of its strategic development plans. The costs of the capital and operating costs will be covered by separate funding facilities such as that from Glencore, detailed in last year's accounts.

Notes to the Financial Statements

CONTINUED

6 Property, plant and equipment

	Computer equipment $000	Office equipment $000	Total $000
Cost			
At 1 January 2012	39	28	67
Additions	–	1	1
At 31 December 2012	39	29	68
Additions	1	–	1
Cost at 31 December 2013	40	29	69
Depreciation			
At 1 January 2012	39	20	59
Charge for the year	–	5	5
At 31 December 2012	39	25	64
Charge for the year	1	3	4
At 31 December 2013	40	28	68
Net book value			
Balance at 31 December 2013	–	1	1
Balance at 31 December 2012	–	4	4
Balance at 1 January 2012	–	8	8

7 Trade and other receivables

	31 December 2013 $000	31 December 2012 $000
Current		
Trade receivables	10	4
Other receivables	270	11
Prepayments and accrued income	7	30
	287	45

The fair value of these short term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

All trade and other receivables have been reviewed for indicators of impairment. Trade receivables which were past due at 31 December 2013, of $41,000 (2012: $41,000) were provided for during the year ended 31 December 2012.

	31 December 2013 $000	31 December 2012 $000
Trade receivables	51	45
Bad debt provision	(41)	(41)
Total	10	4

8 Trade and other payables

	31 December 2013 $000	31 December 2012 $000
Trade payables	2,436	599
Other payables	389	394
Accruals	1,359	1,029
	4,184	2,022

The fair value of trade and other payables has not been disclosed as, due to their short duration. Management considers the carrying amounts recognised in the balance sheet to be a reasonable approximation of their fair value.

9 Loans payable

During the year the company received loans from several unconnected parties to fund working capital amounting to $1,978,000 (2012: $404,000), which incurred initial loan fees of $1,943,000 (2012: $404,000) and additional fees of $878,000 (2012: $323,000) as the loans were not repaid by their due dates. The loans are unsecured and do not bear interest.

The loan agreements and initial loan fees represent compound instruments. The fair value of the financial liability component of the arrangement was initially recognised at $1,026,000 (2012: $235,000). Associated finance charges of $606,000 (2012: $140,000) have been recognised during the period in accordance with the effective interest method. During the year $418,000 of the debt was repaid in shares at 4p. At 31 December 2013 the carrying value of the financial liability is $1,676,000 (2012: $375,000), including an $86,000 exchange movement and is included within loans payable.

The initial loan fees may be settled, at the Group's discretion, in cash or as a fixed number of shares, to be issued at 4p or 3.3p per share. This component represents an equity instrument and has been recognised within other reserves at the residual value of $952,000 (2012: $169,000), being the difference between the $1,978,000 (2012: $404,000) cash consideration received and the initial fair value of the financial liability component of $1,026,000 (2012: $235,000).

The additional loan fees may also be settled, at the Group's discretion, in cash or as a fixed number of shares. This represents an equity instrument which is recognised when the Group expects that the further fees will be incurred. Additional fees of $878,000 (2012: $323,000) have therefore been recognised in other reserves as the loans were not expected to be repaid by 31 December 2013, with the associated cost being recognised as a finance charge.

During the year ended 31 December 2013 $3,149,000 of the initial and additional loan fees were settled by the issue of 42,862,358 ordinary shares at 4p and 7,500,000 ordinary shares at 3.3p. This has resulted in a debit to other reserves of $2,177,000, and a debit to the profit and loss reserve of $972,000, representing the difference between the value of loan fees which were settled and the carrying value of the equity instruments in respect of these fees.

During the year ended 31 December 2012 $178,000 of the initial loan fees were settled by the transfer of shares in Sirius held by EMMEF to one of the unconnected parties providing the loan. In addition, the same unconnected party accepted a transfer of shares in Sirius held by EMMEF in settlement of additional loan fees of $149,000 which were expected to become payable. This resulted in a debit to other reserves of $220,000, and a debit to the profit and loss reserve of $106,000, representing the difference between the value of loan fees which were settled and the carrying value of the equity instruments in respect of these fees.

In May 2013, the Company signed an off-take agreement with Glencore, and this included a provision of a $65 million funding facility. Should this facility be drawn down, there is an additional 3% fee which would become payable as a finance cost at that point. This facility has not been accounted for in the directors' assessment of going concern.

10 Share based payments

The Group operates share option schemes for certain employees (including directors). Options are exercisable at the option price agreed at the date of grant. The options are settled in equity once exercised. The options are exercisable from the date of a sale of the business or a reverse acquisition until the fifth anniversary of that date, or until 10 years from the grant date. The expected life of the options varies from six months to three years. Options granted to employees are forfeited if the employee leaves the Group before the options vest.

Options granted on 5 October 2009 relate to the options granted in consideration of consultancy services provided to the Group. These have been treated as equity-settled share-based payments. These options have been valued based on the fair value of the equity instrument granted as there is no readily available fair value for the services provided due to there being no clear benchmark for the cost of these services.

The options have the following exercise prices and fair values at the date of grant:

First exercise date (when vesting conditions are met)	Grant date	Assumed vesting period	Exercise price £	Fair value at grant date £	31 December 2013 Number	31 December 2012 Number
At an exit event	05-Oct-09	12 months	0.053	0.019004	5,000,000	5,000,000
At an exit event	05-Oct-09	12 months	0.051	0.019608	3,000,000	3,000,000
At the earlier of an exit event and 12 months after readmission to AIM	28-Feb-11	12 months	0.05	0.015628	41,000,000	41,000,000
At the earlier of an exit event and 12 months after readmission to AIM	28-Feb-11	12 months	0.09	0.006962	2,000,000	2,000,000
The later of 12 months after readmission to AIM and an exit event	28-Feb-11	–	0.05	0.00	3,000,000	8,000,000
At the earlier of the first anniversary date of the date of grant or an exit event	11-Oct-11	6 months	0.05	0.015007	17,000,000	17,000,000
					71,000,000	76,000,000

The share options can be exercised up to between five years after the date first exercisable, and ten years from the grant date.

At 31 December 2013, 60,000,000 options were exercisable.

For those options granted to employees and directors, the fair values were calculated using the Black-Scholes model. The inputs into the model were as follows:

	11 October 2012	28 February 2012	5 October 2009
Risk free rate	0.50%	0.50%	0.50%
Share price volatility	80%	80%	100%
Expected life	Between 6 months and 3 years	1 year and 3 years	1 year
Share price at date of grant	£0.0479	£0.0500	£0.0510

10 Share based payments continued

Expected volatility was determined by calculating the historical volatility of the Company's share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The following assumptions were used with regards to the vesting period:

- The options granted on 5 October 2009 were assumed to vest in 12 months as a transaction was expected to complete in September 2010, and the share price was expected to rise above 5.3p by that time.
- The options granted on 28 February 2012 with a vesting date of 24 March 2014, were assumed to vest in 36 months on their vesting date as the share price was expected to rise above 9p by that time.
- The options granted on 28 February 2012 with a vesting date of 24 March 2013, were assumed to vest in 12 months on their vesting date as the share price was expected to rise above 5p by that time.
- The options granted on 10 October 2012 at were assumed to vest in 6 months on their vesting date a transaction was expected to complete in March 2013.

During the year, the options issued to B Agboola lapsed on his resignation as a Director. During the year ended 31 December 2012, the options issued to E Johnson lapsed on his resignation as a Director. As a result management reviewed the assumption of the number of shares expected to vest and recalculated the cumulative charge on all options granted. The net effect of the charges is that the Group recognised a charge of $15,000 (year ended 31 December 2012: credit of $357,000) relating to these equity-settled share-based payment transactions during the year. Although the remaining options have not yet vested the assumptions made have not been changed as the effect was not considered to be material.

These recognised expenses are not, and never will be, a cash cost to the Group but are merely an accounting charge to the income statement reflecting the theoretical cost to the Group if options are exercised in the future where the receipts from exercise are lower than if the same number of shares had been issued at the then prevailing market value. In many cases, for the theoretical cost to be accurate, the market price of the Group's shares at exercise will need to be a multiple of the current share price.

Warrants

On 24 March 2011, warrants were issued to external consultants in consideration for services provided for 150,000,000 ordinary shares. The warrants were exercisable immediately. On 11 October 2011 a further 20,000,000 warrants were issued to external consultants. These warrants may be exercised, in whole or in part or parts, at any time and from the date of completion of a reverse transaction until the tenth anniversary of the grant date.

On 30 January 2013 the company entered into an agreement with Strand Hanson in respect of funding arrangements. Under this agreement 300,000,000 warrants would be issued at 4p, 300,000,000 at 6p and 300,000,000 warrants at 10p to Strand Hanson or their advisors upon successfully procuring funding of $65 million. These warrants were issued on 4 May 2013 after signing the off-take agreement with Glencore.

During the year ended 31 December 2011, 60,000,000 warrants were exercised, leaving 990,000,000 exercisable at 31 December 2013. The weighted average share price at date of exercise of the warrants was 4.5 pence. The weighted average exercise price is 6.87 pence and a weighted average remaining contractual life of 5.17 years.

10 Share based payments continued

At 31 December 2013, the following share warrants granted for services are outstanding in respect of the ordinary shares:

	2013 Number	2013 Weighted average exercise price (pence)	2012 Number	2012 Weighted average exercise price (pence)
Outstanding at 1 January	90,000,000	8.89	90,000,000	8.89
Granted during the year	900,000,000	6.67	–	
Outstanding and exercisable at 31 December	990,000,000	6.87	90,000,000	8.89

Each warrant is governed by the provisions of warrant instruments representing the warrants which have been adopted by the Company. The rights conferred by the warrants are transferable in whole or in part subject to and in accordance with the transfer provisions set out in the Articles. The holders of warrants have no voting right, pre-emptive right or other right attaching to Ordinary Shares. All warrants issued vest in full.

The fair value of the services received in respect of the 900,000,000 warrants issued in 2013 was considered to be $975,000 being calculated as 1.5% of the $65 million facility provided under the Glencore agreement. This amount has been included in share based payments in the statement of comprehensive income.

The fair value of the services received is considered to be comparable to the fair value of the warrants issued in 2011. These have been valued using the Black-Scholes valuation model. The inputs into the Black-Scholes model for calculating estimated fair value were:

	11 October 2011	24 March 2011	24 March 2011
Risk free rate	0.50%	0.50%	0.50%
Share price volatility	80%	80%	80%
Exercise price	£0.05	£0.10	£0.0025
Share price at date of grant	£0.0479	£0.0500	£0.0500

Expected volatility was determined by calculating the historical volatility of the Company's share price using historical share prices. The warrants issued in March 2011 were expected to vest immediately, and those issued in October 2011 were expected to vest in 12 months from date of grant. Although some have not yet vested the assumptions made have not been changed as the effect was not considered to be material.

The Group recognised total expenses of $975,000 (year ended 31 December 2012: $236,000) relating to these equity-settled share-based payment transactions during the year.

Notes to the Financial Statements

CONTINUED

11 Share capital

	31 December 2013 $000	31 December 2012 $000
Allotted, issued and fully paid		
956,499,985 (2012: 816,904,901) ordinary shares of 0.25p	4,138	3,580

The movement in share capital is analysed as follows:

	Ordinary shares Number	$000
Allotted and issued		
At 31 December 2011	754,226,330	3,334
Shares issued for fees due	2,678,571	11
Exercise of warrants	60,000,000	235
At 31 December 2012	816,904,901	3,580
Shares issued for fees due	128,595,084	514
Shares issued for cash	4,500,000	18
Loan repayments	6,500,000	26
At 31 December 2013	956,499,985	4,138

On 23 April 2013, 857,143 ordinary shares of 0.25p were issued at 3.5p in settlement of fees.

On 11 July 2013, 625,000 ordinary shares of 0.25p were issued at 4p in settlement of fees and 3,750,000 ordinary shares of 0.25p were issued at 4p in settlement of consultancy fees at fair value.

On 7 August 2013, 888,889 ordinary shares of 0.25p were issued at 3.38p in settlement of fees.

On 19 September 2013, 774,194 ordinary shares of 0.25p were issued at 3.38p in settlement of fees.

On 25 September 2013, 42,862,358 ordinary shares of 0.25p were issued at 4p in settlement of arrangement fees for loans. A further 61,300,000 ordinary shares of 0.25p were issued at par, 875,000 were issued at 3p and 8,537,500 were issued at 4p in settlement of fees, Also on 25 September 2013, 4,500,000 ordinary shares of 0.25p were issued at 4p for cash proceeds of £180,000 and 5,250,000 were issued at 4p in repayment of loans.

On 16 December 2013, 625,000 ordinary shares of 0.25p were issued at 4p in settlement of consultancy fees at fair value, 1,250,000 were issued at 4p in repayment of loans and 7,500,000 were issued at 3.3p in settlement of arrangement fees for loans.

The ordinary shares carry one vote each and on winding up of the Company the balance of assets available for distribution will, subject to any relevant restrictions, be divided amongst the members.

12 Contingent liabilities

There were no contingent liabilities at 31 December 2013 or at 31 December 2012.

13 Capital commitments

There were no capital commitments at 31 December 2013 or at 31 December 2012.

14 Operating lease commitments

Total commitments under non-cancellable operating leases are as follows:

	Land and Buildings 2013 $000	Land and Buildings 2012 $000
Operating leases which expire:		
Within one year	–	23
In two to five years	–	–

15 Financial instruments

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Board is responsible for co-ordinating the Group's risk management and focuses on actively securing the Group's short to medium term cash flows.

The Group does not actively engage in the trading of financial assets and has no financial derivatives. The most significant risks to which the Group is exposed are described below:

(a) **Credit risk**

The Group's credit risk is primarily attributable to its trade receivables. At 31 December 2013, the Group had minimal trade receivables and therefore minimal risk arises.

Generally, the Group's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the balance sheet date, as summarised below:

	31 December 2013			31 December 2012		
	Loans and receivables $000	Non financial assets $000	Statement of financial position total $000	Loans and receivables $000	Non financial assets $000	Statement of financial position total $000
Trade receivables	10	–	10	4	–	4
Other receivables	270	–	270	11	–	11
Prepayments and accrued income	–	7	7	–	30	30
Cash and cash equivalents	27	–	27	10	–	10
Total	307	7	314	25	30	55

The credit risk on liquid funds is limited due to the level of cash held and because the Group only places deposits with leading financial institutions in the United Kingdom.

(b) **Liquidity risk**

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Directors prepare rolling cash flow forecasts and seek to raise additional equity funding whenever a shortfall in funding is forecast. Details of the going concern basis of preparing the financial statements are included in the principal accounting policies.

15 Financial instruments continued

(c) **Market risk**

Interest rate risk

The Company bears negligible interest rate risk at 31 December 2013.

On 30 April 2013 the Company signed a convertible loan facility with Calvet International Limited which provides up to £1.5 million of funding for general working capital. On the basis that this facility is drawn in full, the cash flow projections indicate a minimum cash balance of $300,000 over the projection period. This loan facility incurred an intial arrangemnent fee of $388,000, which is to be satisfied by issuing 6,250,000 ordinary shares at 4p. No interest is charged on the loan so there is no interest rate risk.

(d) **Foreign currency risk**

The Group operates in a number of jurisdictions and carries out transactions in US dollars, Sterling, and Nigerian Naira. The Group does not have a policy to hedge arrangements but will continue to keep this under review. The Group operates foreign currency bank accounts to help mitigate the foreign currency risk.

(e) **Financial liabilities**

The Group's financial liabilities are classified as follows:

	31 December 2013			31 December 2012		
	Other financial liabilities at amortised cost $000	**Liabilities not within the scope of IAS 39 $000**	**Total $000**	**Other financial liabilities at amortised cost $000**	**Liabilities not within the scope of IAS 39 $000**	**Total $000**
Trade payables	2,436	–	2,436	599	–	599
Other payables	389	–	389	394	–	394
Loans	1,676	–	1,676	375	–	375
Accruals	1,359	–	1,359	1,029	–	1,029
Total	5,860	–	5,860	2,397	–	2,397

Maturity of financial liabilities

All financial liabilities in the table above at 31 December 2012 and 31 December 2013 mature in less than one year.

Included in the table above is $500k relating to additional consideration for the Ororo field being the expected cash outflow on commencement of the operation of the well. This has been included in the balance sheet at 31 December 2013 at a fair value of $318k.

Borrowing facilities for the year ended 31 December 2013

The Group has no undrawn committed borrowing facilities at 31 December 2013 (2012: $ Nil).

15 Financial instruments continued

(f) **Capital risk management**

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for the shareholders;
- to support the Group's stability and growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The management regards total equity as capital and reserves, for capital management purposes.

The financial statements show that the Company's net assets are less than half its called up share capital. In these circumstances, the directors of the Company are obliged by section 656 of the CA 2006 to convene a general meeting for the purposes of considering whether any and if so what, steps should be taken to deal with the Company's current financial position. The Directors will consider this issue at the Company's forthcoming annual general meeting, details of which are set out in the notice at the end of this document.

16 Related party transactions

During the year, Kitwell Consultants Ltd ("Kitwell") which acts as Company Secretary to the Group charged the Group $18,784 (2012: $25,004) for secretarial fees and expenses and $44,003 (2012: $Nil) for consultancy. M Hirschfield, a director during the year, has a beneficial interest in 100% of the issued share capital of Kitwell. The total amount due to Kitwell at 31 December 2013 was $69,262 (2012: $11,641).

At 31 December 2013 O Kuti owed the Group $1,649 (2012: $1,617), which remains outstanding. At 31 December 2013 the Group owed E Johnson $Nil (2012: $8,341), and T Hayward $Nil (2012: $1,476), in respect of expenses. At the year end undrawn salaries were due to J Pryde $205,313 (2012: $120,452), O Kuti $ (2012: $Nil), S Fletcher $30,921 (2012: $Nil), E Johnson $Nil (2012: $153,596), M Hirschfield $457,213 (2012: $266,368), T Hayward $352,400 (2012: $144,704) and G Porter $146,770 (2012: $143,895).

17 Employee remuneration

The expense recognised for employee benefits, including Directors' emoluments, is analysed below:

	2013 $000	2012 $000
Wages and salaries	992	1,446
Social security	78	151
Benefits in kind	4	13
	1,074	1,610

The Directors are the Key Management Personnel of the Group. Details of Directors' remuneration are included in the Report on Remuneration on pages 11 and 12.

The average number of employees during the year were:

	2013 No.	2012 No.
Directors	4	7
Other	8	9
	12	16

Notes to the Financial Statements

CONTINUED

18 Events after the balance sheet date

On 22 January 2014, 4,621,212 ordinary shares of 0.25p were issued at 3.3p in settlement of loan arrangement fees, 7,575,757 ordinary shares of 0.25p were issued at 3.3p in settlement of fees invoiced and 17,037,500 ordinary shares of 0.25p were issued at 4p in settlement of fees.

On 10 March 2014, 15,475,000 ordinary shares of 0.25p were issued at 4p in repayment of loans, 6,400,000 ordinary shares of 0.25p were issued at 3.13p in settlement of loan arrangement fees and 12,121,212 ordinary shares of 0.25p were issued at 3.3p in repayment of loans.

Following these share issues there are 1,019,730,666 ordinary shares of 0.25p in issue, each of which is a voting share.

19 Subsidiaries

The following subsidiaries have been consolidated in these accounts:

Subsidiary	Proportion of ordinary share capital held	Nature of business	Country of incorporation
Sirius Oil & Gas Limited	100%	Dormant	England and Wales
Sirius Energy Trading Limited	100%	Dormant	England and Wales
Sirius Taglient Petro Limited	50%	E & P management services	Nigeria
Sirius Trading Nigeria Limited	100%	Trading of oil	Nigeria
Sirius Ororo OML95 Limited	100%	Exploration for mineral resources	Nigeria
SRS Petroleum Nigeria Limited	100%	Exploration for mineral resources	Nigeria

Sirius Petroleum plc

Company Statutory Financial Statements

(prepared under UK GAAP)

for the year ended 31 December 2013

Statement of Directors' Responsibilities

FOR THE YEAR ENDED 31 DECEMBER 2013

Company statement of directors' responsibilities

The Directors are responsible for preparing the Company financial statements ("financial statements") in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). The financial statements are required by law to give a true and fair view of the state of affairs of the. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each of the Directors is aware there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Company number: 05181462

Report of the Independent Auditors

TO THE MEMBERS OF SIRIUS PETROLEUM PLC

We have audited the parent company financial statements of Sirius Petroleum plc for the year ended 31 December 2013 which comprise the principal accounting policies, the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 40 the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the finanial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Report of the Independent Auditors

TO THE MEMBERS OF SIRIUS PETROLEUM PLC
CONTINUED

Matters on which we are required to report by exception

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

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

Other matter

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

David Munton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

30 June 2014

Principal Accounting Policies

FOR THE YEAR ENDED 31 DECEMBER 2013

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

The principal accounting policies of the Company are set out below and remain unchanged from the previous period.

Going concern

The directors have prepared cash flow projections through to 30 June 2015. These projections only take account of the on-going management costs of the Group, and the clearance of all payables outstanding at the date of this report. The payment of accrued directors' remuneration and certain of the directors' remuneration payable in respect of the current year has been excluded as the directors have agreed to defer payment until such time as funds are available. The projections also do not assume any oil extraction or income from oil trading nor do they assume any acquisitions take place or that any additional assessment of the prospective resources is undertaken over and above that authorised as at the date of this report.

On 30 April 2013 the Company signed a convertible loan facility with Calvet International Limited which provides up to £1.5 million ($2.4 million) of funding for general working capital, of which only £250,000 has been drawn down to date. On the basis that the remaining £1.25 million of this facility is drawn in full, the cash flow projections indicate that the Group has sufficient headroom to meet its working capital requirements.

On the basis of the assumptions above and following a detailed review by the directors of the Group's cash flow forecast, the directors believe that the Group has sufficient cash resources to meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are signed. Consequently, the financial statements have been prepared on a going concern basis.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The depreciation is calculated to write off the cost of the fixed asset of its useful life as follows:

Computer equipment	–	within current year
Office equipment	–	straight line over 3 years

Investments

Investments in subsidiary undertakings are recorded at cost less provision for impairment.

Impairment

Impairment reviews are undertaken when there are potential indicators of impairment and provisions against the carrying value made as appropriate.

Operating leases

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Principal Accounting Policies

CONTINUED

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Financial instruments

Financial instruments in the scope of FRS 26 are classified as either financial assets or liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial instruments are recognised initially, they are measured at fair value, and in the case of investments not at fair value through profit or loss, after taking account of directly attributable transaction costs.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Share based payments

Options

All share-based payment arrangements are recognised in the Company's financial statements. The Company issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Company's estimate of the shares that will eventually vest.

Fair value is measured using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

No adjustment is made to the expense recognised in prior periods if fewer share options are, ultimately exercised than originally estimated. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of shares issued are allocated to share capital with any excess being recorded as share premium.

Warrants

The Company has also issued equity settled share-based payments in respect of services provided. The share-based payment is measured at fair value at the grant date. Where the fair value of the services provided cannot reliably be measured, the fair value of the equity instrument is used. The expense is allocated over the vesting period. Where services relate to the issue of shares the expense has been charged to share premium.

Principal Accounting Policies

CONTINUED

Fees and loans settled in shares

Where shares have been issued as consideration for services or loans provided they are measured at fair value. The difference between the carrying amount of the financial liability (or part thereof) extinguished, and the fair value of the shares, is recognised in profit or loss.

Foreign currencies

The functional currency of the parent Company is GBP. However, for presentation purposes, the Company financial statements are prepared in United States dollars. The Company has selected a presentation currency that differs from the functional currency of the parent Company as it is expected that in the future the parent Company will generate revenues and its main trading will be in United States dollars, but at the current time it incurs mainly overhead costs denominated in GBP.

Foreign currency transactions are translated into the presentational currency, USD, at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated to the presentational currency at the rates of exchange ruling at the reporting date. Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit and loss account.

Balance Sheet

AT 31 DECEMBER 2013

	Note	31 December 2013 $000	31 December 2012 $000
Fixed assets			
Tangible fixed assets	2	1	3
Current assets			
Cash at bank and in hand		28	6
Debtors due within one year	3	282	3,068
Total current assets		310	3,074
Creditors: Amounts falling due within one year	4	(5,217)	(2,382)
Net current (liabilities)/assets		(4,907)	692
Total assets less current liabilities and net (liabilities)/assets		(4,906)	695
Equity			
Called up share capital	6	4,138	3,580
Share premium account	8	13,382	10,065
Other reserves	8	79	–
Share based payment reserve	8	7,783	6,793
Profit and loss account	8	(30,288)	(19,743)
Equity shareholders' funds	7	(4,906)	695

The financial statements were approved by the Board on 30 June 2014.

Jack Pryde
Director

Company number: 05181462

The accompanying principal accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

1 Fixed asset investments

	Investment in group undertakings $000
Cost	
At 31 December 2012 and 31 December 2013	19,260
Amounts written off	
At 31 December 2012 and 31 December 2013	19,260
Net book value at 31 December 2012 and 31 December 2013	–

At 31 December 2013 the Company holds ordinary share capital in the following subsidiary undertakings:

Subsidiary	Proportion of ordinary share capital held	Nature of business	Country of incorporation
Sirius Oil & Gas Limited	100%	Dormant	England and Wales
Sirius Energy Trading Limited	100%	Dormant	England and Wales
Sirius Taglient Petro Limited	50%	E & P management services	Nigeria
Sirius Trading Nigeria Limited	100%	Trading of oil	Nigeria
Sirius Ororo OML95 Limited	100%	Exploration for mineral resources	Nigeria
SRS Petroleum Nigeria Limited	100%	Exploration for mineral resources	Nigeria

At 31 December 2013 the Company owned 50% of the shares in Sirius Taglient Petro Limited, a company incorporated in Nigeria, to operate in the oil and gas sector. The Company has the right to acquire the remaining 50% shares for $15 per share and has management and operating control of that company.

2 Tangible fixed assets

	Computer equipment $000	Office equipment $000	Total $000
Cost			
At 31 December 2011	23	7	30
Additions	–	1	1
At 31 December 2012	23	8	31
Additions	–	–	–
Cost at 31 December 2013	23	8	31
Depreciation			
At 31 December 2011	23	2	25
Charge for the year	–	3	3
At 31 December 2012	23	5	28
Charge for the year	–	2	2
At 31 December 2013	23	7	30
Net book value			
Balance at 31 December 2013	–	1	1
Balance at 31 December 2012	–	3	3
Balance at 1 January 2012	–	5	5

3 Debtors

	31 December 2013 $000	31 December 2012 $000
Trade debtors	10	4
Other debtors	265	6
Amounts owed by Group undertakings	–	3,033
Prepayments and accrued income	7	25
	282	3,068

Given the uncertainty of the recoverability of the amounts owed by Group undertakings management have provided in full for the outstanding balance of $3,765,000.

4 Creditors: amounts falling due within one year

	31 December 2013 $000	31 December 2012 $000
Trade creditors	2,192	523
Social security and other taxes	24	26
Other creditors	1	400
Loans	1,676	404
Accruals and deferred income	1,324	1,029
	5,217	2,382

During the year the company received loans from several unconnected parties to fund working capital amounting to $1,978,000 (2012: $404,000), which incurred an initial loan fee of $1,943,000 (2012: $404,000) and additional fees of $878,000 (2012: $323,000) as the loans were not repaid by their due dates. The loans are unsecured and do not bear interest.

During the year ended 31 December 2013 $3,149,000 of the initial and additional loan fees were settled by the issue of 42,862,358 ordinary shares at 4p and 7,500,000 ordinary shares at 3.3p. Additionally $418,000 on the loans outstanding were repaid by the issue of 6,500,000 ordinary shares at 4p.

During the year ended 31 December 2012 $178,000 of the initial loan fees were settled by the transfer of shares in Sirius held by EMMEF to one of the unconnected parties providing the loan. In addition, the same unconnected party accepted a transfer of shares in Sirius held by EMMEF in settlement of additional loan fees of $149,000 which were expected to become payable.

For details of the treatment on these loans see note 9 in the consolidated group accounts.

5 Share based payments

Details of share based payments are disclosed on pages 31 to 33.

6 Share capital

	31 December 2013 $000	31 December 2012 $000
Allotted, issued and fully paid		
956,499,985 (2012: 816,904,901) ordinary shares of 0.25p	4,138	3,580

The movement in share capital is analysed as follows:

	Ordinary shares Number	$000
Allotted and issued		
At 31 December 2011	754,226,330	3,334
Shares issued for fees due	2,678,571	11
Exercise of warrants	60,000,000	235
At 31 December 2012	816,904,901	3,580
Shares issued for fees due	128,595,084	514
Shares issued for cash	4,500,000	18
Loan repayments	6,500,000	26
At 31 December 2013	956,499,985	4,138

On 23 April 2013, 857,143 ordinary shares of 0.25p were issued at 3.5p in settlement of fees.

On 11 July 2013, 625,000 ordinary shares of 0.25p were issued at 4p in settlement of fees and 3,750,000 ordinary shares of 0.25p were issued at 4p in settlement of consultancy fees at fair value.

On 7 August 2013, 888,889 ordinary shares of 0.25p were issued at 3.38p in settlement of fees.

On 19 September 2013, 774,194 ordinary shares of 0.25p were issued at 3.38p in settlement of fees.

On 25 September 2013, 42,862,358 ordinary shares of 0.25p were issued at 4p in settlement of arrangement fees for loans. A further 61,300,000 ordinary shares of 0.25p were issued at par, 875,000 were issued at 3p and 8,537,500 were issued at 4p in settlement of fees, Also on 25 September 2013, 4,500,000 ordinary shares of 0.25p were issued at 4p for cash proceeds of £180,000 and 5,250,000 were issued at 4p in repayment of loans.

On 16 December 2013 625,000 ordinary share of 0.25p were issued at 4p in settlement of consultancy fees at the fair value of the consultancy services provided, 1,250,000 were issued at 4p in repayment of loans and 7,500,000 were issued at 3.3p in settlement of arrangement fees for loans.

The ordinary shares carry one vote each and on winding up of the Company the balance of assets available for distribution will, subject to any relevant restrictions, be divided amongst the members.

SIRIUS PETROLEUM

Notes to the Financial Statements

CONTINUED

7 Reconciliation of movement in equity shareholders' funds/(deficit)

	31 December 2013 $000	31 December 2012 $000
Loss for financial period	(9,467)	(3,136)
Share based payments	990	(121)
Transfer to profit & loss on settlement of loan fees	(1,078)	–
Transfer to other reserves	79	–
Issue of shares net of costs	3,875	356
Net (decrease) in shareholders' funds	(5,601)	(2,901)
Equity shareholders' funds brought forward	695	3,596
Equity shareholders' (deficit)/funds carried forward	(4,906)	695

8 Reserves

	Share premium $000	Share based payment reserve $000	Other reserves $000	Profit and loss account $000
At 31 December 2012	10,065	6,793	–	(19,743)
Share based payment	–	990	–	–
Share issue	3,317	–	–	–
Transfer to other reserves	–	–	79	–
Transfer to profit and loss on settlement of loan fees	–	–	–	(1,078)
Retained loss for the period	–	–	–	(9,467)
At 31 December 2013	13,382	7,783	79	(30,288)

9 Loss for the financial year

The Company has taken advantage of the exemption under the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss for the year was $9,466,521 (year ended 31 December 2012: $3,136,278).

The loss is stated after charging:

	31 December 2013 $000	31 December 2012 $000
Fees payable to the Company's auditor for the audit of the financial statements	47	62
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation compliance	4	3
Other services	–	20

10 Directors remuneration

Details of Directors' remuneration is disclosed within the Report on Remuneration on pages 11 and 12.

11 Contingent liabilities

There were no contingent liabilities at 31 December 2013 nor at 31 December 2012.

Notes to the Financial Statements

12 Capital commitments

There were no capital commitments at 31 December 2013 nor at 31 December 2012.

13 Related party transactions

During the year, Kitwell Consultants Ltd ("Kitwell") which acts as Company Secretary to the Group charged the Group $18,784 (2012: $25,004) for secretarial fees and expenses and $44,003 (2012: $Nil) for consultancy. M Hirschfield, a director during the year, has a beneficial interest in 100% of the issued share capital of Kitwell. The total amount due to Kitwell at 31 December 2013 was $69,262 (2012: $11,641).

At 31 December 2013 O Kuti owed the Group $1,649 (2012: $1,617), which remains outstanding. At 31 December 2013 the Group owed E Johnson $Nil (2012: $8,341), and T Hayward $Nil (2012: $1,476), in respect of expenses. At the year end undrawn salaries were due to J Pryde $205,313 (2012: $120,452), O Kuti $8,933 (2012: $Nil), S Fletcher $30,921 (2012: $Nil), E Johnson $Nil (2012: $153,596), M Hirschfield $457,213 (2012: $266,368), T Hayward $352,400 (2012: $144,704) and G Porter $146,770 (2012: $143,895).

During the year, the Company made loans of $321,391 (2012: $574,185) to Sirius Taglient Petro Limited (a subsidiary undertaking) for cash advances to cover operating expenses and invoices paid on their behalf. At 31 December 2013, Sirius was owed $1,747,452 (2012: $1,426,061) from Sirius Taglient Petro Limited, which has been provided for in full in 2013.

The company has taken advantage of the exception available under FRS8 Related Party Disclosures with respect to transactions with wholly owned subsidiaries.

14 Post balance sheet events

On 22 January 2014, 4,621,212 ordinary shares of 0.25p were issued at 3.3p in settlement of loan arrangement fees, 7,575,757 ordinary shares of 0.25p were issued at 3.3p in settlement of fees invoiced and 17,037,500 ordinary shares of 0.25p were issued at 4p in settlement of fees.

On 10 March 2014, 15,475,000 ordinary shares of 0.25p were issued at 4p in repayment of loans, 6,400,000 ordinary shares of 0.25p were issued at 3.13p in settlement of loan arrangement fees and 12,121,212 ordinary shares of 0.25p were issued at 3.3p in repayment of loans.

Following these share issues there are 1,019,730,666 ordinary shares of 0.25p in issue, each of which is a voting share.

Notice of Annual General Meeting

Notice is given that the annual general meeting of the members of the Company will be held at 10:00 a.m. on 23 July 2014 at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG to consider in accordance with section 656 Companies Act 2006 whether any, and if so what, steps should be taken to deal with the situation that the net assets of the Company are less than half its called up share capital. In addition the meeting will consider and, if thought fit, pass the following resolutions. Resolutions 1 to 6 will be proposed as ordinary resolutions and Resolution 7 will be proposed as a special resolution.

Ordinary resolutions

1. To receive the financial statements for the 12 month period ended 31 December 2013 and the reports of the directors and the independent auditors as set out in the annual report and accounts.

2. To re-elect Stephen Fletcher as a director who is retiring, having been appointed by the directors since the last annual general meeting, and who being eligible offers himself for re-election.

3. To re-elect Ajay Kejriwal as a director who is retiring, having been appointed by the directors since the last annual general meeting, and who being eligible offers himself for re-election.

4. To re-elect Jack Pryde as a director, who is retiring by rotation in accordance with the articles of association, and who being eligible offers himself for re-election.

5. To re-appoint Grant Thornton UK LLP as independent auditors and to authorise the directors to fix their remuneration.

6. That:

6.1 the directors of the Company are generally and unconditionally authorised for the purposes of section 551 Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £841,277. This authority will, unless renewed, varied or revoked by the Company, expire on 23 July 2015, but the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or Rights to be granted after it has expired and the directors may allot shares or grant Rights under any such offer or agreement notwithstanding that the authority conferred by this resolution has expired; and

6.2 this authority revokes and replaces all unexercised authorities previously granted to the Directors to allot Rights, but without prejudice to any allotment of shares or grant of Rights already made, offered or agreed to be made pursuant to such authorities.

Special resolution

7. That:

7.1 the Directors be given the general power to allot equity securities (as defined by section 560 Companies Act 2006) for cash pursuant to the authority conferred by resolution 6, as if section 561(1) Companies Act 2006 did not apply to any such allotment. This power is limited to:

7.1.1 the allotment of equity securities in connection with an offer of equity securities by way of a rights issue only:

7.1.1.1 to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

7.1.1.2 to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary; and

7.1.2 the allotment (otherwise than pursuant to paragraph 7.1.1) of equity securities up to an aggregate nominal amount of £254,932.67 (being 10% of the Company's current issued share capital);

7.2 the Directors may, for the purposes of paragraph 7.1, impose any limits or restrictions and make any arrangements which they consider necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange;

7.3 the power granted by this resolution will expire on 23 July 2015 or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement notwithstanding that the power conferred by this resolution has expired; and

7.4 this resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if either section 89(1) Companies Act 1985 or section 561(1) Companies Act 2006 did not apply but without prejudice to any allotment of equity securities already made, offered or agreed to be made pursuant to such authorities.

By order of the board

Kitwell Consultants Limited
Company Secretary

Registered Office:
16 Great Queen Street
London WC2B 5DG

30 June 2014

Notes to the notice of annual general meeting

Appointment of proxies

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
2. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you must appoint your own choice of proxy (not the chairman) and give your instructions directly to the relevant person.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you must complete a separate proxy form for each proxy and specify against the proxy's name the number of shares over which the proxy has rights. If you are in any doubt as to the procedure to be followed for the purpose of appointing more than one proxy you must contact the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Kent BR3 4TU. If you fail to specify the number of shares to which each proxy relates, or specify a number of shares greater than that held by you on the record date, proxy appointments will be invalid.

4. If you do not indicate to your proxy how to vote on any resolution, your proxy will vote or abstain from voting at his discretion. Your proxy will vote (or abstain from voting) as he thinks fit in relation to any other matter which is put before the meeting. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against a resolution

Appointment of proxy using the hard copy proxy form

5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold his vote.
6. To appoint a proxy using the proxy form, it must be:
   6.1 completed and signed;
   6.2 sent or delivered to the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Kent BR3 4TU; and
   6.3 received by the Company's registrars no later than 10:00 a.m. on 21 July 2014.
7. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
8. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
9. The Company, pursuant to regulation 41 of The Uncertificated Securities Regulations 2001, specifies that only those ordinary shareholders registered in the register of members of the Company 48 hours before the meeting shall be entitled to attend or vote at the meeting in respect of the number of Ordinary shares registered in their name at that time. Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

Appointment of proxies through CREST

10. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: RA10) by 10:00 a.m. 21 July 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
12. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as are necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Notice of Annual General Meeting

CONTINUED

Appointment of proxy by joint members

14. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder (being the first named holder in respect of the shares in the Company's register of members) will be accepted.

Changing proxy instructions

15. To change your proxy instructions simply submit a new proxy appointment using the method set out in paragraphs 6 or 11 above. Note that the cut off time for receipt of proxy appointments specified in those paragraphs also applies in relation to amended instructions. Any amended proxy appointment received after the specified cut off time will be disregarded.

16. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact the Company's registrar as indicated in paragraph 3 above.

17. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

18. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrar as indicated in paragraph 3 above. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

19. The revocation notice must be received by the Company no later than 10:00 a.m. on 21 July 2014.

20. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to paragraph 21 below, your proxy appointment will remain valid.

21. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

Documents available for inspection

22. The following documents will be available for inspection at the registered office of the Company on any weekday) (except Saturdays, Sundays and Bank Holidays) during normal business hours from the date of this notice until the date of the meeting and at the place of the meeting for 15 minutes prior to and until the conclusion of the meeting: statement of transactions of Directors (and of their family interests) in the share capital of the Company and any of its subsidiaries; copies of the Directors service agreements and letters of appointment with the Company; the register of Directors interests in the share capital of the Company (maintained under section 325 of the Act).

Total voting rights

23. As at 10:00 a.m. on 27 June 2014, the Company's issued share capital comprised 1,019,730,666 ordinary shares of 0.25p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 10:00 a.m. on 27 June 2014 is 1,019,730,666.

Communication

24. Except as provided above, members who have general queries about the meeting should contact the Company's registrar, Capita Asset Services, PXS, 34 Beckenham Road, Kent BR3 4TU.

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