Trapoil

Admission Document

Admission to AIM by Strand Hanson Limited
and Mirabaud Securities LLP

STRAND HANSON

Nominated Adviser

MIRABAUD 1819

Broker

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take, you should seek your own personal advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who specialises in advising on the acquisition of shares and other securities and is authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are resident in the UK, or, if you are not resident in the UK, from another authorised independent adviser.

The Company and the Directors, whose names appear on page 16 of this document, accept responsibility, collectively and individually, for the information contained in this document and for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This document does not comprise a prospectus within the meaning of section 85 of FSMA and does not constitute an offer of transferable securities to the public in the United Kingdom, within the meaning of section 102B of the FSMA and has not been approved or examined by and will not be filed with the United Kingdom Financial Services Authority, the London Stock Exchange or the United Kingdom Listing Authority (''**UKLA**''), but comprises an admission document in relation to AIM, a market operated by London Stock Exchange plc. It has been drawn up in accordance with the AIM Rules for Companies and has been issued in connection with the proposed admission to trading of the Ordinary Shares of the Company to AIM.

In accordance with the AIM Rules for Companies, application will be made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM on 17 March 2011. The Ordinary Shares are not dealt in on any market other than, from Admission, AIM and, apart from the application for Admission to AIM, no application has been or is intended to be made for the Ordinary Shares to be admitted to trading on any such other market.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority and the AIM Rules for Companies are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Enlarged Share Capital to trading on the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

TRAP OIL GROUP PLC

(Incorporated and registered in England and Wales with company number 7503957)

Placing of 139,535,000 new Ordinary Shares at 43 pence per share
and
Application for admission of the Enlarged Share Capital to trading on AIM

Financial and Nominated Adviser:	***Broker***
Strand Hanson Limited	**Mirabaud Securities LLP**

THE WHOLE OF THE TEXT OF THIS DOCUMENT SHOULD BE READ AND IN PARTICULAR YOUR ATTENTION IS DRAWN TO THE SECTION ENTITLED "RISK FACTORS" SET OUT IN PART 2 OF THIS DOCUMENT THAT DESCRIBES CERTAIN RISKS ASSOCIATED WITH AN INVESTMENT IN THE COMPANY.

The Placing is conditional on, *inter alia*, Admission taking place on or before 17 March 2011 (or such later date as the Company, Strand Hanson Limited and Mirabaud Securities LLP may agree, but in any event not later than 31 March 2011). The Placing Shares will, on Admission, rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares which will be in issue on Admission.

Strand Hanson Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as financial and nominated adviser to the Company in connection with the Placing and the proposed admission of the Enlarged Share Capital to trading on AIM. Its responsibility as the Company's nominated adviser under the AIM Rules is owed solely to the London Stock Exchange and is not owed to the Company or to any Director or to any other person in respect of their decision to acquire shares in the Company in reliance on any part of this document. Strand Hanson Limited is acting exclusively for the Company and for no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or the Placing or the proposed admission of the Enlarged Share Capital to trading on AIM.

Mirabaud Securities LLP, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as broker to the Company in connection with the Placing and the proposed admission of the Enlarged Share Capital to trading on AIM. Mirabaud Securities LLP is acting exclusively for the Company and for no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or the Placing or the proposed admission of the Enlarged Share Capital to trading on AIM.

Neither Strand Hanson Limited nor Mirabaud Securities LLP have authorised the contents of this document and no representation or warranty, express or implied, is made by either Strand Hanson Limited or Mirabaud Securities LLP as to the accuracy or contents of this document or the opinions contained therein, without limiting the statutory rights of any person to whom this document is issued. The information contained in this document is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted by Strand Hanson Limited or Mirabaud Securities LLP in relation to them. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. The delivery of this document will not, under any circumstances, be deemed to create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct at any time subsequent to its date.

No legal, business, tax or other advice is provided in this document. Prospective investors should consult their professional advisers as needed on the potential consequences of subscribing for, purchasing, holding or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

To the extent that information has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors are aware, no facts have been omitted which may render the reproduced information inaccurate or misleading.

This document does not constitute an offer to sell, or a solicitation to buy Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any such distribution could result in a violation of the laws of such jurisdictions. In particular this document is not for distribution into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan, or any other jurisdiction where to do so would be in breach of any applicable laws and/or regulations (and, in particular, this document is not for distribution directly or indirectly to any US Person (that is not an institutional person that is an accredited investor)). The Ordinary Shares have not been, nor will they be, registered under the securities legislation of the United States of America, any province or territory of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Accordingly, the Ordinary Shares may not, subject to certain exemptions, be offered, sold, re-sold, renounced, taken up or delivered, directly or indirectly, into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan, or to any national, citizen or resident of the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. No action has been taken by the Company, the holders of Ordinary Shares, or by Strand Hanson Limited or Mirabaud Securities LLP that would permit a public offer of Ordinary Shares or possession or distribution of this document where action for that purpose is required. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Copies of this document will be available free of charge during normal business hours on weekdays (excluding Saturdays, Sundays and public holidays) from the date hereof until one month after Admission from the offices of Strand Hanson Limited, 26 Mount Row, London W1K 3SQ and from the Company's website: www.trapoil.com.

Forward-looking statements

This document contains forward looking statements relating to the Company's future prospects, developments and strategies, which have been made after due and careful enquiry and are based on the Directors' current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Forward-looking statements are identified by the use of terms and phrases such as ''believe'', ''could'', ''envisage'', ''estimate'', ''intend'', ''may'', ''plan'', ''will'' or the negative of those, variations or comparable expressions, including references to assumptions. These forward-looking statements are subject to, *inter alia*, the risk factors described in Part 2 of this document. The Directors believe that the expectations reflected in these statements are reasonable, but may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward-looking statement speaks only as of the date of the particular statement.

United States securities laws

The Ordinary Shares are being offered and sold pursuant to exemptions from the registration requirements of the Securities Act, and will be offered and sold either (i) outside the United States to persons who are not ''U.S. Persons'' (within the meaning of Regulation S under the Securities Act) in transactions complying with Regulation S or (ii) in certain limited cases, within the United States in private placements to persons who are institutional persons who are Accredited Investors (within the meaning of Regulation D under the Securities Act) in transactions complying with Rule 506 of Regulation D.

THE ORDINARY SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR BY ANY US STATE SECURITIES COMMISSION OR AUTHORITY, NOR HAS ANY SUCH US AUTHORITY PASSED ON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

THE ORDINARY SHARES HAVE NOT BEEN (AND WILL NOT BE) REGISTERED UNDER THE SECURITIES ACT OR SECURITIES LAWS OF ANY US STATE OR JURISDICTION AND WILL NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH OTHER APPLICABLE LAWS.

Each purchaser purchasing the Placing Shares in a Regulation D Placing will be required to execute and deliver a signed letter to the Company containing representations and warranties such as the representation and warranty that such purchaser is an institutional person who is an Accredited Investor as defined in Rule 501(a) of Regulation D promulgated under the Securities Act.

Notice to Prospective Investors in the European Economic Area

No Ordinary Shares have been offered or sold, or will be offered or sold, to the public in any member state of the European Economic Area which has implemented the Prospectus Directive (each, a ''Relevant Member State''), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the ''Relevant Implementation Date'') except (with effect from and including the Relevant Implementation Date): (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of Mirabaud Securities LLP; or (d) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

Notice to Prospective Investors in Switzerland

This document is being communicated in Switzerland to a small number of selected investors only. Each copy of this document is addressed to a specifically named recipient and must not be passed on to third parties. The Placing Shares are not to be offered to the public in Switzerland, and neither this document nor any other offering materials relating to the Placing Shares may be distributed in connection with any such public offering.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	14 March 2011
Admission becomes effective and dealings in the Enlarged Share Capital expected to commence on AIM	17 March 2011
Expected date for CREST accounts to be credited (where applicable)	17 March 2011
Expected date for despatch of definitive share certificates (where applicable)	by 31 March 2011

Each of the dates in the above timetable is subject to change without further notice. Temporary documents of title will not be issued.

PLACING STATISTICS

Placing Price per Placing Share	43p
Number of Existing Ordinary Shares	42,634,715
Number of Placing Shares to be issued pursuant to the Placing	139,535,000
Enlarged Share Capital at Admission	182,169,715
Percentage of the Enlarged Share Capital represented by the Placing Shares at Admission	76.6 per cent.
Percentage of the Enlarged Share Capital held by the Directors at Admission	11.2 per cent.
Estimated gross proceeds of the Placing	£60.0 million
Estimated net proceeds of the Placing receivable by the Company	£55.4 million
Market capitalisation of the Company at the Placing Price on Admission	£78.3 million
AIM symbol	TRAP.L
ISIN	GB00B3Q57427

EXCHANGE RATES

For reference purposes only, the following exchange rates were prevailing on 11 March 2011 (being the latest practicable day prior to the publication of this document):

US$1.604 per £1

C$1.588 per £1

NOK9.074 per £1

€1.179 per £1

All amounts in Part 1 of this document expressed in the above currencies have, unless otherwise stated, been calculated using the above exchange rates.

DEFINITIONS

The following definitions apply throughout this document, unless otherwise stated or the context requires otherwise:

"Act"	the UK Companies Act 2006, as amended from time to time;
"Admission"	admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules for Companies;
"AIM"	the AIM market operated by the London Stock Exchange;
"AIM Rules for Companies" or "AIM Rules"	the London Stock Exchange's rules and guidance notes contained in its ''AIM Rules for Companies'' publication relating to companies whose securities are traded on AIM, as amended from time to time;
"AIM Rules for Nominated Advisers"	the London Stock Exchange's rules contained in its ''AIM Rules for Nominated Advisers'' publication relating to the nominated advisers of companies whose securities are traded on AIM, as amended from time to time;
"Applied Drilling Technology"	Applied Drilling Technology International, a division of Transocean Drilling U.K. Limited a company incorporated in Scotland with registered number SC131375 whose registered office is at Langlands House, Huntly Street, Aberdeen, AB10 1SH;
"Articles"	the articles of association of the Company in force on Admission;
"Blocks"	the Exploration Blocks and ''Block'' shall mean any one of them;
"Board"	the board of directors of the Company from time to time;
"Bridge Energy" or "Bridge"	Bridge Energy (CNS) Limited (formerly Silverstone CNS Limited), a company incorporated in Scotland with registered number SC309081 whose registered office is at 3 Queen's Gardens, Aberdeen, AB15 4YD;
"certificated" or "in certificated form"	an Ordinary Share which is not in uncertificated form (that is, not in CREST);
"CGGVeritas"	CGGVeritas Services (UK) Limited, a company incorporated in England and Wales with registered number 06923682, whose registered office is at Crompton Way, Manor Royal Estate, Crawley, West Sussex, RH10 9QN;
"Challenge Energy" or "Competent Person"	Challenge Energy Limited of 1 Eastgate Court, High Street, Guildford, Surrey, GU1 3DE, the author of the independent competent person's report on the UKCS assets of Trap Oil, as set out in Part 5 of this document;
"Challenger Minerals"	Challenger Minerals (North Sea) Limited, a company incorporated in Scotland with registered number SC274666 whose registered office is at Langlands House, Huntley Street, Aberdeen, AB10 1SH;
"Company" or "Trap"	Trap Oil Group plc, a company incorporated in England and Wales with registered number 7503957, whose registered office is at 10 The Triangle, NG2 Business Park, Nottingham, NG2 1AE;
"Corporate Governance Code"	the UK Corporate Governance Code published by the Financial Reporting Council in June 2010 (as amended);

"CPR" or "Competent Person's Report"	Challenge Energy's competent person's report on Trap Oil's UKCS assets, as set out in Part 5 of this document;
"CREST"	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear which facilitates the transfer of title to shares in uncertificated form;
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755) including any enactment or subordinate legislation which amends or supersedes those regulations and any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force;
"DECC"	the Department of Energy and Climate Change of the UK Government;
"Directors"	the current directors of the Company whose names are set out on page 16 of this document;
"Disclosure and Transparency Rules"	the disclosure and transparency rules made by the FSA in exercise of its functions as competent authority pursuant to Part VI of FSMA;
"DTI"	the Department of Trade and Industry of the UK Government;
"Enlarged Share Capital"	the 182,169,715 Ordinary Shares in issue on Admission, comprising the Existing Ordinary Shares and the Placing Shares;
"EU"	the European Union;
"Euro" or "€"	euros, the lawful currency of the 17 members of the European Union who have entered into an Economic and Monetary Union;
"Euroclear"	Euroclear UK & Ireland Limited, a company incorporated in England & Wales with registered number 2878738, being the operator of CREST;
"Existing Ordinary Shares"	the 42,634,715 Ordinary Shares in issue prior to Admission as at the date of this document;
"Exploration Blocks"	the thirteen blocks and part blocks in the UKCS in which the Group currently holds an interest, further details of which are set out in paragraph 5 and figure 1 of Part 1 of this document;
"Exploration Geosciences"	Exploration Geosciences Limited, a company incorporated in England and Wales with registered number 06688390, whose registered office is at Shear Farm Barn, North Road, Goudhurst, Cranbrook, TN17 1JR;
"Exploration Manager"	Martin David;
"First Oil"	First Oil plc, a company incorporated in Scotland with registered number SC191745, whose registered office is at 1 Queen's Terrace, Aberdeen, Grampian, AB10 1XL;
"First Oil Expro"	First Oil Expro Limited, a subsidiary of First Oil, being a company incorporated in England and Wales with registered number 01021486, whose registered office is at 21 Regatta House, 32 Twickenham Road, Teddington, Middlesex, TW11 8AZ;
"FSA"	the Financial Services Authority of the United Kingdom;
"FSMA"	the Financial Services and Markets Act 2000 of the UK (as amended), including any regulations made pursuant thereto;

"Group" or "Trap Group"	the Company together with its subsidiaries as at Admission;
"HMRC"	HM Revenue and Customs;
"HSE"	the Health and Safety Executive;
"IFRS"	International Financial Reporting Standards, as adopted by the European Union;
"ISIN"	International Securities Identification Number;
"LIBOR"	the London Interbank Offered Rate;
"Licences"	the seven exploration licences (four existing and three (including one on an operated basis) pending final ratification and the issue of licences) and one further outstanding licence application under assessment by DECC, in which the Group has an interest, details of which are set out in paragraph 5 of Part 1 of this document;
"London Stock Exchange"	London Stock Exchange plc;
"Mirabaud"	Mirabaud Securities LLP of 33 Grosvenor Place, London, SW1X 7HY, the Company's broker;
"NOK"	Norwegian krone, the lawful currency of Norway;
"Noreco"	Norwegian Energy Company ASA, a company incorporated in Norway with registered number 987989297 whose principal place of business is at Haakon VII's gt. 9, PO Box 550 Sentrum, 4005 Stavanger, Norway;
"Norwegian Energy Company UK"	Norwegian Energy Company UK Limited, a subsidiary of Noreco, being a company incorporated in Scotland with registered number SC315159 whose registered office is at Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1UD;
"Official List"	the Official List maintained by the UK Listing Authority pursuant to Part VII of the FSMA;
"OPEC"	Organisation of Petroleum Exporting Countries;
"OPES International"	OPES International Pty Limited, a company incorporated in Western Australia whose registered office is at Level 10, 16 St Georges Terrace, Perth, WA 6000, Australia;
"Options"	the outstanding options to subscribe for Ordinary Shares, details of which are set out in paragraph 9.2 of Part 6 of this document;
"Ordinary Shares"	the ordinary shares of par value one penny each in the capital of the Company;
"Panel"	the UK Panel on Takeovers and Mergers;
"Petro-Canada UK"	Petro-Canada UK Limited, a subsidiary of Suncor, being a company incorporated in England and Wales with registered number 00972618, whose registered office is c/o Cobbetts LLP, 58 Mosley Street, Manchester, M2 3HZ;
"Petroleum Act"	the United Kingdom Petroleum Act of 1998, as amended from time to time;
"Placee"	an investor to whom Placing Shares are issued pursuant to the Placing;
"Placing"	the conditional placing by Mirabaud of the Placing Shares with institutional and other investors at the Placing Price pursuant to the Placing Agreement;
"Placing Agreement"	the conditional agreement dated 14 March 2011 between (1) the Company, (2) the Directors, (3) Strand Hanson and (4) Mirabaud, further details of which are set out in paragraph 14.6 of Part 6 of this document;

"Placing Price"	43 pence per Placing Share;
"Placing Shares"	139,535,000 new Ordinary Shares to be issued by the Company and subscribed for pursuant to the Placing;
"Predator Acquisition"	the acquisition of the entire issued share capital and loan notes of Predator Oil by the Company pursuant to the Predator Acquisition Agreement;
"Predator Acquisition Agreement"	the agreement dated 11 March 2011 between (1) the Company, (2) Predator Oil and (3) Mark Groves Gidney and others, further details of which are set out in paragraph 14.8 of Part 6 of this document;
"Predator Oil"	Predator Oil Limited, a wholly-owned subsidiary of the Company, being a company incorporated in England and Wales with registered number 06451896 whose registered office is at 39-49 Commercial Road, Southampton, Hampshire, SO15 1GA;
"Predator Oil Group"	Predator Oil and its wholly owned subsidiary, Trap Oil;
"Prospectus Directive"	Directive 2003/71/EC and includes any relevant implementing measures in each member state of the European Economic Area that has implemented Directive 2003/71/EC;
"Prospectus Rules"	the rules published by the FSA under FSMA governing the publication of a prospectus, as derived from the Prospectus Directive;
"PRT"	petroleum revenue tax;
"QCA"	Quoted Companies Alliance;
"Redeemable Shares"	the non-voting redeemable shares of £1 each in the capital of the Company;
"Registrar"	Equiniti Limited, a company incorporated in England and Wales with registered number 6226088, of Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA;
"Regulation D"	Regulation D as promulgated under the Securities Act;
"Regulation D Placing"	the placing in the US or to US Persons of the Placing Shares;
"Regulation D Placing Shares"	Placing Shares issued to Placees that are either US Persons or in the US;
"Regulation S"	Regulation S as promulgated under the Securities Act;
"SEC"	US Securities and Exchange Commission;
"Secretary of State"	the Secretary of State for Energy and Climate Change;
"Securities Act" or "US Securities Act"	US Securities Act of 1933, as amended, and the rules and regulations promulgated there under;
"Share Dealing Code"	the code on dealing in the Company's securities adopted by the Company that complies with the AIM Rules;
"Share Option Scheme"	the Trap Share Option Scheme, further details of which are set out in Paragraph 16 of Part 6 of this document;
"Shareholders"	holders of Ordinary Shares, from time to time;
"Significant Shareholder"	a Shareholder holding three per cent. or more of the Ordinary Shares in issue from time to time;
"Statutes"	means the Act, the FSMA, the CREST Regulations and every other act and statutory instrument for the time being in force affecting the Company;
"Sterling" or "£"	pounds sterling, the lawful currency of the UK from time to time;

"Strand Hanson"	Strand Hanson Limited of 26 Mount Row, London, W1K 3SQ, the Company's financial and nominated adviser;
"subsidiary" or "subsidiary undertaking"	have the meanings given to them in the Act;
"Suncor"	Suncor Energy Incorporated, a company incorporated in Canada with corporation number 4490339 whose registered office is at P.O. Box 38, 112-4th Avenue S.W., Calgary, Alberta, Canada, T2P 2V5;
"Takeover Code"	the UK City Code on Takeovers and Mergers (as amended from time to time);
"Total E&P UK"	Total E&P UK Limited, a company incorporated in England and Wales with registered number 00811900, whose registered office is 33 Cavendish Square, London, W1G 0PW;
"Trap Oil"	Trap Oil Limited, a wholly-owned subsidiary of the Company, being a company incorporated in England and Wales with registered number 06490608 whose registered office is at 39-49 Commercial Road, Southampton, Hampshire, SO15 1GA;
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland;
"UKCS"	United Kingdom Continental Shelf;
"UKLA" or "UK Listing Authority"	the FSA, acting in its capacity as the competent authority for the purposes of Part VI of the FSMA;
"uncertificated" or "in uncertificated form"	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
"United States" or "US"	the United States of America, its territories and possessions, any state of the United States of America and the district of Columbia and all other areas subject to its jurisdiction;
"United States Person" or "US Person"	bears the meaning ascribed to such term by Regulation S;
"US Dollar" or "US$"	the legal currency of the United States from time to time;
"VAT"	valued added tax; and
"Warrants"	warrants over Ordinary Shares issued by the Company, as described in paragraph 14.23 of Part 6 of this document.

A glossary of technical terms and expressions is set out on pages 11 to 15 of this document.

GLOSSARY OF TECHNICAL TERMS

The following table provides an explanation of certain technical terms and abbreviations used in this document. The terms and their assigned meanings may not correspond to standard industry meanings or usage of these terms.

"25th Round"	the 25th seaward licensing round, as administered by the DECC, which opened in February 2008;
"26th Round"	the 26th seaward licensing round, as administered by the DECC, which opened in January 2010;
"2D seismic"	geophysical data that depicts the subsurface strata in two dimensions;
"3D seismic"	geophysical data that depicts the subsurface strata in three dimensions. 3D seismic typically provides a more detailed and accurate interpretation of the subsurface strata than 2D seismic;
"°API"	a standard measure of oil density, as defined by the American Petroleum Institute;
"appraisal well"	a well drilled as part of an appraisal drilling programme which is carried out to determine the physical extent, reserves and likely production rate of a field;
"AVO"	amplitude versus offset, a seismic data analysis technique;
"barrels" or "bbl"	a unit of volume measurement used for petroleum and its products (for a typical crude oil 7.3 barrels = 1 tonne: 6.29 barrels = 1 cubic metre);
"bcf"	billion standard cubic feet; 1 bcf is approximately equal to 172,414 boe or 23,618 tonnes of oil equivalent;
"Best Estimate"	the middle value in a range of estimates considered to be the most likely. If based on a statistical distribution, can be the mean, median or mode depending on usage;
"block"	an areal subdivision of the UKCS of 10 minutes of latitude by 12 minutes of longitude measuring approximately 10 by 20 kilometres, forming part of a quadrant. Each quadrant is divided into a grid five blocks wide and six deep, and numbered 1 to 30 from NW to SE e.g. Block 14/13 is the 13th block in Quadrant 14;
"blow-out"	when well pressure exceeds the ability of the wellhead valves to control it. Oil and gas ''blow wild'' at the surface;
"boe"	barrels of oil equivalent. One barrel of oil is approximately the energy equivalent of 5,800 cf of natural gas;
"boepd"	barrels of oil equivalent per day;
"bopd"	barrels of oil per day;
"Brent Blend"	an international benchmark comprising a mix of crude oil from 15 different oil fields in the North Sea;
"carried interest"	an agreement between two or more working interests whereby one party (carried party) does not share in lease revenue until a certain amount of money has been recovered by the other party (carrying party). The carrying party pays costs applicable to the carried party's interests in the property and is reimbursed out of the revenue applicable to the carried party's interest;
"Chance of Success"	the estimated chance, or probability, of making an oil and gas discovery in an exploration well;

“commercial discovery”	discovery of hydrocarbons which the Company determines to be commercially viable for appraisal and development;
“condensate”	light hydrocarbon compounds that condense into liquid at surface temperatures and pressures. They are generally produced with natural gas and are a mixture of pentane and higher hydrocarbons;
“Contingent Resources”	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies;
“Cretaceous”	geological strata formed during the period 140 million to 65 million years before the present;
“CSEM”	controlled source electro-magnetic;
“dip”	the inclination of a horizontal structure from the horizontal;
“discovery”	an exploration well which has encountered hydrocarbons for the first time in a structure;
“Drill-or-Drop”	a decision to either commit to drilling an exploration well or further work programme or else relinquish the licence concerned;
“drilling rig”	a drilling unit that is not permanently fixed to the seabed, e.g. a drillship, a semi-submersible or a jack-up unit;
“E&A”	exploration and appraisal;
“E&P”	exploration and production;
“exploration well”	a well drilled to find hydrocarbons in an unproved area or to extend significantly a known oil or natural gas reservoir;
“fairway”	an area that has common components that may have oilfields or prospects within it;
“fallow”	blocks where the initial licence term has expired and there has been no drilling for a period of four years and no dedicated seismic and no significant activity for a period of two years;
“farm-in”	when a company acquires an interest in a block by taking over all or part of the financial commitment for drilling an exploration well;
“farm-out”	to assign an interest in a licence to another party;
“fault” or “faulting”	a displacement (vertical, inclined or lateral) below the earth’s surface that acts to offset rock layers relative to one another. Faulting can create traps for hydrocarbons;
“FDP”	field development plan;
“field”	an area consisting of either a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition;
“formation”	a layer or unit of rock. A productive formation in the context of reservoir rock;
“ft”	foot/feet;
“geophysical”	measurement of the earth’s physical properties to explore and delineate hydrocarbons by means of electrical, seismic, gravity and magnetic methods;
“gross resources”	the total estimated petroleum that is potentially recoverable from a field or prospect;
“HPHT”	high pressure and high temperature;

"hydrocarbon"	a compound containing only the elements hydrogen and carbon. May exist as a solid, a liquid or a gas. The term is mainly used in a catch-all sense for oil, gas and condensate;
"Inner Moray Firth"	a North Sea hydrocarbon bearing basin;
"Jurassic"	geological strata (or period) formed during the period from 140 million to 205 million years before the present;
"JV"	joint venture;
"km"	kilometre;
"km^2"	square kilometres;
"lead"	a conceptual exploration idea usually based on minimal data but with sufficient support from geological analogues and the like to encourage further data acquisition and/or study on the basis that hydrocarbon accumulations of unknown size may be found in the future;
"licence"	an exclusive right to search for or to develop and produce hydrocarbons within a specific area. Usually granted by the State authorities and may be time limited;
"limestone"	a sedimentary rock containing at least 50 per cent. calcium or calcium magnesium carbonates;
"m"	metres;
"Mcf"	thousand standard cubic feet;
"mmbbl"	millions of barrels of oil;
"mmboe"	millions of barrels of oil equivalent;
"natural gas"	gas that occurs naturally;
"oil"	mixture of liquid hydrocarbons of different molecular weights;
"oil equivalent"	international standard for comparing the thermal energy of different fuels;
"operator"	the company that has legal authority to drill wells and undertake production of hydrocarbons found. The operator is often part of a consortium and acts on behalf of such consortium;
"Palaeocene"	geological epoch within the Tertiary which contains sands of formations and members such as Forties, Cromarty, Balmoral, Skaden and Heimdal;
"permeability"	a measure of the ease with which a fluid flows through the connecting pore spaces of rock or cement;
"petroleum"	a generic name for hydrocarbons, including crude oil, natural gas liquids, natural gas and their products;
"pinch-out"	to taper to a zero edge;
"play"	a project associated with a prospective trend of potential prospects, but which requires more data acquisition and/or evaluation in order to define specific leads or prospects;
"platform"	an offshore structure that is permanently fixed to the seabed;
"porosity"	the percentage of void in a porous rock compared to the solid formation;
"PRMS"	Petroleum Resources Management System;

"probable reserves"	those reserves which are not yet proven but which are estimated to have a better than 50 per cent. chance of being technically and economically producible;
"Promote Licence"	a specific type of licence awarded by DECC whereby licence holders are given two years after an award, with low rental payments and obligations, in order to attract the technical, environmental and financial capacity to complete an agreed work programme. The licence will expire after two years if the licensee has not made a firm commitment to DECC to complete the work programme;
"prospect"	a project associated with a potential accumulation of oil or natural gas that is sufficiently well defined to represent a viable drilling target;
"prospective resources"	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects;
"proven reserves"	those reserves which on the available evidence are virtually certain to be technically and economically producible (i.e. having a better than 90 per cent. chance of being produced);
"quadrant"	an areal subdivision of the UKCS of 1 degree of longitude by 1 degree of latitude - typically around 6,600km^2. On the UKCS each quadrant is further subdivided into 30 blocks;
"recovery factor"	the percentage of the hydrocarbon in place that can be produced;
"reserves"	those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions;
"reservoir"	a subsurface body of rock having sufficient porosity and permeability to store and transmit fluids. A reservoir is a critical component of a complete petroleum system;
"resources"	deposits of naturally occurring hydrocarbons which, if recoverable, include those volumes of hydrocarbons either yet to be found (prospective) or if found the development of which depends upon a number of factors (technical, legal and/or commercial) being resolved (contingent);
"scf"	standard cubic feet;
"seal"	a relatively impermeable rock, commonly shale, anhydrite or salt, that forms a barrier or cap above and around reservoir rock such that fluids cannot migrate beyond the reservoir. A seal is a critical component of a complete petroleum system;
"seismic survey"	a method by which an image of the earth's subsurface is created through the generation of shockwaves and analysis of their reflection from rock strata. Such surveys can be done in two or three dimensional form;
"South Viking Graben"	a North Sea hydrocarbon bearing basin;
"stratigraphic"	a mode of trapping hydrocarbons which is not dependent on structural entrapment;

"tcf"	trillion standard cubic feet;
"Tertiary"	geological strata formed during the period from 65 million to 1.8 million years before the present;
"TVDSS"	true vertical depth sub-sea;
"up-dip"	up the plane of the dip; and
"Witch Ground Graben"	a North Sea hydrocarbon bearing basin.

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Kevin Paul Watts *(Non-Executive Chairman)* Mark Nicholas Groves Gidney *(Chief Executive Officer)* Paul Martin Collins *(Chief Operating Officer)* Peter Adrian Smith *(Technical Director)* John Andrew Church *(Finance Director)* Trebor Elwyn Jones *(Non-Executive Director)* David Miller Kemp *(Non-Executive Director)* Marcus John Gregory Stanton *(Non-Executive Director)*
Registered Office:	10 The Triangle NG2 Business Park Nottingham NG2 1AE
Principal place of business and business address of the Directors:	4 Park Place St. James's Mayfair London SW1A 1LP Website: www.trapoil.com
Company Secretary:	John Andrew Church
Financial and Nominated Adviser:	Strand Hanson Limited 26 Mount Row London W1K 3SQ
Broker:	Mirabaud Securities LLP 33 Grosvenor Place London SW1X 7HY
Solicitors to the Company:	Field Fisher Waterhouse LLP 35 Vine Street London EC3N 2AA Bond Pearce LLP 8th Floor New London House 6 London Street London EC3R 7LP (In respect to the provision of a title opinion only)
Solicitors to the Nominated Adviser and Broker:	Hunton & Williams 30 St Mary Axe London EC3A 8EP
Auditors to the Company:	TCP Chartered Accountants 10 The Triangle NG2 Business Park Nottingham NG2 1AE
Reporting Accountant to the Company:	BDO LLP 55 Baker Street London W1U 7EU
Competent Person:	Challenge Energy Limited 1 Eastgate Court High Street Guildford Surrey GU1 3DE
Financial PR:	Cardew Group 12 Suffolk Street London SW1Y 4HG
Registrars:	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA

PART 1

INFORMATION ON THE GROUP

1. Introduction

The Trap Group operates an independent UK oil and gas exploration and appraisal business with a geographic focus on the UKCS. The Company was incorporated in England and Wales on 24 January 2011 as a public limited company to effect a reorganisation and to act as the ultimate holding company of Predator Oil and its wholly owned subsidiary, Trap Oil, which were formed in December 2007 and January 2008 respectively.

Predator Oil was created in 2007 by a team of experienced industry executives with a broad range of oil and gas technical, operational and financial expertise and professional skills. Since then, the Group has utilised a research-led, knowledge-based approach to identify a number of promising exploration and appraisal opportunities. The Group has developed long term relationships with key oil industry partners, notably Suncor, Noreco and Challenger Minerals, and major suppliers and consultants including CGGVeritas, Applied Drilling Technology and Exploration Geosciences.

In accordance with its business model to date, the Group's current asset portfolio comprises predominantly carried interests in a total of seven exploration licences (four existing and three (including one on an operated basis) pending final ratification and the issue of licences) with a further outstanding licence application under assessment by DECC. The portfolio covers a total of thirteen blocks and part blocks (including the application) in the UKCS that were acquired or applied for during the 25th and 26th Rounds. The Group has had operatorship of one Promote Licence approved, in the 26th Round, with its partnership arrangement serving to satisfy the regulator's suitability criteria. In 2003, the DTI introduced more favourable Promote Licence terms for small exploration companies in the UKCS to encourage investment. More recently, the UK Government has also implemented changes to the UK's North Sea tax regime in order to encourage investment from exploration companies with smaller fields. The Directors have considerable experience of working in the UKCS region and are familiar with the regulatory authorities and competitive landscape. Further details on the Group's existing asset portfolio are set out in paragraph 5 of Part 1 of this document.

The Directors intend to generate growth and long term shareholder value both through participation in the exploration and development of the Group's existing asset base and through the potential acquisition of additional prospects and projects, both on a consortium and unilateral basis. The management team is well placed to leverage its long term relationships and industry contacts to identify expansion opportunities. It is currently in negotiations with a number of industry participants regarding potential corporate acquisitions and/or the purchase of additional UKCS assets or portfolios.

Trap is proposing to raise approximately £60.0 million (before expenses) by the issue of 139,535,000 new Ordinary Shares at the Placing Price, representing approximately 76.6 per cent. of the Enlarged Share Capital. It is intended that the net proceeds of the Placing will principally be utilised to fund the growth of the Group's existing carried interest business model and exploration portfolio, and the potential acquisition of additional production and appraisal opportunities. In particular, the Board will seek to augment its existing exploration portfolio by acquiring producing assets and establishing a more rounded business with a production base. The Directors understand that the successful acquisition of sufficient producing assets will give rise to tax benefits and believe that this will help generate reliable and predictable revenue and cash flow. This will provide longer term self-sustaining funding for the Group's exploration, appraisal and development activities. The Board will target the achievement of a production rate for the Group of approximately 3,000 bopd in the short to medium term with a longer term target of 10,000 bopd. Further details of the Company's intended use of the proceeds from the Placing are set out in paragraph 12 of Part 1 of this document.

2. Key investment proposition

The Directors believe that an investment in the Group should be attractive to potential investors for the following reasons:

- the Group has established a proven management team with a high level of oil and gas industry experience and broad range of technical, operational and financial skills. Management has extensive expertise and an established track record in identifying and exploiting commercial discoveries, as well as managing, budgeting and executing oil and gas projects;
- the Group plans to enhance its existing asset base and accumulate, both organically and through acquisitions, a significant portfolio of attractive E&P prospects in the well established and mature UKCS region. The Group anticipates securing considerable growth opportunities in the short to medium term;
- the Group's operating subsidiary has negotiated a long term agreement with CGGVeritas, affording it access to its 3D seismic database on negotiated terms and has also developed relationships with a number of core suppliers and outsourced service providers;
- the Group's operating subsidiary has generated and maintained key strategic relationships with two leading energy companies, Suncor and Noreco, enabling it to secure carried interests and earn retainer and success fees in respect of its work on applications in UKCS licensing rounds; and
- the Directors are confident in their ability to establish and acquire a significant portfolio of oil and gas producing assets in order to develop a reliable and predictable revenue and cash flow generation base for the business. This should provide longer term self-sustaining funding for the Group's exploration, appraisal and development activities, a significant market presence and tax synergies.

3. History and development of the Group

The Company, which was incorporated in England and Wales on 24 January 2011, is the holding company of the Group comprising Predator Oil and its wholly owned subsidiary, Trap Oil. The Group's current exploration assets are all held through Trap Oil, which is the Group's principal operating company.

Predator Oil was established in December 2007 by Mr Groves Gidney with seed capital of approximately £1 million sourced from a limited number of private investors. The company was formed in order to exploit Mr Groves Gidney's considerable experience, knowledge and contacts in the UKCS region and, in particular, his longstanding relationship with CGGVeritas, with whom he had negotiated an agreement to gain access to its state of the art 3D seismic database, over the majority of the Central North Sea area.

In January 2008, Trap Oil was incorporated as a wholly owned subsidiary of Predator Oil to provide technical consultancy advice and access to the abovementioned 3D seismic database to a consortium that was participating in the 25th Round of UKCS licence awards and other interested parties, including Petro-Canada UK and Norwegian Energy Company UK. In May 2008, following the recruitment of additional experienced industry executives, an eight year agreement was entered into between Trap Oil and CGGVeritas to formalise the relationship between the parties. A separate three year agreement was also entered into between Trap Oil and Petro-Canada UK, whereby Petro-Canada UK agreed to grant Trap Oil a carried interest in its 25th Round applications and pay certain retainer and success fees.

In late 2008, Norwegian Energy Company UK entered into an agreement on, substantially, the same commercial terms as the agreement with Petro-Canada UK and agreed to grant Trap Oil similar carried interests and pay similar retainer and success fees in connection with work performed on 26th Round applications. In November 2008, the Suncor/Noreco consortium was awarded three blocks, with a further block awarded in June 2009. First Oil Expro has agreed to farm into certain of Suncor's 25th Round licence interests in the UKCS region and, accordingly, assumed their proportion of Trap Oil's carried interests. References to First Oil and First Oil Expro in this document reflect the commercial arrangements between the parties pending execution of formal documentation.

Trap Oil evaluated the open acreage on offer in the 26th Round and in early 2010, recommended a number of applications to Suncor and Noreco following their technical review. Trap Oil also applied jointly with Geopartners Limited for a block, as operator, in respect of acreage falling outside of the contract area agreed with the consortium. To date, seven blocks or part blocks have been secured by Trap Oil and its partners in the 26th Round pending final ratification and a further block and part block remain subject to ongoing evaluation by the DECC.

In late 2010, the Group negotiated a two year extension to its agreement with Suncor and Noreco, commencing in January 2011, in respect of future exploration opportunities. The combination of the Group's management expertise and access to state of the art seismic data has proved to be attractive to its key partners who benefit from substantial economies in the initial appraisal of opportunities. The carried interests received by Trap Oil in UKCS licences are typically ten per cent. and involve no expenditure on drilling programmes by Trap Oil until first production at which point Trap Oil's carried costs begin to get paid out of revenues. From the date of first production, the partner or partners carrying Trap Oil is/are entitled to recover all development and operating costs attributable to the carried interest plus interest at LIBOR plus 1 per cent. out of net revenue from the sales of Trap Oil's percentage interest share of natural gas (including associated liquids) and crude oil. Until such costs have been fully recovered, the partner or partners concerned retain(s) 80 per cent. of net revenues from the sale of all petroleum attributable to the carried interest with Trap Oil receiving the balancing 20 per cent. In addition, Trap Oil has also negotiated and remains in the course of negotiation of certain option arrangements with its partners to enable it potentially to acquire additional working interests in respect of the consortium's licence awards. Further details of the Group's key partner and supplier relationships are set out in paragraph 5.4 of this Part 1 and in paragraph 14 of Part 6 to this document, including new arrangements recently entered into with CGGVeritas.

4. An overview of the UK North Sea licensing and fiscal regimes

UK North Sea licensing regime

Since the 1970s, the UKCS region of the North Sea has emerged as one of the most significant hydrocarbon producing areas in the world. During 2010, approximately 0.8 billion boe or 2.17 million boepd were recovered from the UKCS, resulting in an aggregate of approximately 40 billion boe since 1970, with an estimated 9.2 to 13.8 billion boe remaining to be recovered.

In 2002, in order to encourage exploration activity, the then regulator, the DTI, began a consultation process on the need to undertake substantial reforms of the UK licensing system. A new type of seaward production licence was introduced which are awarded for up to four years, with the potential to extend 50 per cent. of the area for a further four years. In the event of a commercial development, the licences are generally granted for up to eighteen years. During the exploration phase a company can surrender a licence if it wishes to do so after its committed work programme has been completed.

In particular, in 2003 the DTI also introduced the concept of the Promote Licence, in order to counteract the decrease in exploration expenditure, as major oil companies shifted their exploration efforts away from the North Sea in favour of new exploration frontiers such as Russia, West Africa and the deepwater Gulf of Mexico, perceiving that the North Sea did not offer the prospectivity for sufficiently large oil discoveries to meet their materiality requirements. Promote Licences are a variant of the seaward production licences that are designed to allow small and start-up companies to obtain a production licence first, and attract the necessary operating and financial capacity later. These licences are specifically designed to attract smaller exploration companies to the UK North Sea. The rental costs for a Promote Licence are one tenth that of a traditional licence for the first two years and the barriers to entry are less stringent. Awardees of Promote Licences are permitted two years to assess the licensed area without the need to drill a well. It is only after these two years of comparatively low cost evaluation that the licensee is required to elect to drill or relinquish the block.

The current regulator, the DECC, was created in October 2008. The DECC also identifies undeveloped or fallow blocks. The licensees of such blocks must plan significant activity within one year or relinquish the blocks. For fallow discoveries, the licensees have two years to put forward similar plans. This policy is designed to increase the number of blocks to be made available in later rounds from a pool of relinquished blocks.

Applicable UK statutory regulations impose a number of obligations on licensees that are primarily aimed at ensuring the efficient, safe and most environmentally appropriate means by which oil and gas can be produced. In addition, on application for a production licence, the applicant is required to set out its planned work programme. That programme is agreed with the DECC before the award of the licence and the licensee is bound to undertake that programme, unless a revised or modified programme is subsequently agreed. With regards to production, there is an obligation to decommission the field's operating and transportation facilities once production has ceased. This can involve the complete or partial removal of platforms, clearance of the sea bed and the making safe of pipelines.

The licensee is responsible for the preparation and implementation of a decommissioning programme, to ensure compliance with the necessary regulatory and environmental legislation. The programme must cover, *inter alia*, such activities associated with the abandonment and decommissioning of disused wells, installations and pipelines. These programmes are developed in conjunction with the DECC and are also subject to public scrutiny and comment.

With regards to a change of control event in respect of a licensee, there is no specific requirement for obtaining the Secretary of State's approval, however it can form grounds for potential revocation if DECC were to direct a possible further change of control and such instruction was not complied with by the licensee. Accordingly, Trap Oil has notified DECC of the Trap Group's reorganisation and their confirmation that they will not order a further change of control is anticipated to be received in due course.

Applications for licences in the 26th Round were invited in January 2010 and a record number of 356 blocks were applied for, up from 279 block applications received in the 25th Round. This is the largest number since the first licensing round, in 1964, when applications for 394 blocks were received.

UK North Sea fiscal regime

Effective tax rates for UK oil and gas production now range from 50 per cent. (corporation tax and the supplementary charge) to 75 per cent. (for fields given development status before March 1993 and which are also subject to petroleum revenue tax).

There have been a number of recent changes to the tax regime aimed at promoting investment in more difficult oil and gas fields across the UKCS. In particular, a new field allowance was introduced in the 2009 Budget, which is specifically targeted at the following categories of fields:

i) small fields of less than 25 million boe in size;

ii) certain types of heavy oil fields;

iii) very high pressure high temperature fields; and

iv) gas developments in the West of Shetland (subsequently announced in January 2010).

The introduction of this allowance signals recognition by the UK Government that the tax system has a part to play in maximising the potential economic recovery of the UK's remaining oil and gas resources.

Further details of the UK's licensing regime and relevant decommissioning, environmental and tax regulations are set out in Appendix I of this document.

5. Description of principal assets and key strategic relationships

The Group (through its wholly owned subsidiaries) currently holds predominantly carried interests in a total of seven exploration licences (four existing and three (including one on an operated basis) pending final ratification and the issue of licences) with a further outstanding licence application under assessment by DECC. The Group's asset portfolio covers a total of thirteen blocks and part blocks (including the application) in the UKCS that were acquired during the 25th Round or are in the process of being awarded under the 26th Round. The location of the relevant blocks is shown in figure 1 below.

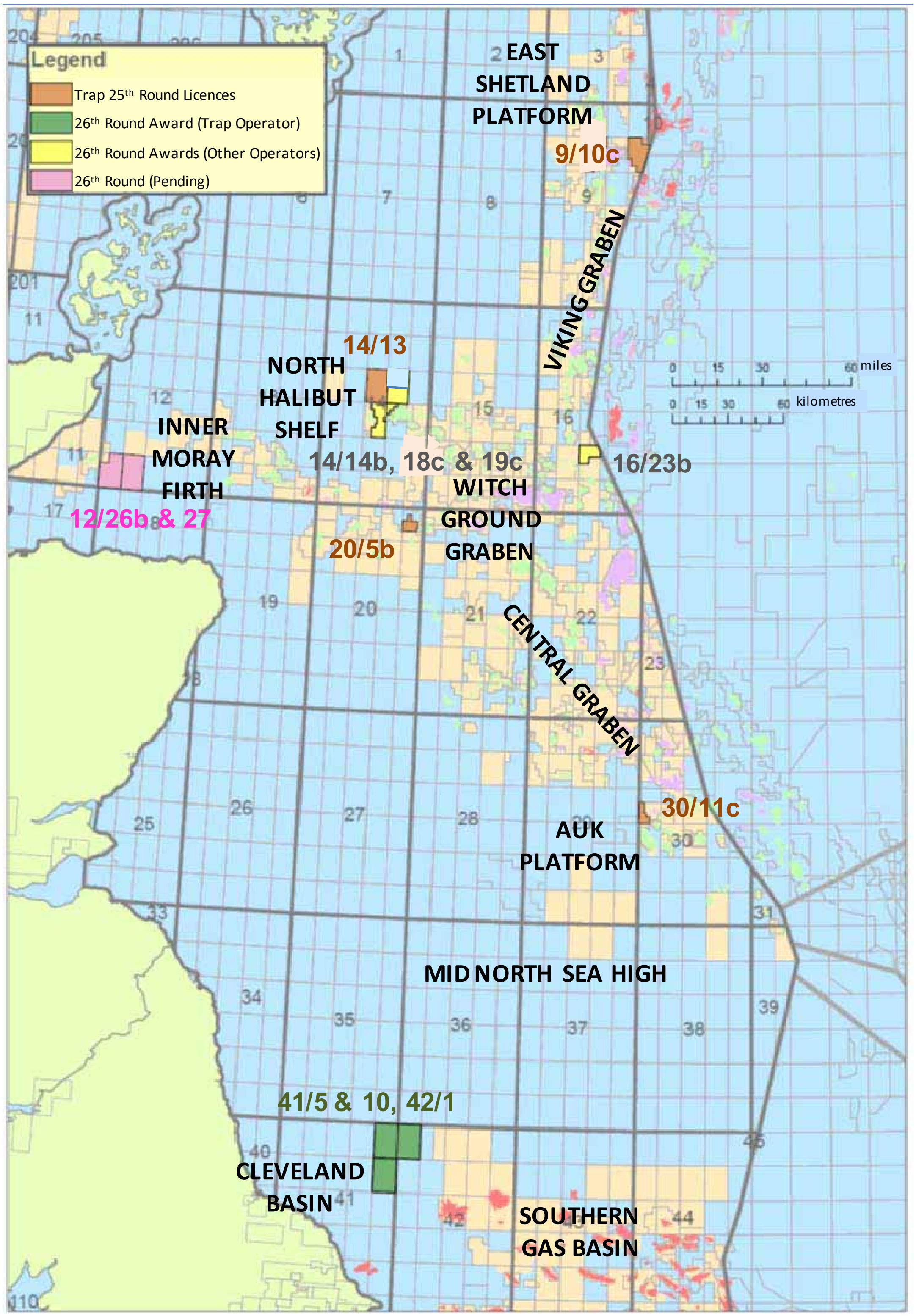


Figure 1: Location map for the Exploration Blocks

The key details of each of the Group's assets and the principal identified prospects on all of its licence interests at various stratigraphic levels are summarised in Table 1 below:

Table 1: **Summary of the Group's exploration portfolio and principal identified prospects**

Asset/ Prospect	*Block(s)*	*Operator*	*Licence Number/ Type*	*Trap Oil Carried Interest*	*Trap Oil Working Interest*	*Status*	*Expiry Date*	*Current Licence Area (km^2)*
25th Round (Blocks under licence)								
Hawthorn/ Hunt	9/10c	Suncor*	P.1576 Traditional	10.0%	—	Exploration	June-2013	152.0
Crazy Horse	14/13	Bridge^	P.1650 Traditional	5.0%	Note 1	Exploration	Feb-2013	216.0
Scotney	20/5b	Suncor*	P.1658 Traditional	12.5%	—	Exploration	Feb-2013	53.2
Romeo	30/11c	Suncor*	P.1666 Traditional	12.5%	—	Exploration	Feb-2013	47.5
26th Round (Blocks pending licence award following successful application)								
Bordeaux, Brulé, Black Elk, Hunkpapa	14/14b, 14/18c, 14/19c	Noreco*	P.1768 Traditional	10.0%	Note 2	Exploration	2015**	260.0
Sienna, Savannah	16/23b	Suncor*	P.1776 Traditional	10.0%	Note 3	Exploration	2015**	93.0
Lytham, Fairhaven, St Annes, Pearls	41/5, 41/10, 42/1	Trap Oil	P.1856 Promote	—	75.0%	Exploration	2015**	715.0
26th Round (Blocks with outstanding applications)								
Niobe†	12/26b & 12/27	Suncor*	Pending. Traditional	10.0%	Note 3	Exploration	Application under review	417.0

Notes:

* – operated via its subsidiary.

** – assuming expected award in 2011.

^ – Bridge has recently decided to withdraw from this licence and Noreco is expected to assume the role of operator.

† – DECC has not yet made any potential licence award in respect of these two Blocks pending the results of its environmental assessments. Accordingly, there is no guarantee that the Blocks will ultimately be awarded.

1. Trap Oil holds an option over an additional 17% paid working interest that is currently held by Noreco pending Trap Oil's ability to meet the DECC criteria for holding a paying interest.
2. Trap Oil also holds an option over up to a 40% paid working interest.
3. Trap Oil is in the course of negotiating an option over an additional 20% paid working interest although there is no guarantee that it will succeed in such negotiations, or what the eventual terms will be.

Exploration of this portfolio will be progressed in the near term, with wells planned for the Scotney prospect (Block 20/5b) and the Romeo prospect (Block 30/11c). Detailed planning is underway, and the two Suncor operated wells are expected to be drilled in 2012. A drilling commitment has also been made in respect of the Crazy Horse prospect (Block 14/13) whilst the Hawthorn/Hunt prospect (Block 9/10c) awaits a drilling decision in mid 2011. The net proceeds of the Placing will allow the business greater flexibility, including direct expenditure in some or all of the Exploration Blocks. However, the Board anticipates that partnership arrangements, alongside potential farm-outs and joint ventures, will continue to be a key feature of the Group's strategy for the purposes of risk management and capital discipline.

The Competent Person's Report, which includes, *inter alia*, an independent resource assessment on each of the Group's assets, is contained in Part 5 of this document. The oil and gas resources defined in the CPR have been classified by Challenge Energy under the

PRMS. No Reserves exist at this time under the PRMS code, although the significant potential of the assets is reflected in the Prospective Resource estimates shown below in Table 2.

Table 2: Summary of Prospective Resources

Prospective Resources	*Gross*			*Net Attributable*(1)				
	Low Estimate	*Best Estimate*	*High Estimate*	*Low Estimate*	*Best Estimate*	*High Estimate*	*Chance of Success*	*Operator*
25th Round (Blocks under licence)								
Oil (mmbbl)								
Block 9/10c								
Hawthorn	13	23	36	1.3	2.3	3.6	5%	Suncor*
Block 14/13								
Crazy Horse								
– Captain	27	65	134	1.3	3.3	6.7	8%	Bridge†
– Scapa	24	58	113	1.2	2.9	5.6	11%	Bridge†
Block 20/5b								
Scotney	14	27	43	1.8	3.4	5.4	21%	Suncor*
Block 30/11c								
Romeo	14	22	32	1.1	1.7	2.4	23%	Suncor*
Sub-total :	**92**	**195**	**357**	**6.6**	**13.5**	**23.7**		
26th Round (Blocks pending licence award following successful application)								
Oil (mmbbl)								
Blocks 14/14b, 18c & 19c								
– Bordeaux	13	19	28	1.2	1.7	2.5	63%	Noreco*
– Brulé	8	17	32	0.8	1.7	3.2	48%	Noreco*
Block 16/23b								
Sienna	23	49	90	1.7	3.7	6.8	18%	Suncor*
Gas (bcf)								
Blocks 41/5, 10 & 42/1								
– Lytham (Hauptdol.)	48	75	116	36.2	56.3	87.2	54%	Trap Oil
– Lytham (Namurian)	19	29	43	14.3	21.8	32.3	45%	Trap Oil
– Fairhaven	12	17	25	9.3	12.8	17.8	22%	Trap Oil
– St Annes	16	23	33	12.0	17.3	24.8	23%	Trap Oil
Sub-total (mmboe):	**59**	**109**	**186**	**15.6**	**25.1**	**39.4**		
GRAND TOTAL (mmboe):	**151**	**304**	**543**	**22**	**39**	**63**		
26th Round (Blocks with outstanding applications)								
Oil (mmbbl)								
Blocks 12/26b & 27								
Niobe(2)	35	51	72	3.5	5.1	7.2	20%	Suncor*

Notes:

* Operated via its subsidiary.

† Bridge has recently decided to withdraw from this licence and Noreco is expected to assume the role of operator.

(1) Attributable to the Group's interest, taking into account Trap Oil's equity interest and the on-block prospect percentage (where appropriate) but excluding all options.

(2) DECC has not yet made any potential licence award in respect of these two Blocks pending the results of its environmental assessments. Accordingly, there is no guarantee that the Blocks will ultimately be awarded.

(3) Source: Challenge Energy CPR (Table 2).

The views of the Directors and the JV co-owners set out below in paragraph 5 of this Part 1 could ultimately prove to be incorrect. No warranty, express or implied, is given by the presentation of these figures here and investors should place no reliance on any operators' and JV co-owners estimates cited in this document. The attention of investors is drawn to the risk factor on hydrocarbon resource and reserve estimates set out on pages 49 to 50 of this document.

Investors should note that the expressions ''partner'' and ''partnership'' are used throughout this document but they should not be taken to mean or imply the formal legal relationship of partnership.

5.1 25th Round (Blocks under licence)

5.1.1 Hawthorn/Hunt (Block 9/10c)

Part block 9/10c covers an area of 152km^2 and lies in the South Viking Graben to the south-west of the Frigg gas field and east of the Bruce gas condensate field, in water depths of approximately 400ft. The block was awarded in the 25th Round in June 2009 with a work programme commitment consisting of the obtaining and re-processing of seismic data and geophysical studies to de-risk the Palaeocene prospect, known as Hawthorn and a Drill-or-Drop commitment.

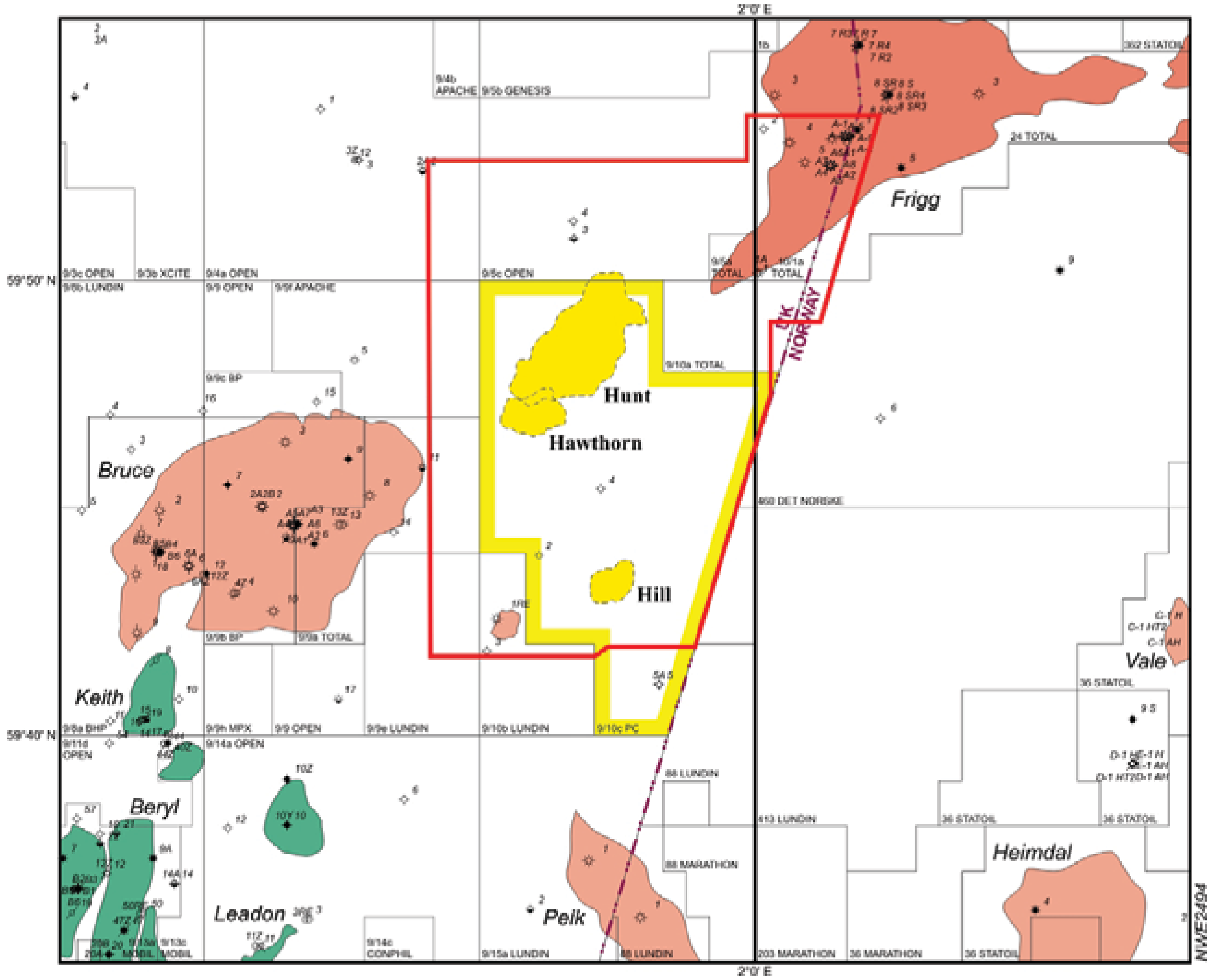


Figure 2: Location map for Block 9/10c

The JV comprises the following companies, with Trap Oil's costs being fully carried by Petro-Canada UK and First Oil Expro through the exploration phase of the licence:

Company	*Working Interest*	*Paying Interest*
Petro-Canada UK (Operator)	67.5%	75%
First Oil Expro	22.5%	25%
Trap Oil	10%	Nil

Originally there were two main prospects identified on the block, Hunt (Jurassic) and Hawthorn (Palaeocene), with a range of smaller leads. At the time of application, the

Palaeocene Hawthorn prospect was the principal target, but subsequent geophysical studies have failed to de-risk the feature. Accordingly, the focus is now on the deeper, Upper Jurassic Hunt prospect which is currently under evaluation by the operator with results expected in the first half of 2011.

A Drill-or-Drop decision is required for the licence by June 2011. To date, a formal recommendation has been made by the operator to the JV participants to extend the deadline for drilling for another year.

The **Hunt prospect** is a deep water fan, stratigraphic feature, with potential Brae/Miller reservoir sands encased within shales of the Kimmeridge Clay formation. The reservoir target is deep, at a prognosed depth of 15,000 to 16,000ft, and is expected to be an HPHT gas prospect. As set out on page 94 of this document, the most recent evaluation by the JV participants suggests Best Estimate prospective gas resources of 76 mmboe with an upside of 407 mmboe, however, the current seismic data is of poor quality, the operator's technical work is continuing and the Competent Person has not verified these assessments. Farm-out options are being considered due to the likely high cost of a well and the probable need to acquire new seismic data in the area. This will also necessitate an extension of the licence from DECC and an application for such an extension has recently been made by the JV.

Hawthorn is a Late Palaeocene sand injectite prospect recognised by high amplitude, cross-cutting seismic reflectors. Following re-processing of seismic data, there is little support for a high quality reservoir or hydrocarbon presence. Accordingly, potential volumes are now smaller than originally estimated and the presence of hydrocarbons is still considered to be a major risk. Nevertheless, it is possible to test the Hawthorn and Hunt prospects with a single well. The prospect lies at a depth of approximately 7,000ft and the Competent Person reports a Best Estimate Prospective Resource of 23mmbbl and an estimated Chance of Success of 5 per cent. or 1 in 20.

5.1.2 Crazy Horse (Block 14/13)

Block 14/13 covers an area of 216km^2 and lies at the north-west extremity of the Witch Ground Graben, a major oil bearing province in the northern North Sea. The block lies immediately north-west of the Claymore and Scapa fields (with over 560mmbbl initial reserves) in water depths of approximately 420ft. The block was awarded in 2009 as licence P.1650, in the 25th Round, with work obligations comprising seismic reprocessing and the acquisition of a line of CSEM data and a Drill-or-Drop commitment.

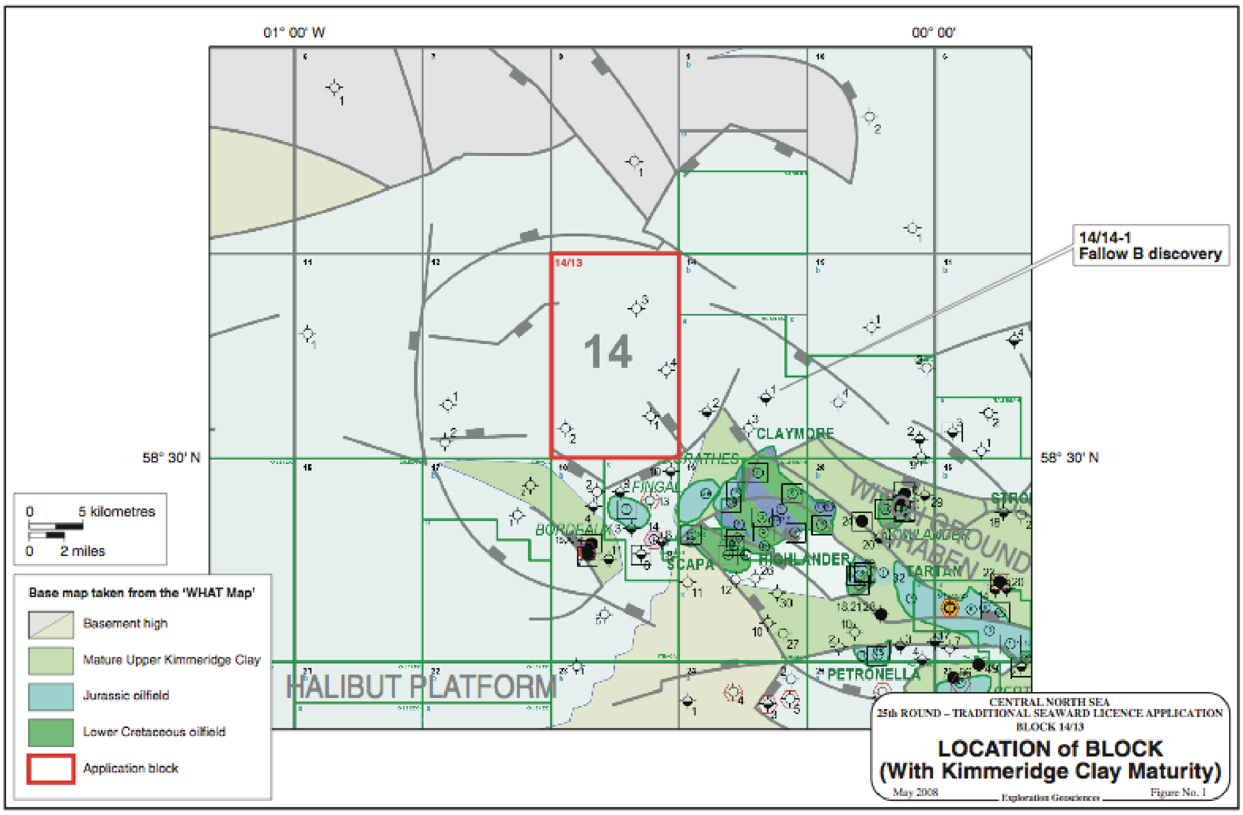


Figure 3: Location map for Block 14/13

The JV comprises the following companies, with Trap Oil holding an option over a paying interest of 17 per cent. and an existing carried interest of 5 per cent. where costs are being carried by Norwegian Energy Company UK:

Company	*Working Interest*	*Paying Interest*
Bridge Energy (Operator)	33%	33%
Norwegian Energy Company UK	62%	67%
Trap Oil	5%	Nil*

* – Trap Oil holds an option over a further paying interest of 17% that is currently held by Norwegian Energy Company UK.

The block is situated adjacent to acreage for which a successful application has been notified to Norwegian Energy Company UK and Trap Oil in the 26th Round.

Although four dry holes have been drilled on this block to date, re-interpretation of the area by the JV participants recognised the potential for two major stratigraphic plays which were not tested by any of the historic wells. The prospects in the Upper Jurassic Scapa sands and the Lower Cretaceous Captain sands, are overlying and can be tested by a single well. Risk factors relating to the prospects are to some degree independent, and the combined resource potential is substantial (over 100 mmbbl).

The primary target in the Crazy Horse prospect area is the **Scapa sands**, located in a small east-west trending Jurassic graben, with stratigraphic pinch-out mapped to the north and west. The Competent Person reports a Best Estimate Prospective Resource of 58mmbbl, with an upside of 113mmbbl; exploration Chance of Success is estimated to be 11 per cent. or approximately 1 in 10.

The overlying **Captain sands** represent a new play concept for the area. The Captain sand interval is identified on seismic as a thickened package in the Lower Cretaceous section with pinch-out in all directions, although the presence of reservoir quality sands remains unproven. The Competent Person reports a Best Estimate Prospective Resource of 65mmbbl, with an upside of 134mmbbl; exploration Chance of Success is estimated to be 8 per cent. or approximately 1 in 12.

A small discovery at Crazy Horse could be developed as a sub-sea tie-back to the Piper/ Claymore platforms with oil export via pipeline to the Flotta terminal.

The JV participants have met the work obligations on the licence, comprising seismic reprocessing and the acquisition of a 10km CSEM profile. A Drill-or-Drop decision was required to be made by 11 February 2011. A JV meeting was held on 27 January 2011. Norwegian Energy Company UK and Trap Oil indicated that they had board approval for committing to a well and Bridge's management team recommended committing to a well, but Bridge has subsequently decided to withdraw from the licence. Norwegian Energy Company UK has therefore agreed to acquire Bridge's equity interest and the remaining consortium has now exercised the drilling commitment. A well to test both the Scapa and Captain prospects would be around 6,000ft deep with an estimated total cost to the JV participants of US$23 million.

5.1.3 Scotney (Block 20/5b)

Part Block 20/5b covers an area of 53.2km^2 and is located in water depths of approximately 400ft within the North Buchan Graben, on trend to a string of oil and gas fields of which the closest is the Buchan field. The block was awarded in 2009 as Licence P.1658 in the 25th Round.

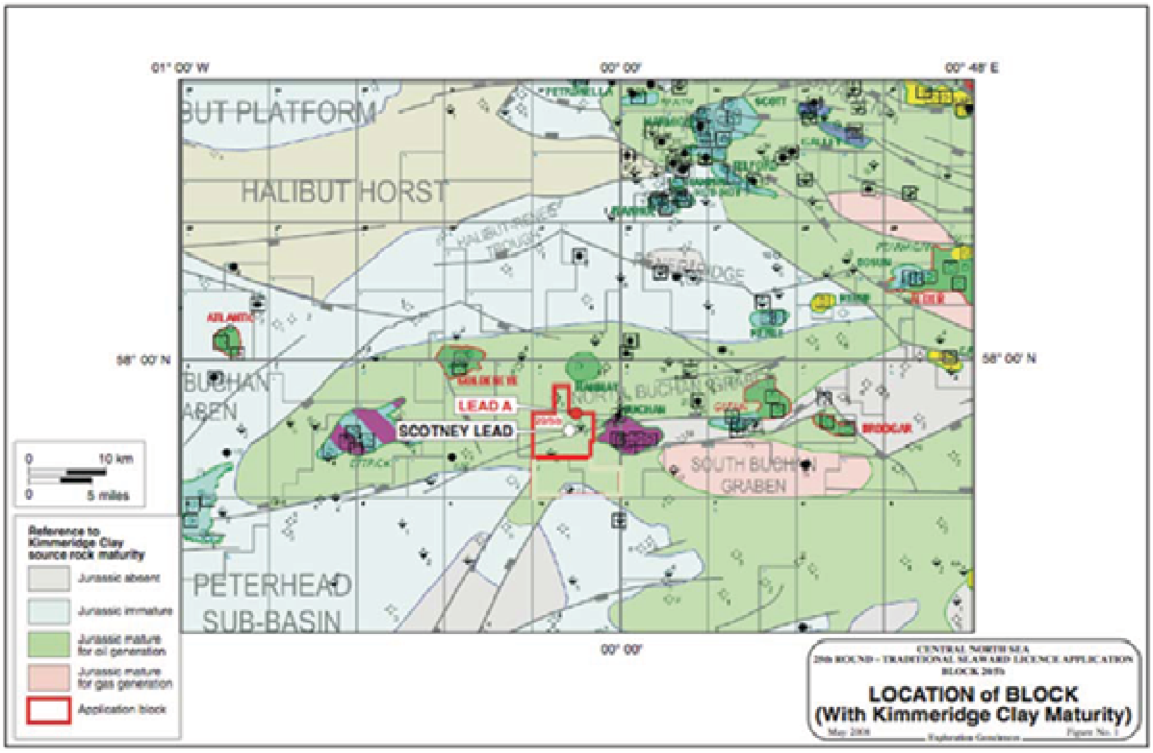


Figure 4: Location map for Block 20/5b

The JV comprises the following companies, with Trap Oil's costs being fully carried by Petro-Canada UK, First Oil Expro and Norwegian Energy Company UK through the exploration phase of the licence:

Company	*Working Interest*	*Paying Interest*
Petro-Canada UK (Operator)	28.75%	32.86%
Norwegian Energy Company UK	43.75%	50%
First Oil Expro	15%	17.14%
Trap Oil	12.5%	Nil

A single exploration prospect is recognised on the block, **Scotney**, which is a well defined, faulted four-way dip closure mapped at the Base Cretaceous Unconformity (''BCU'') level. The primary target is the Late Jurassic Buzzard equivalent sand, lying below the BCU, which forms a prolific reservoir of the nearby 400mmbbl Buzzard field. A well, 20/5b-2, was drilled in 1983 on the eastern flank of the BCU closure and did not find hydrocarbons; however, based on a detailed interpretation of the high quality CGGVeritas 3D seismic data, the JV participants believe that prospective Buzzard equivalent sands are truncated at this location and will be present towards the west. Prior to the acquisition of the CGGVeritas data, resolution on the old data sets was poor leading to high levels of uncertainty for drilling decisions and the Buzzard sand prospect has remained undrilled to date.

The Competent Person reports a Best Estimate Prospective Resource for the prospect of 27mmbbl, with an upside of 43mmbbl; exploration Chance of Success is estimated to be 21 per cent. or approximately 1 in 5. The JV participants believe that the prospect is significantly larger, with a Best Estimate Prospective Resource of 50mmbbl and an upside of 108mmbbl. The JV participants believe that oil accumulations of 10 to 60mmbbl are commercially viable in this area given the various options for tie-ins to the existing infrastructure of nearby fields in the North Buchan Graben area. Further details of the Competent Person's and JV participants' interpretations are set out on pages 97 to 99 of this document.

Following two years of detailed technical and commercial evaluation, the JV participants have recently committed to drill a well to test the Scotney prospect in 2012, fully meeting the outstanding work obligation for the licence. The well is expected to be approximately 9,000ft deep and to cost approximately US$26 million, although all of Trap Oil's costs for the well will be carried by Petro-Canada UK, First Oil Expro and Norwegian Energy Company UK.

5.1.4 Romeo (Block 30/11c)

Block 30/11c covers an area of 47.5km^2 and is located on the western margin of the West Central Graben, close to the Auk and Fulmar fields, in the Central North Sea in water depths of approximately 280ft. The block was awarded in 2009 as P.1666 in the 25th Round.

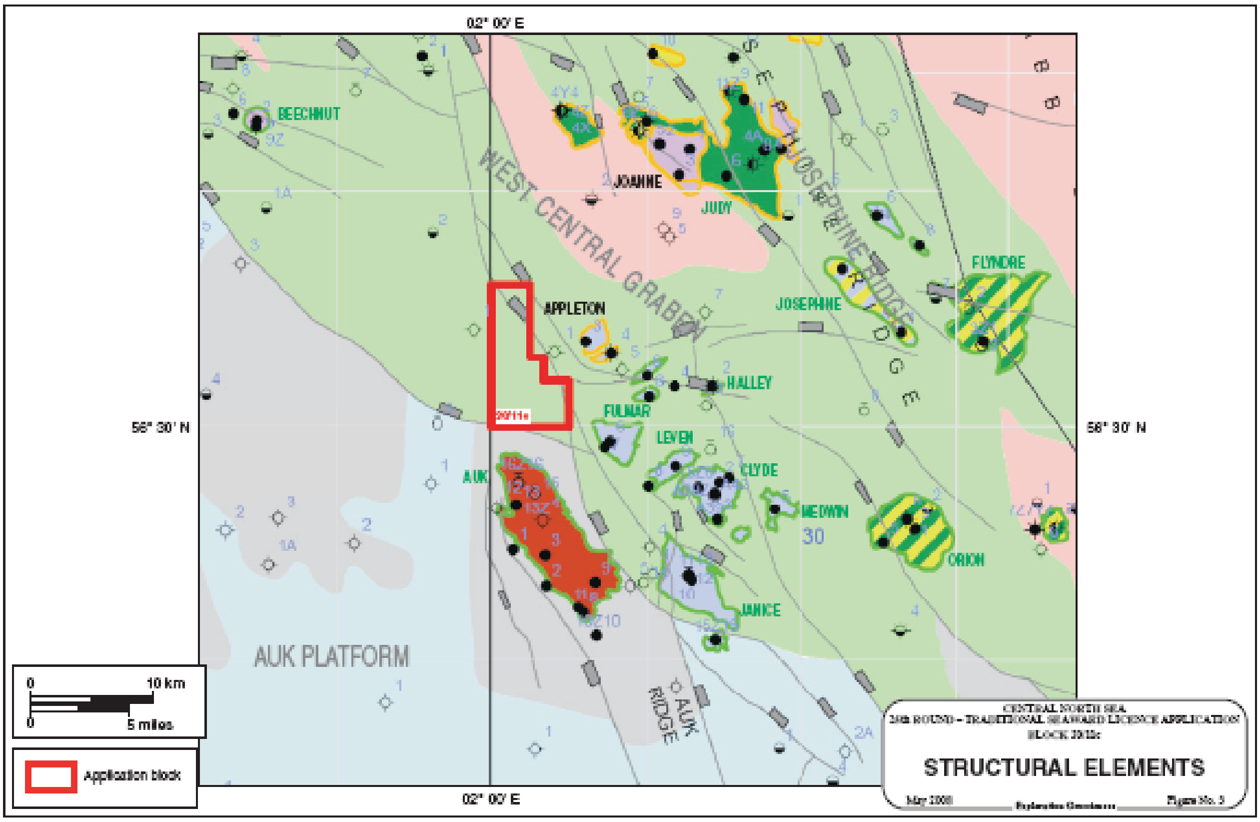


Figure 5: Location map for Block 30/11c

The JV comprises the following companies, with Trap Oil's costs being fully carried by Petro-Canada UK, Norwegian Energy Company UK and First Oil Expro through the exploration phase of the licence:

Company	*Working Interest*	*Paying Interest*
Petro-Canada UK (Operator)	50.625%	57.86%
Norwegian Energy Company UK	21.875%	25%
First Oil Expro	15%	17.14%
Trap Oil	12.5%	Nil

A single exploration prospect is recognised in the northern part of the block. The **Romeo Prospect** is a small, rotated Upper Jurassic fault terrace on the flank of the West Central Graben, broadly analogous to the 660mmbbl Fulmar Field. The prolific Upper Jurassic Fulmar sands are the reservoir objective and, although seismic interpretation within the Jurassic is difficult, a Top Fulmar closure is mapped in addition to the better defined closure at the BCU.

The Competent Person reports a Best Estimate Prospective Resource for the prospect of 22mmbbl, with an upside of 32mmbbl, although only about 60 per cent. of this resource potential lies on Block 30/11c as the prospect extends westwards onto Block 29/15, a 26th Round award to Total E&P UK. The JV participants believe that the upside volumetric potential of the Romeo prospect is significantly larger, up to 126mmbbl, if fault sealing occurs. Further details of the Competent Person's and JV participants' interpretations are set out on pages 101 to 103 of this document. Total E&P UK was awarded the acreage located immediately to the west of Block 30/11c in the 26th Round and its licence carries a two well drilling commitment and it is therefore possible that a joint well could be drilled to test the Romeo prospect, subject to the well satisfying the licence obligations attached to both blocks. Discussions are underway with Total E&P UK on this issue. This highly attractive prospect has remained undrilled to date.

The Competent Person's exploration Chance of Success is estimated to be 23 per cent. or approximately 1 in 4. Any oil discovery here is expected to have a high gas content, but a discovery of the size anticipated would be commercial, and could, for example, potentially be developed as a sub-sea tie-back to the Judy platform.

The JV participants have met the seismic work obligations (re-processing) on the licence, and a Drill-or-Drop decision was required to be made by 11 February 2011. A JV meeting was held on 12 October 2010 and the JV participants have recently agreed to exercise the drilling commitment and continue the licence.

The well would be approximately 14,500ft deep with an estimated cost of US$29 million, although high pressures and temperatures could be encountered leading to higher well costs. All of Trap Oil's costs for the well will be carried. Drilling is anticipated in 2012, subject to ongoing discussions with the adjacent licence operator, Total E&P UK.

5.2 26th Round (Blocks pending licence award following successful application)

5.2.1 Quad 14 – Bordeaux and Brulé (Blocks 14/14b, 14/18c and 14/19c)

The three part blocks 14/14b, 14/18c and 14/19c cover an area of approximately 260km^2 and lie at the north-west extremity of the Witch Ground Graben, a major oil bearing province in the northern North Sea. The blocks lie immediately north-west of the Claymore and Scapa fields (with over 560mmbbl initial reserves), in water depths of approximately 400ft. The application in the 26th Round was successful for a single traditional licence with a 3D seismic commitment and a Drill-or-Drop decision after two years.

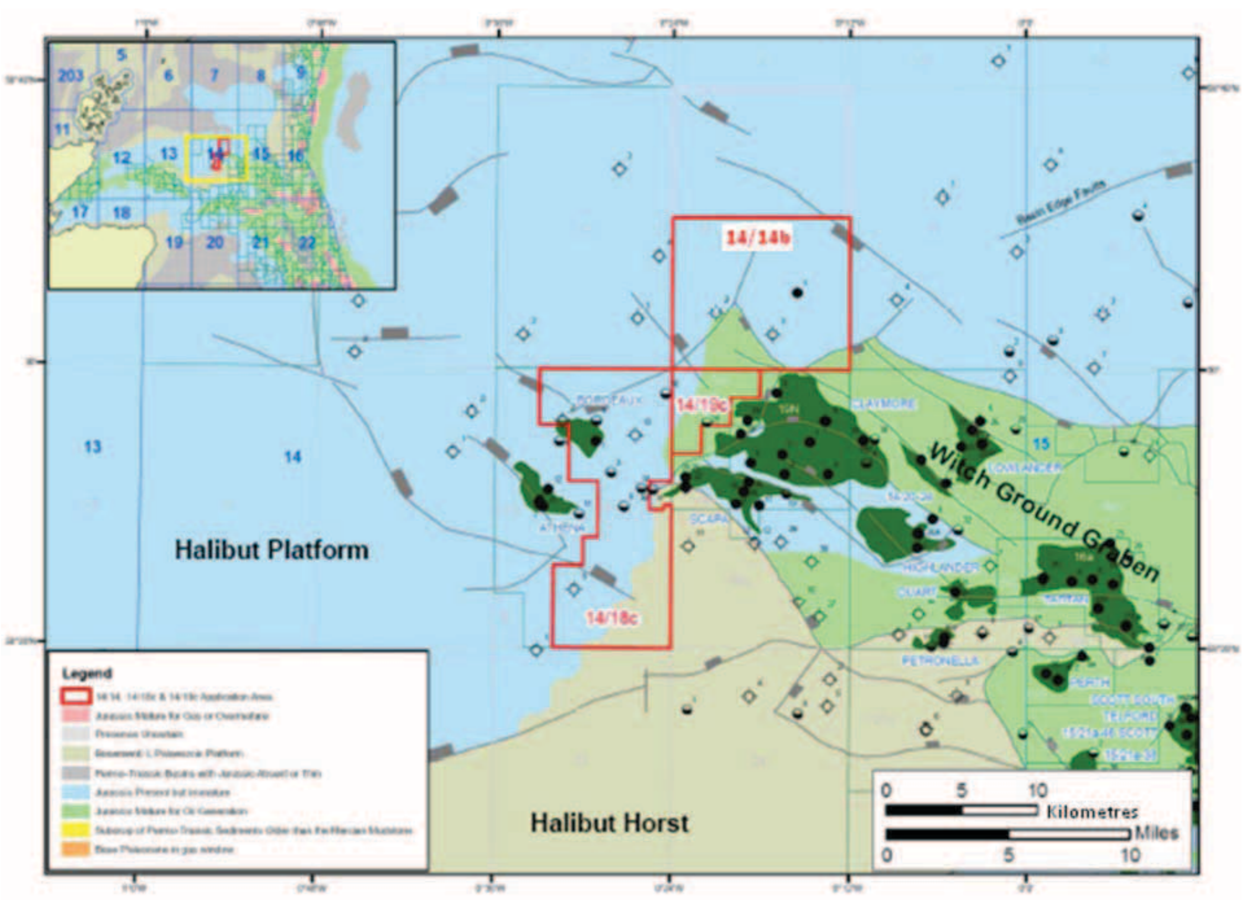


Figure 6: Location map for Blocks 14/14b, 14/18c and 14/19c

When the licence is issued the JV participants will comprise the following companies, with Trap Oil's costs being fully carried by the operator, Norwegian Energy Company UK, through the exploration phase of the licence:

Company	*Working Interest*	*Paying Interest*
Norwegian Energy Company UK	90%	100%
Trap Oil	10%	Nil

In addition, Trap Oil has recently negotiated an option to acquire up to a 40 per cent. paid working interest exercisable within 3 months from the date of the licence award, further details of which are set out in paragraph 14.14(f) of Part 6 of this document.

The blocks lie immediately adjacent to Crazy Horse (Block 14/13), where both Norwegian Energy Company UK and Trap Oil have working interests and where an exploration well on the Crazy Horse prospect could be drilled before 2013 (further details are set out in paragraph 5.1.2 above).

This area has been quite extensively explored over the years, despite very poor seismic data quality, with 11 wells drilled within the licence acreage and two small oil discoveries in Jurassic sandstone reservoirs. These have not yet been developed but the acquisition of new 3D seismic data should allow delineation and possible development of these accumulations. There are also a number of other, less mature leads in the area which will be investigated as part of the planned exploration programme.

The **Bordeaux prospect** is a small tilted Jurassic fault block on Block 14/18c, mapped at the Top Claymore sand level with fault closure to the north, west and east. Data quality is very poor, and new 3D data is crucial to the re-evaluation of the prospect, which depends on sealing across some quite minor faults. The 1978 discovery well 14/18-1 proved oil-filled Upper Jurassic Claymore sandstone with a gross thickness of 62ft, which flowed 1,400 bopd of 28° API oil on DST. No Contingent Resources have been assigned to this discovery, as it needs to be re-drilled and significant uncertainties remain. The Competent Person reports a Best Estimate Prospective Resource for the prospect of 19mmbbl, with an upside of 28mmbbl; exploration Chance of Success is estimated to be 63 per cent. or approximately 2 in 3.

The **Brulé prospect** is located to the north-east on Block 14/14b, and is a small four way dip closure mapped on very poor quality seismic data. The 14/14-1 well, drilled in 1977, identified oil-bearing Jurassic Sgiath sandstone reservoirs (although these were not flow tested), while a down-dip appraisal well 14/14-3 was water bearing. Again, the poor data quality and uncertain structural configuration means that no Contingent Resources have been assigned, as the prospect will have to be re-drilled once new seismic data has been acquired. The Competent Person reports a Best Estimate Prospective Resource for the prospect of 17mmbbl, with an upside of 32mmbbl; exploration Chance of Success is estimated to be 48 per cent. or approximately 1 in 2.

The work programme for this licence comprises the acquisition of 145km^2 of new 3D seismic data, which is expected to improve significantly the imaging of the Jurassic structures in the area. A Drill-or-Drop decision will need to be made by 2013, with drilling within one year thereafter. The 10,000 to 11,500ft wells required to test the two identified prospects are expected to cost approximately US$24 million.

5.2.2 Quad 16 – Sienna (Block 16/23b)

Block 16/23b covers an area of 93km^2 and is located on the southern margin of the South Viking Graben, close to the Sleipner, Thelma and Kinnoull fields, in water depths of approximately 390ft. The application for the block was successful in the 26th Round in 2011 as a traditional licence, with a Drill-or-Drop commitment to be exercised within two years. The licence has yet to be formally issued.

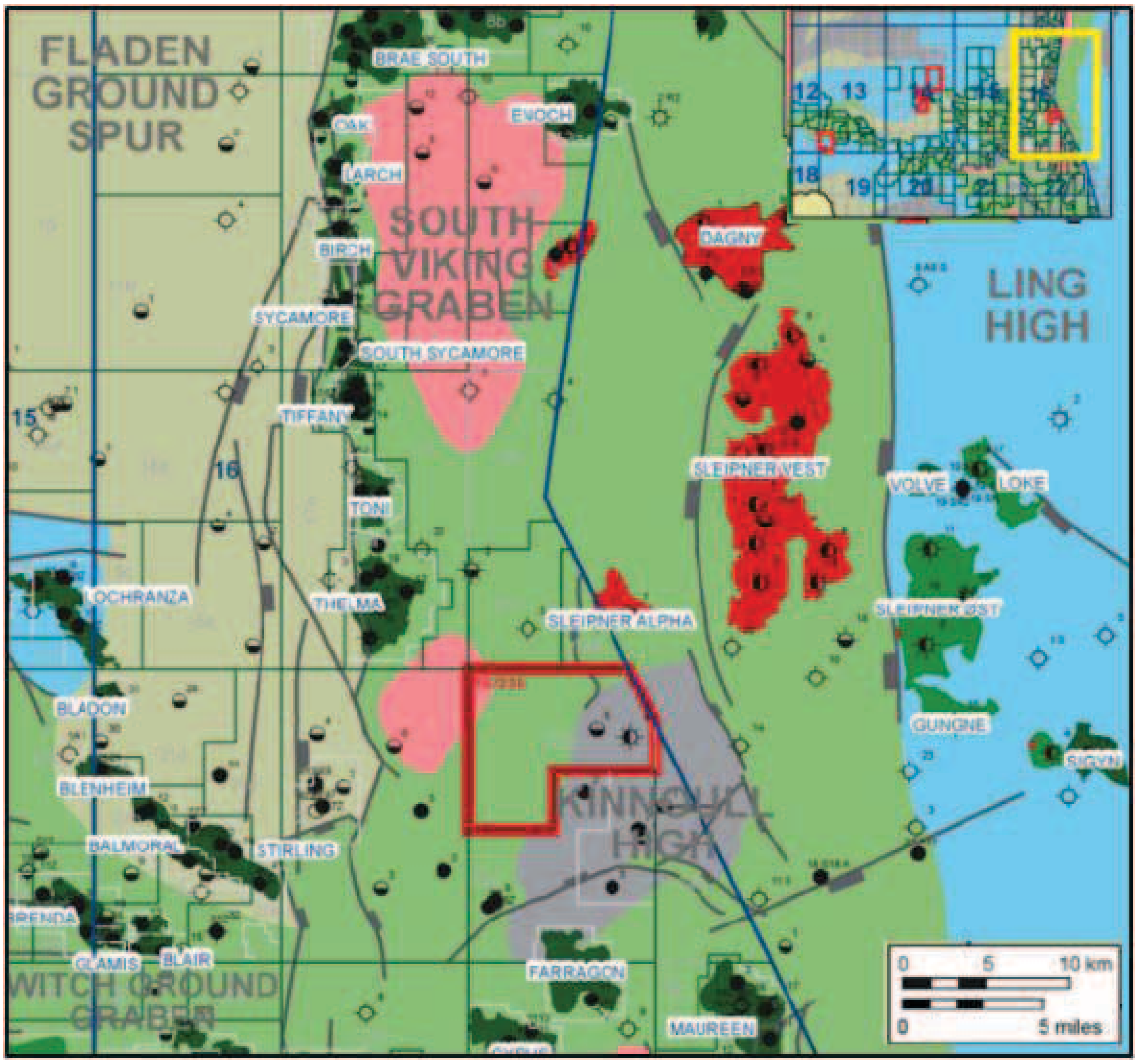


Figure 7: Location map for Block 16/23b

When the licence is issued the JV participants will comprise the following companies, with Trap Oil's costs being fully carried by Petro-Canada UK and Norwegian Energy Company UK through the exploration phase of the licence:

Company	*Working Interest*	*Paying Interest*
Petro-Canada UK (Operator)	67.5%	75%
Norwegian Energy Company UK	22.5%	25%
Trap Oil	10.0%	Nil

Trap Oil is also in the course of negotiating an option to acquire a 20 per cent. paid working interest, although there is no guarantee that it will succeed in such negotiation, or what the eventual terms will be. A number of potentially productive fairways of Tertiary and Jurassic age may be present on the block, although the main exploration focus has been an Upper Jurassic pinch-out play along the flank of the Kinnoull High in the east of the block.

The principal target, the **Sienna prospect**, is a well defined pinch-out of the uppermost Jurassic section, between the BCU and the Upper Heather horizon, an interval which is absent in the 16/23-5 well on the Kinnoull High, but which contains reservoir sands within the South Viking Graben. The potential closure is quite large, extending northwards onto Block 16/18a which is currently licensed by ENI UK Limited. Gross Prospective Resources are estimated by the Competent Person at 49mmbbl (Best Estimate), with an upside of 90mmbbl, of which approximately 75 per cent. lie on Block 16/23b. Exploration Chance of Success is estimated to be 18 per cent. or approximately 1 in 6. The operator and other JV participants have a similar view of the prospect potential. A number of additional leads are recognised on the block, representing potential upside to the Sienna prospect, and will be evaluated further as part of the JV participants planned work programme.

A well to test the Sienna prospect would be around 13,800ft deep, and is expected to cost in the region of US$40 million. A significant programme of seismic re-processing and prospect re-evaluation is planned over the next two years, however, prior to a Drill-or-Drop decision being reached in 2013. All of Trap Oil's exploration costs, including the drilling of an exploration well after 2013, will be carried by Petro-Canada UK and Norwegian Energy Company UK.

5.2.3 Quad 41 – Lytham, Fairhaven and St Annes (Blocks 41/5, 41/10 and 42/1)

Blocks 41/5, 41/10 and 42/1 cover an area of approximately 715km^2 and lie on the northern flank of the Southern Gas Basin in water depths of approximately 250ft. The application for a single Promote Licence in the 26th Round was successful as notified on 23 November 2010, although formal issue of the licence is still awaited from the DECC.

Company	*Working Interest*	*Paying Interest*
Trap Oil (Proposed Operator)	75%	75%
GeoPartners Limited	25%	25%

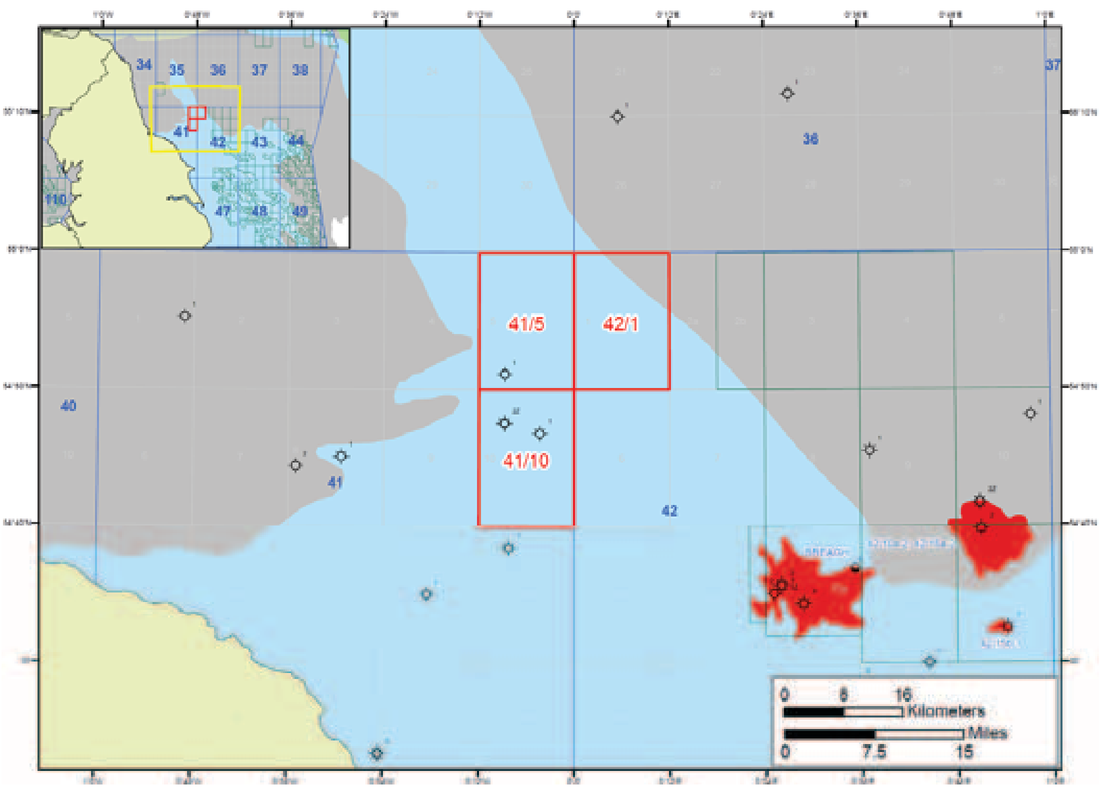


Figure 8: Location map for Blocks 41/5, 41/10 and 42/1

The blocks lie on the margins of the Southern Gas Basin, but only 45km to the north-west of the Breagh Field, which is under development. Carboniferous and Permian (Zechstein) structural closures have been recognised in the area for some time, and two wells drilled relatively recently by Walter Oil & Gas and Lundin Oil appear to have located gas in Zechstein carbonate reservoirs, although no valid testing has been concluded. Three distinct prospects are recognised, two of which have been drilled by these wells.

The **Lytham prospect** is a well defined, four-way dip closed structure at the Zechstein Hauptdolomite reservoir level. The closure, which lies on Block 41/10, was penetrated near its crest by the 41/10a-2 well; well logs indicate 100ft of gross Hauptdolomite reservoir which is gas bearing, with no gas/water contact, but the well was not tested and no Contingent Resources have been assigned. Additional gas shows were present in underlying Lower Carboniferous (Namurian) sandstones. The Competent Person reports a Best Estimate Prospective Resource for the Hauptdolomite reservoir of 75bcf, with an upside of 116bcf, while the potential in the underlying Namurian sands is 29bcf (Best Estimate) to 43bcf (upside); exploration Chance of Success is estimated to be 54 per cent. and 45 per cent. respectively, or approximately 1 in 2, reflecting the fact that gas presence appears to have been established in the 41/10a-2 well.

The **Fairhaven prospect** lies immediately north of Lytham, in Block 41/5, along the same structural feature. It is a four-way dip closed structure that was tested in a crestal position by the 41/5-1 well. The Hauptdolomite interval was severely damaged during drilling/testing, and no gas presence was established, although a small quantity of gas was produced from the overlying Plattendolomite reservoir interval. The Hauptdolomite is not regarded as prospective; the Competent Person reports a Best Estimate Prospective Resource for the Plattendolomite reservoir of 17bcf, with an upside of 25bcf. Exploration Chance of Success is estimated to be 22 per cent., or approximately 1 in 5.

The **St Annes prospect** is an undrilled four-way dip closure on Block 41/10, east of the Lytham-Fairhaven feature. The Zechstein Hauptdolomite interval is regarded as the primary reservoir, with the Competent Person reporting a Best Estimate Prospective Resource of 23bcf, and an upside of 33bcf; exploration Chance of Success is estimated to be 23 per cent. or approximately 1 in 4. A number of smaller, analogous features also occur to the north in Block 41/5.

The work commitments for this Promote Licence are minimal in the near term, but the parties are committed to a Drill-or-Drop decision by January 2013. A 7,000ft well, to fully test the Zechstein and Namurian potential, is estimated to cost approximately US$30 million (US$22.5 million net to Trap Oil).

5.3 26th Round (Blocks with outstanding applications)

5.3.1 Niobe (Blocks 12/26b and 12/27)

Blocks 12/26b and 12/27 are contiguous and cover an area of 417km^2. They are located in the West Bank Graben of the Inner Moray Firth area of the UK North Sea, in water depths of approximately 150ft, and, approximately 8 miles east of the Beatrice oilfield. The blocks were the subject of a 26th Round application by Trap Oil and its fellow consortium members, although no decision on the award has yet been made by DECC due to ongoing environmental reviews. Trap Oil believes that the proposed work programme of one firm well alongside seismic reprocessing and AVO studies will be competitive.

The application JV group comprises the following companies, with Trap Oil's costs being fully carried by Petro-Canada UK and Norwegian Energy Company UK through the exploration phase of a licence:

Company	*Working Interest*	*Paying Interest*
Petro-Canada UK (Operator)	67.5%	75%
Norwegian Energy Company UK	22.5%	25%
Trap Oil	10.0%	Nil

In addition, Trap Oil is in the course of negotiating an option to acquire a 20 per cent. paid working interest, although there is no guarantee that it will succeed in such negotiation, or what the eventual terms will be.

Although there is a single well gas discovery (Neo – well 12/27-1) on the block, the **Niobe prospect** is the principal feature that underpins the application acreage. The prospect is mapped as a stratigraphic trap at the Late Jurassic (Volgian), Burns Sandstone Member level. Good quality reservoirs with oil shows are proven downdip in the 12/27a-3 well, and are known to pinch out updip towards the 12/27-1 well where sands are absent. The operator's assessment gives a Best Estimate Prospective Resource of 51mmbbl for the prospect with a Chance of Success of 20 per cent. or 1 in 5; however, these assessments have not been independently verified by the Competent Person.

The prospect, should it be awarded to the JV participants, is regarded by the operator as technically and commercially mature and ready to drill, and could be tested by a 5,500ft well into the Heather formation. Other exploration potential exists and would be evaluated as part of a licence work programme.

5.4 Key strategic relationships

5.4.1 JV Agreements

i) *Suncor and Noreco*

Suncor is an integrated energy company engaged in the exploration, development, production and marketing of crude oil and natural gas. Following its merger with Petro-Canada in August 2009, it is now Canada's largest energy company and the fifth largest North American based energy company. Its common shares are traded on the TSX and NYSE and it has a current market capitalisation of approximately C$64 billion (approximately £40 billion). Its international segment comprises, *inter alia*, upstream oil and gas businesses in the North Sea including the UK and Norway. The Suncor group's UK portfolio consists of eleven exploration licences, seven existing (four operated and three non-operated), two (including one operated) pending final ratification and the issue of licences and a further two outstanding licence applications under assessment by DECC in the Buzzard field and three further production fields under development (Golden Eagle, Hobby and Pink).

Noreco is a rapidly growing, publicly-owned, independent E&P company focused on the exploration for, development and production of, oil and gas in NorthWest Europe with operations in Norway, Denmark and the UK. Noreco's portfolio includes 34 exploration licences, 12 discoveries, as well as 7 active production fields and a further production field under development. It anticipates achieving its first UK production by the end of 2011. Its shares are traded on the Oslo Stock Exchange and it has a current market capitalisation of approximately NOK4.8 billion (approximately £529 million).

In 2008, Trap Oil approached Suncor and Noreco and offered to complement their existing exploration capabilities in the UKCS, highlighting the Board's track record in respect to licence round evaluations and applications; well proposals; farm-in and farm-out experience and ability to identify exploration prospects and create development opportunities. Accordingly, a three year agreement was entered into with Petro-Canada UK, in the first instance, and subsequently an agreement was entered into with Norwegian Energy Company UK. Both companies were granted a 45 day option to secure any of the exploration opportunities that Trap Oil identified in the UKCS in return for an annual retainer fee and carried interests in any acreage acquired on their behalf. Further details of a new two year extended agreement commencing in January 2011 are set out in paragraphs 14.13 and 14.14 respectively of Part 6 of this document.

ii) *CGGVeritas*

CGGVeritas is a leading pure-play geophysical company providing a wide range of technologies, services and equipment to enhance the performance of its principally oil exploration and production customers. Its global network operates across North America, Central and South America, Asia Pacific, Europe, Africa and the Middle East. Its services include offshore and onshore seismic acquisition, seismic data processing, interpretation and imaging and reservoir management. For offshore operations, it maintains a fleet of 19 seismic vessels and has established a comprehensive data library on the most prospective parts of the UK and Nigeria. Its shares are traded on Euronext and NYSE and it has a current market capitalisation of approximately €3.6 billion (approximately £3.05 billion).

In 2008, Trap Oil entered into an agreement with CGGVeritas for a screening licence of a large portion of the CGGVeritas' Central North Sea long offset 3D seismic data base. The Board believes that this dataset provides coverage of the majority of the Central North Sea area of interest and is generally recognised as being the most comprehensive, detailed and up to date exploration tool currently available. Further details of the agreement with CGGVeritas are set out in paragraphs 14.11 and 14.12 of Part 6 of this document.

5.4.2 Industry relationships

The Group has forged close working relationships with a number of oil service companies which provide it with the flexibility to outsource and deploy significant technical resources to projects and potential opportunities over and above its current staffing levels. This established support network allows the Group to offer a comprehensive service to its industry partners as well as achieving the required expertise to be recognised as a potential operator in the UKCS. Key industry relationships have been formed with the following companies:

i) *Exploration Geosciences*

Exploration Geosciences is a privately owned UK based independent geological and geophysical consultancy whose international clients include both oil industry majors and independent oil companies. Its key services include project management from prospect generation to licence acquisition through drilling, technical advice, detailed studies on exploration areas, research, analysis and data acquisition. It also releases regular geotechnical publications including UKCS geotechnical reviews and maps. It works on new ventures for the Group in respect of the UKCS. Mr Groves Gidney is one of Exploration Geosciences' co-founders and a former managing director. Mr Groves Gidney is no longer a shareholder in Exploration Geosciences.

ii) *OPES International*

OPES International is an independent, privately owned, petroleum engineering consultancy company with offices in Australia and Indonesia focused on the upstream oil and gas industry. Its services to small independents and major oil companies include reservoir and production engineering and modelling utilising specialist software technology and its experienced staff to assist in the determination of optimal production. OPES International has worked closely with members of the Group's management team on a number of projects in the UKCS and elsewhere and has contractually agreed to act as the Group's subsurface/reservoir engineering resource as and when required. OPES International is a current shareholder in the Company.

iii) *Challenger Minerals*

Challenger Minerals is an offshore global exploration and production company with specialised teams in the Americas, Europe-Africa and Asia-Pacific regions. It is a wholly owned subsidiary of Transocean Limited, the world's largest offshore drilling contractor.

Trap Oil has a contractual agreement in place with Challenger Minerals to identify and recommend drilling opportunities in return for which Challenger Minerals pays success fees and grants carried interests in a similar manner to the arrangements with Suncor and Noreco. Additionally, Challenger Minerals has agreed to support the Group in its potential acquisition of licences on an operator basis and may act as duty holder upon the commencement of drilling activity.

iv) *Applied Drilling Technology*

Applied Drilling Technology is a global turnkey drilling and project management company with operations in Aberdeen and Houston. It is a division of Transocean Drilling U.K. Limited.

Trap Oil has entered into a memorandum of understanding with Applied Drilling Technology to facilitate close co-operation and, in particular, provide the Group with an operations/ drilling team as required, thereby assisting with the Group's potential positioning as an operator in its own right.

6. Industry and market overview

Global demand for, and the price of, oil has been particularly volatile in recent years. By the end of 2007, demand had grown to an all time peak of 87 million bopd, subsequently falling back to 84 million bopd in 2009, reflecting the sharp decline in global output and unprecedented macroeconomic uncertainty. More recently, with signs of economic recovery and strong growth in emerging markets, demand for oil in 2010 returned to 2007 levels of approximately 87 million bopd and is currently projected to increase to approximately 88 million bopd in 2011.

The acceleration in demand growth experienced in 2007 to 2008, particularly from China, along with market expectations that such growth was likely to continue, led to market concerns about supply. This in turn caused oil prices to increase substantially, with prices of Brent Blend increasing from an annual average of US$38.37 per barrel in 2004 to US$97.95 per barrel in 2008, peaking at US$145.86 per barrel on 3 July 2008, before the onset of the global financial crisis. Despite the ongoing economic uncertainty, throughout 2009 and 2010 the oil price has recovered mostly due to a focus on unchanged long-term demand fundamentals and the requirements of the oil producing nations (OPEC being heavily influenced by Saudi Arabia) to meet their cashflow targets and it reached a two-year high of US$90 on 31 December 2010. Factors including the recent cold winter weather in the UK and USA, perceived increased instability in key global regions such as Iran and Libya, resource nationalism in some major producing countries and a weakened US dollar, continue to create an uncertain background for both oil and gas prices, which have historically been, and continue to be, highly volatile and cyclical.

In 2010, the North Sea oil and gas industry invested between £4-£5 billion (2009: about £5.2 billion). In the course of the last 44 years, approximately £285 billion (in present value terms) of capital expenditure has been invested in the UKCS region, financing approximately 4,124 exploration and appraisal wells (including sidetracks) and approximately 6,291 development wells. These wells have resulted in more than 344 producing fields and over 160 significant discoveries. During 2010, approximately 0.8 billion boe or 2.17 million boepd were recovered from the UKCS, resulting in an approximate aggregate of 40 billion boe since 1970, with an estimated 9.2 to 13.8 billion boe remaining to be recovered.

The UKCS is a mature oil producing area with well established infrastructure in situ to facilitate the extraction and transportation of hydrocarbons to market. There are five main areas of interest: the Central North Sea, the Northern North Sea, the Southern Gas Basin, the West of Britain and the Atlantic Margin. Oil and gas currently accounts for approximately 75 per cent. of the UK's total primary energy needs, with the UKCS supplying approximately two thirds of this requirement. The UK remains a substantial producer of oil and gas and is the world's 15th largest gas producer (third largest in Europe, after Norway and the Netherlands) and 19th largest oil producer.

7. Potential development and production opportunities

In parallel with the continuation of its existing exploration and appraisal activities, the Group intends to secure attractive development, near-term production and producing assets. The Group is currently investigating a number of such opportunities and is in discussions, both unilaterally and in conjunction with bid partners, with certain third party potential vendors, with the short to medium term objective of establishing a production base of up to approximately 3,000 bopd, increasing to 10,000 bopd in the longer term.

In recent years, many of the larger North Sea oil and gas operators have pursued a strategy of divesting their non-core assets in the region to focus on earlier stage, higher growth opportunities in other parts of the world. Smaller independent operators with insufficient funding, suffering from a lack of access to available capital, have been hindered in their efforts to exploit such acquisition opportunities and invest in their existing and new development projects. Accordingly, the Board believes that Trap is well placed to become an active consolidator in the market place, sourcing transaction opportunities from, *inter alia*, the Group's and management's existing partnerships and industry relationships. The Board further believes that the DECC's fallow acreage initiative or 'use it or lose it' policy will give rise to attractive commercially viable opportunities being released to the marketplace.

Details of five near term representative target opportunities from the Group's established pipeline are set out below.

Opportunity 1

Trap Oil has been invited to submit a bid to acquire an interest in a Central North Sea field in the form of a sub-sea development which is being marketed to a select group of parties in Q1 2011. The field is well established with ongoing in-fill drilling being undertaken to prove up the resource. Due to the size of this opportunity, the Board is planning to submit a joint bid with another interested party.

Opportunity 2

Trap Oil has submitted a preliminary offer for a portfolio of various interests held by a North Sea operator. The subject assets range from a small quantity of mature producing assets to short term appraisal and development opportunities, combined with an exploration component. Whilst the current net production rate of approximately 400 bopd is relatively small, there exist several opportunities for further incremental development. Abandonment costs are limited and may be deferred as a result of incremental throughput from the near term appraisal activities.

In addition, there is an attractive nearby tie-in opportunity whereby a discovery of over 5,000 bopd can potentially be twinned and tied-in to the aforementioned producing asset. The twin well is due to be drilled this year and, if successful, will extend the field life of nearby infrastructure. With future successful drilling and a tie-in, there is the potential to achieve between approximately 1,500 to 2,000 bopd of production within two years. This particular asset is known to a member of the Group's management team involved in its development over the last decade.

Opportunity 3

The Group is aware of an overseas company that is seeking to dispose of its two remaining UK North Sea assets in the first half of 2011, comprising aggregate production of approximately 3,000 bopd. Both assets lie in the central part of the North Sea and are again subsea developments with commensurately low abandonment costs. Trap Oil has access to this opportunity through one of its existing shareholders and believes that an off market approach can be made to secure these assets.

Opportunity 4

Trap Oil has submitted an offer to acquire the assets of a North Sea operator which includes an 18 per cent. equity interest in a 20 mmbbl oil and gas development opportunity. The asset requires the drilling of further appraisal wells which, the Board considers, may result in a reserve base of approximately 50 mmbbl and enable a development plan to be finalised. The current reserve base is sufficient for a commercial development. The operator concerned is a focused mid-sized independent.

Opportunity 5

Trap Oil is in discussions with a small private oil company which owns equity positions in more than 15 UK North Sea licences. The portfolio contains a development asset with a significant carried interest and anticipated production within the next 18 months.

Further suitable acquisition opportunities will include discoveries of a size likely to lead to stand alone developments or, if reliant on a tie-in, those close to a host field with spare capacity and assets that require further appraisal or the establishment of commerciality through the resolution of issues such as injectivity or productivity.

8. Financial information, current trading and prospects for the Group

The Company was incorporated and registered under the Act on 24 January 2011. The Company has not traded or commenced operations since the date of its incorporation and no dividend has been paid. The Company has no material assets or liabilities, save for its investment in Predator Oil in accordance with the Predator Acquisition Agreement, details of which are set out in paragraph 14.8 of Part 6 of this document. Accordingly, no financial information has been presented for the Company as at the date of this document. However, consolidated historical financial information for the Company's principal subsidiary, Predator Oil, and its subsidiary Trap Oil, for the three financial periods ended 31 December 2010 is set out in Part 3 of this document.

Since 31 December 2010, the subsidiaries have continued to pursue their existing exploration activities, search for and evaluate suitable acquisition opportunities and enter into certain agreements, details of which are set out in paragraph 14 of Part 6 of this document.

The Directors are optimistic as to the Group's prospects based on their expectations for the continued development of the Group through both organic growth and potential acquisition opportunities.

An unaudited pro forma statement of the consolidated net assets of the Predator Oil Group, showing the impact of the Placing, is set out in Part 4 of this document.

9. Future strategy

The Board intends to develop the Group into a more rounded business through the acquisition of production and appraisal opportunities, alongside the organic growth of its exploration portfolio, to position Trap as an independent, mid-sized, UKCS focused oil and gas business.

Accordingly, the Group will seek to build, both organically and via acquisitions, its portfolio of oil and gas assets in the UK North Sea. In the short to medium term, the Group aims to augment its existing exploration portfolio by identifying and securing interests in up to six appraisal projects. Working with its key partners and leveraging off its augmented asset base, the Group will seek to be active in at least three developments within the next three years. Production of approximately 3,000 bopd will be targeted initially, to cover the Group's on-going capital and operating expenditure in connection with its anticipated exploration and appraisal wells, which the Group understands will also generate tax efficiencies for the Group. The Group intends to be involved with three to four exploration wells per annum in addition to those wells resulting from the acquisition of appraisal projects.

The key elements of the Group's strategy are:

- **Integration of technical expertise**: to exploit, *inter alia*, the Group's access to CGGVeritas' 3D seismic database, along with Exploration Geoscience's technical expertise, proactively to identify and originate exploration and appraisal opportunities to maximise shareholder value;
- **Risk management and mitigation through management's commercial expertise**: by leveraging the value of front end technical work and utilising its existing partnership arrangements, the Group will develop and manage a diversified portfolio of exploration and appraisal wells. The Group's financial exposure will be controlled and managed by recognising and understanding the risks associated with reservoir performance and capital expenditure;
- **Cost management**: through careful control of overheads and partnering arrangements the Group will continue to demonstrate its ability to minimise its initial project expenditure and exposure to major capital expenditure commitments;
- **Scale**: the Group will build a well rounded and balanced business encompassing exploration, appraisal, development and production activities. This will be achieved through focusing on material prospects that are sufficiently attractive to existing and potential future partners. Potential farm-outs to its existing partner base will be considered, whilst acquiring and then retaining sufficient net reserves and associated cash flow to grow the Group's business;
- **Operatorship**: while the Group will seek to maintain and develop its operatorship capability and retain the ability to take any exploration success from the discovery stage into development and production, it aims to outsource and seek partnering arrangements for the majority of the day to day operations on its projects. Operatorship positions will be actively pursued where such an opportunity adds or protects the value of the asset concerned;
- **Production base**: the Group will seek to acquire producing assets capable of providing reliable and predictable revenue and cash flow. Production of approximately 3,000 bopd will be sought to cover the Group's financial exposure to the planned four to six E&A wells per annum. The acquired production will be non-operated and ideally sourced from subsea fields such that abandonment liabilities can be minimised. The Company will aim to acquire assets in the Group's core areas of operation in order to capitalise on its existing expertise and potentially achieve synergistic benefits. In the longer term, the Group aims to achieve production in the order of approximately 10,000 bopd, sufficient to deliver self-sustaining funding for the Group's exploration and on-going development activities; and

- **Future growth**: Trap Oil has historically considered opportunities in Norway (with CGGVeritas' seismic data extending across the international boundary) and in Ireland where the geology is very similar to that of the UK North Sea. Although such geographic expansion opportunities into other parts of the North Sea and surrounding countries remain under active longer term review, the Group's initial focus will be solely on the UKCS region.

10. Directors, senior management and employees

Brief biographical details of the Directors and key senior management within the Group on Admission are set out below.

Directors

The current composition of the Board is as follows:

Kevin Watts *(Non-Executive Chairman)*

Kevin Watts, aged 51, is a Chartered Accountant with more than 20 years' experience in the oil industry. He was most recently the President and Chief Executive Officer of Stratic Energy Corporation, a position he held from 2005 until its recent acquisition by EnQuest plc in November 2010. Previously, he served in various senior positions at Enterprise Oil plc from 1984. He was actively involved in Enterprise Oil plc's commercial and worldwide business development activities, serving on its executive committee from 1995 to 2002 and on the main board, as Corporate Development Director, from early 1998 through to its acquisition by Shell in 2002. He holds a BSc degree in Mathematics from Imperial College London and is a member of the Institute of Chartered Accountants in England and Wales. Mr Watts entered into a letter of appointment with the Company on 13 February 2011, details of which are set out in paragraph 8.1 of Part 6 of this document.

Mark Groves Gidney *(Chief Executive Officer)*

Mark Groves Gidney, aged 52, is founder of the Group and has over 30 years' experience in international petroleum exploration, development and finance. He has a strong track record in generating prospects, acquiring and managing exploration portfolios and operating oil companies and in building strategic relationships with key industry players and contractors. He has extensive subsurface expertise, proven technical skills and commercial deal-making capability in the energy sector. Previous roles held in UK onshore, offshore and international basin analyses and prospect generation have led to discoveries in the UK, Holland and Canada. Prior to founding the Group, Mr Groves Gidney previously spent approximately 20 years establishing and developing Exploration Geosciences, a leading oil and gas consultancy business, where he was one of its co-founders and served as its managing director. He currently sits on the board of a number of private companies and was formerly a non-executive director of the AIM quoted SeaEnergy plc (formerly named Ramco Energy plc). He holds a BSc (Hons) degree in Geology from the Sir John Cass School of Science and Technology. Mr Groves Gidney entered into a service contract with the Company on 14 March 2011 which will take effect on Admission, details of which are set out in paragraph 8.2 of Part 6 of this document.

Paul Collins *(Chief Operating Officer)*

Paul Collins, aged 51, has been with the Group since 2008. Mr Collins has 28 years' experience in the oil and gas industry, working initially in the drilling and petroleum engineering disciplines and latterly in the management of producing oil and gas fields and on projects such as facilities installation, drilling and the completion of numerous wells, both on and offshore, including an extensive array of sub-sea production systems. He has also been responsible for budget preparation and cost control for operated fields and projects. Having managed an extensive international business for Palace Exploration Company, a privately owned US company holding exploration and production assets on the UKCS, for five years, in 2007 Mr Collins successfully negotiated the sale of Palace Exploration Company (UK) Limited to Revus Energy ASA, valuing the company at approximately £167 million. Mr Collins holds a BSc (Hons) degree in Fuel & Energy Engineering from Leeds University and a post-graduate diploma (Distinction) in Offshore Mechanical Engineering from Robert Gordon's Institute of Technology. Mr Collins entered into a service contract with the Company on 14 March 2011 which will take effect on Admission, details of which are set out in paragraph 8.3 of Part 6 of this document.

Dr Peter Smith *(Technical Director)*

Dr Peter Smith, aged 64, is a Chartered Geologist with over 30 years' diversified experience in earth, environmental and marine sciences. He holds a PhD in Geology from Imperial College and a degree in Mining from the Camborne School of Mines, Cornwall. His wide-ranging career encompasses holding a number of supervisory positions in operating oil companies in the UK and Australia, teaching and carrying out research in universities in the UK and USA, as well as involvement in exploration and environmental projects worldwide from the Arctic to Australia. He is currently a managing director of South Coast GIS Limited which specialises in geographical information systems in Earth Sciences and Natural Resource Management and was formerly a founding director of Exploration Geosciences. With effect from Admission, Mr Smith has entered into a service agreement with the Company, details of which are set out in paragraph 8.4 of Part 6 of this document.

John Church *(Finance Director)*

John Church, aged 57, is a Chartered Accountant with over 30 years' experience across a variety of industries, having worked with both small and large companies in the private and quoted arenas. Mr Church founded TCP Chartered Accountants in 1985, which was subsequently sold in 2008 when he joined the Group. In addition, Mr Church is the founder and non-executive director of a Michelin starred restaurant and currently sits on the board of a number of private companies, ranging from early stage resource companies to property companies. Mr Church is a Fellow of the Institute of Chartered Accountants in England and Wales. Mr Church entered into a service contract with the Company on 14 March 2011 which will take effect on Admission, details of which are set out in paragraph 8.5 of Part 6 of this document.

David Kemp *(Non-Executive Director)*

David Kemp, aged 41, is a Chartered Accountant with approximately 20 years' experience in the oil and gas industry. He is currently Vice President-Finance North Sea and Canada of Technip SA, a major international oil services company, which has annual group revenues of more than €6 billion and was formerly Head of Finance-Europe for the Amerada Hess Corporation. More recently, he led the oil and gas E&P team at the energy industry focused investment bank, Simmons & Company International, working on asset acquisitions and divestments, fund raisings and other corporate transactions and he currently serves on the board of a number of private companies. He holds an MA in Accountancy from the University of Aberdeen and is a member of the Institute of Chartered Accountants of Scotland. Mr Kemp has entered into a letter of appointment with the Company on 14 March 2011 which will take effect on Admission, details of which are set out in paragraph 8.6 of Part 6 of this document.

Elwyn Jones *(Non-Executive Director)*

Elwyn Jones, aged 54, is the founder and Managing Director of GeoPartners Limited, a consultancy company specialising in seismic value creation. Prior to establishing GeoPartners Limited, Mr Jones spent 21 years in the geophysical industry, in a wide range of commercial and international settings, most recently as Senior Vice-President of the CGGVeritas Data Library from 1997 to 2009. Mr Jones was formerly Vice-President of PetroAlliance/Western Geophysical's Marine division from 1995 to 1997 and President of DG Seis/Caspian Geophysical and Digicon Exploration Limited from 1993 to 1995 and 1989 to 1993, respectively. Mr Jones holds a BSc (Hons) degree in Engineering from Liverpool University. Mr Jones will enter into a letter of appointment with the Company on 14 March 2011 which will take effect on Admission, details of which are set out in paragraph 8.7 of Part 6 of this document.

Marcus Stanton *(Non-Executive Director)*

Marcus Stanton, aged 57, is a Chartered Accountant with extensive experience in investment banking. He was a director at Robert Fleming & Co., from 1993 to 2000, where he was Chief Operating Officer of Global Capital Markets and Head of Structured Finance and was previously a director of Hill Samuel & Co. Since 2000, Mr Stanton has been a former non-executive of a number of AIM quoted companies including Velosi Limited, which provides testing, inspection and certification services to the global oil and gas sector. He also acts as a financial expert witness in litigation involving banks and is a member of both the Institute of Chartered Accountants in England and Wales and the Chartered Institute for Securities and Investment. Mr Stanton entered into a letter of appointment with the Company on 14 March 2011 which will take effect on Admission, details of which are set out in paragraph 8.8 of Part 6 of this document.

Following Admission, the Directors will review the composition of the Board on a regular basis and intend to appoint further executive and/or independent non-executive directors at appropriate stages in the Company's development. Further information on the Directors is set out in paragraphs 8 and 9 of Part 6 of this document.

Senior Management

Martin David *(Exploration Manager)*

Martin David, aged 58, joined the Group in 2011. He has over 37 years' experience in the oil industry, with over 10 years of experience specifically in the North Sea, including technical, operational, financial and commercial management of operated and non-operated exploration portfolios, as well as the exploration of new ventures which have led to discoveries in the United Kingdom, Norway, Denmark and the Netherlands. Mr David was previously, from 2000 to 2011, Suncor Energy's Exploration Director for North West Europe and, prior to that, worked for numerous oil companies across Europe including Veba Oil & Gas UK Limited, Deminex UK Oil & Gas Limited and Unocal UK Limited. Mr David Chairs the UK Offshore Operators Association Exploration Committee and is Secretary of the Petroleum Exploration Society of Great Britain. He holds a BSc degree in Geology from Queen Mary College, University of London.

Employees

Save for the executive Directors and the Exploration Manager, the Group has no other employees. It is the Directors' intention to hire additional employees and/or sub-contract or outsource additional technical resources as required in order to meet the operational requirements of the Group going forward.

11. Details of the Placing

Mirabaud has conditionally agreed, pursuant to the Placing Agreement, to act as agent for the Company and use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing will raise approximately £60.0 million for the Company (before commissions and expenses). The Placing Shares are being placed with institutional and other sophisticated investors. Following Admission, the Placing Shares will collectively represent approximately 76.6 per cent. of the Enlarged Share Capital.

The Placing, which is not underwritten, is conditional, *inter alia*, on Admission becoming effective by 17 March 2011 (or such later date as Mirabaud, Strand Hanson and the Company may agree, not being later than 31 March 2011) and on the Placing Agreement not being terminated prior to Admission. The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, paid or made after the date of issue, and will be placed free of any expenses and stamp duty. It is expected that the net proceeds of the Placing will be received by the Company by 22 March 2011. In the case of investors receiving Ordinary Shares in uncertificated form, it is expected that the appropriate CREST accounts will be credited with effect from 17 March 2011. In the case of any investors receiving Ordinary Shares in certificated form, it is expected that certificates will be despatched by post, within 14 days of the date of Admission.

Following Admission, the Directors will, between them, hold 20,422,848 Ordinary Shares, representing approximately 11.2 per cent. of the Enlarged Share Capital, as referred to in paragraph 9.1 of Part 6 of this document. Following Admission, certain other Significant Shareholders, as referred to in paragraph 12.2 of Part 6 of this document, will each hold three per cent. or more of the Enlarged Share Capital. There will be a total of 196,022,700

Ordinary Shares (including the Placing Shares), Warrants and Options in issue upon Admission. The existing aggregate shareholdings of Shareholders prior to the Placing and Admission will be diluted to 23.4 per cent. of the Enlarged Share Capital.

Further details of the Placing Agreement are set out in paragraph 14.6 of Part 6 of this document.

12. Reasons for Admission and use of proceeds

In addition to the initial fundraising from the Placing, the Directors' reasons for seeking Admission are as follows:

- to provide the Group with a flexible financial structure for further development and growth, both organically and via potential acquisitions or joint ventures;
- to improve the Group's ability to access further funding from international capital markets to finance the future growth of the business consistent with its stated strategy;
- to maintain a high level of transparency and corporate governance within the Group;
- to raise the profile of the Group and assist the Group in recruiting, retaining and incentivising skilled employees;
- to enable the Group to access a wide range of potential investors and broaden its investor base; and
- to enhance the Group's reputation and financial standing with its key partners and suppliers and with potential vendors of additional attractive assets.

The net proceeds of the Placing to the Company are expected to be approximately £55.4 million. The Company intends to use the Placing proceeds to pursue the Group's growth strategy and build a successful oil and gas exploration, appraisal, development and production business with a significant portfolio of assets through the discovery and exploitation of oil and gas reserves. In particular, the proceeds will be used to fund its participation and working interests in existing and additional exploration and appraisal wells, to pursue development and production opportunities, to identify and acquire further projects both in conjunction with its existing partners and on a unilateral basis, for general working capital purposes and other expenses. Specifically the net proceeds are currently intended to be applied as follows:

	£ million
Working interest participations and commitments in respect of the existing asset portfolio, including the exercise of options, and development opportunities	2.9
Identification and potential acquisition of additional projects/assets	43.8
Repayment of debt due to CGGVeritas	1.0
Working capital requirements	7.7
Total:	**55.4**

13. Corporate governance

The Directors recognise the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its Shareholders. The Corporate Governance Code does not apply to companies quoted on AIM and there is no formal alternative for AIM companies. The Quoted Companies Alliance has published a set of corporate governance guidelines for AIM companies, which include a code of best practice for AIM companies, comprising principles intended as a minimum standard, and recommendations for reporting corporate governance matters. However, the Directors intend to implement steps to comply with the Corporate Governance Code, so far as it is practicable having regard to the size and current stage of development of the Company.

Set out below is a description of the Company's proposed corporate governance practices.

The Board

The Board will meet regularly and be responsible for strategy, performance, approval of any major capital expenditure and the framework of internal controls. The Board will have a formal schedule of matters specifically reserved to it for decision, including matters relating to major capital expenditure, management structure and appointments, strategic and policy considerations, corporate transactions and finance.

The Board will be responsible for establishing and maintaining the Group's system of internal financial controls and importance is placed on maintaining a robust control environment. The key procedures which the Board intends to establish with a view to providing effective internal financial control includes the following:

- the Company will institute a monthly management reporting process to enable the Board to monitor the performance of the Group;
- the Board will adopt and review a comprehensive annual budget for the Group. Monthly results will be examined against the budget and deviations will be closely monitored by the Board;
- the Board will be responsible for maintaining and identifying major business risks faced by the Group and for determining the appropriate courses of action to manage those risks; and
- full consolidated management information will be prepared on a regular basis, at least half yearly.

The Board recognises, however, that such a system of internal financial control can only provide reasonable, not absolute, assurance against material misstatement or loss. The effectiveness of the system of internal financial control operated by the Group will therefore be subject to regular review by the Board in light of the future growth and development of the Company and adjusted accordingly.

To enable the Board to discharge its duties it is intended that all of the Directors will receive timely information.

The Board includes four non-executive directors. If necessary, the non-executive directors may take independent advice. The Board has delegated specific responsibilities to the committees referred to below.

The audit committee

The audit committee will initially comprise Marcus Stanton, Kevin Watts and Elwyn Jones. The audit committee will have primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on. In addition, it will receive and review reports from the Company's management and auditors. The audit committee will meet at least twice a year and will have unrestricted access to the Company's auditors.

The remuneration committee

The remuneration committee will initially comprise Kevin Watts, Marcus Stanton and Elwyn Jones. The remuneration committee will, *inter alia*, determine the remuneration of the executive directors and grant share options and any other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration committee will meet at least twice a year.

Nomination committee

The nomination committee will initially comprise Kevin Watts, Marcus Stanton and Elwyn Jones. The nomination committee will have primary responsibility for making recommendations to the Board on matters relating to the nomination of directors of the Company. The nomination committee will meet at least twice a year.

The Share Dealing Code

The Company has adopted a Share Dealing Code for the Directors and employees (as well as certain relevant persons) which is appropriate for a company whose shares are admitted to trading on AIM (in order to, *inter alia*, ensure compliance with Rule 21 of the AIM Rules for Companies).

The Company will take all reasonable steps to ensure compliance with the terms of the Share Dealing Code by the Directors and all other relevant persons.

14. Dividend policy

Given that the Group is at an early exploration and appraisal stage, it is not anticipated that there will be any significant earnings arising from the Group's activities in the short to medium term. Accordingly, the Board does not expect to recommend or pay any dividends in the foreseeable future.

The Directors will consider an appropriate dividend policy at such time as the Company is generating an operating profit. The declaration and payment by the Company of any future dividends, and the amount of such dividends, will ultimately be dependent upon the Company's financial condition, future prospects, profits legally available for distribution, the need to maintain an appropriate level of dividend cover and other factors deemed by the Board to be relevant at that time.

15. The Takeover Code

The Takeover Code applies to offers for all listed and unlisted public companies considered by the Panel to be resident in the UK, the Channel Islands or the Isle of Man. The Panel will normally consider a company to be resident only if it is incorporated in the UK, the Channel Islands or the Isle of Man and has its place of central management in one of those jurisdictions. The Company is incorporated in England and Wales and is deemed to have its place of central management in England and Wales and the Panel would therefore consider that the Takeover Code applies to the Company. At Admission, the Company will therefore fall under the jurisdiction of the Takeover Code which will apply for the benefit of all Shareholders.

16. Taxation

The attention of investors is drawn to certain information regarding UK taxation, insofar as it may be applicable to UK residents in relation to the Placing and Admission, set out in paragraph 18 of Part 6 of this document. Your attention is also drawn to the risk factor on taxation set out on page 56 of this document.

All information in this document in relation to taxation is intended only as a general guide to the current tax position for UK investors as at the date of this document and is not intended to constitute personal tax advice for any person. Prospective investors are strongly advised to consult their own independent professional tax advisers regarding the tax consequences of purchasing and owning the Company's Ordinary Shares. No information is being provided as to any US taxation matters.

17. Settlement, dealings and CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles contain provisions concerning the transfer of shares which are consistent with the transfer of shares in dematerialised form in CREST under the CREST Regulations. The Directors have applied for the Ordinary Shares to be admitted to CREST with effect from Admission and CREST has agreed to such admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if relevant Shareholders so wish. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. Where Placees have requested to receive their Ordinary Shares in certificated form, share certificates will be despatched by first-class post within fourteen days of the date of Admission.

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on 17 March 2011.

No temporary documents of title will be issued. All documents sent by or to a Placee, or at his/her direction, will be sent through the post at the Placee's risk. Pending the receipt of definitive share certificates in respect of the Placing Shares (other than in respect of those Placing Shares settled via CREST), transfers will be certified against the register of members of the Company.

For further information concerning CREST, Shareholders should contact their brokers or Euroclear at 33 Cannon Street, London, EC4M 5SB or by telephone on +44 (0)20 7849 0000.

18. Lock-in and orderly market arrangements

The Directors and each of the members of the Company's management team have agreed with the Company, Mirabaud and Strand Hanson:

- not to dispose of any of their interests in Ordinary Shares for a period of at least twelve months from the date of Admission, save in certain limited circumstances; and
- not to dispose of any of their interests in Ordinary Shares for a period of twelve months from the first anniversary of the date of Admission, except through Mirabaud (or the Company's broker from time to time), so as to maintain an orderly market in the Ordinary Shares.

Each of the other Shareholders immediately prior to Admission have agreed with the Company, Mirabaud and Strand Hanson not to dispose of any of their interests in Ordinary Shares for a period of at least twelve months from the date of Admission, save in certain limited circumstances.

The aggregate interests following Admission which shall be subject to the lock-in and orderly market arrangements as described above will amount to 42,866,715 Ordinary Shares, which is equivalent to approximately 23.5 per cent. of the Enlarged Share Capital.

Further details of the lock-in and orderly market arrangements described above are set out in paragraph 14.7 of Part 6 of this document.

19. Share incentive arrangements

The Board believes that it is important that employees of the Group (including executive directors) are appropriately and properly motivated and rewarded, with the success of the Group dependent to a significant degree on the future performance of the executive management team.

Accordingly, on 13 March 2011, the Board adopted the Share Option Scheme allowing the Company to grant to employees options over Ordinary Shares. The Share Option Scheme will be administered by the Board's Remuneration Committee and the maximum aggregate awards under the Share Option Scheme, together with any other employee share schemes adopted after Admission, cannot exceed ten per cent. of the issued share capital of the Company at the time of grant. Further details of the Share Option Scheme are set out in paragraph 16 of Part 6 of this document.

The Directors may establish further share incentive arrangements for the benefit of the Group's employees in the future. Any options to be granted under any such share incentive arrangements will be at the discretion of the Board's Remuneration Committee.

Options may also be granted to non-executive directors of, and consultants to, the Company. These options will not be granted pursuant to the Share Option Scheme, but will be granted under individual option arrangements set out in writing between the Company and the individual concerned.

20. Further information

Your attention is drawn to the further information set out in:

- Part 2 of this document, relating to risk factors;
- Part 3 of this document, setting out the accountant's report and financial information on the Predator Oil Group;
- Part 4 of this document, setting out certain unaudited pro forma financial information for the Predator Oil Group;
- Part 5 of this document, setting out the Competent Person's Report;
- Part 6 of this document, summarising certain statutory and general information on the Company and the Group; and
- Appendix I of this document, containing a summary of the relevant petroleum laws and regulations in the United Kingdom.

PART 2

RISK FACTORS

The investment detailed in this document may not be suitable for all of its recipients and involves a high degree of risk. Before making an investment decision, prospective investors are advised to consult a professional adviser authorised under the FSMA who specialises in advising on investments of the kind described in this document. Prospective investors should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them.

The exploration for and development of natural resources is a highly speculative activity which involves a high degree of risk. Accordingly, the Ordinary Shares should be regarded as a highly speculative investment and an investment in the Company should only be made by those with the necessary expertise to evaluate the investment fully.

The Group's business, financial condition or results of operations could be materially and adversely affected by any of the risks described below. In such cases, the market price of the Ordinary Shares may decline and investors may lose all or part of their investment.

In addition to the other relevant information set out in this document, the Directors consider that the following risk factors, which are not set out in any particular order of priority, magnitude or probability, are of particular relevance to the Group's activities and to any investment in the Company. It should be noted that additional risks and uncertainties not presently known to the Directors or which they currently believe to be immaterial may also have an adverse effect on the Group's operating results, financial condition and prospects. Any one or more of these risk factors could have a materially adverse impact on the value of the Group and should be taken into consideration when assessing the Company.

There can be no certainty that the Group will be able to implement successfully the strategy set out in this document. No representation is or can be made as to the future performance of the Group and there can be no assurance that the Group will achieve its objectives.

1. Risks relating to the Group's activities and the oil and gas industry

Future results, including resource recoveries and work programme plans and schedules, will be affected by changes in market conditions, commodity price levels, political or regulatory developments, timely completion of exploration programme commitments or projects, the outcome of commercial negotiations and technical or operating factors.

Title matters and payment obligations

Whilst the Group has diligently investigated its title to, and rights and interests in, the licences granted to Trap Oil and its JV partners in respect of the Exploration Blocks and, to the best of its knowledge, such title, rights and interests are in good standing, this should not be construed as a guarantee of the same. The licences may be subject to undetected defects. If a defect does exist, it is possible that the Group may lose all or part of its interest in the licence to which the defect relates and its exploration and appraisal programme and prospects may accordingly be adversely affected.

While the Directors have no reason to believe that the existence and extent of any of the Group's properties are in doubt, title to oil and gas properties is subject to potential litigation by third parties claiming an interest in them. The failure to comply with all applicable laws and regulations, including failure to pay taxes, meet minimum expenditure requirements or carry out and report assessment work, may invalidate title to portions of the properties where the petroleum rights are not held by the Group. Furthermore, no assurance can be given that relevant governments will not revoke, or significantly alter the conditions of, the applicable exploration and development authorisations, licences, permits, approvals and consents or that such exploration and development authorisations, licences, permits, approvals and consents will not be challenged or impugned by third parties.

All of the licences in which the Group has or may earn an interest will be subject to applications for renewal or grant (as the case may be). The renewal or grant of the terms of each licence is usually at the discretion of the relevant government authority. If a licence is not renewed or granted, the Group may suffer significant damage through loss of the opportunity to develop and discover any hydrocarbon reserves on that licence area.

Under the licences and certain other contractual agreements to which the Group is, or may in the future become party, the Group is or may become subject to payment and other obligations. In particular, for certain licences, the Group is required to expend the funds necessary to meet the minimum work commitments attaching to the licences. Failure to meet these work commitments will render the licence liable to be revoked. Further, if any contractual obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by the Group.

Early stage of operations

The Group's operations are at an early stage of development and future success will depend on the Directors' ability to successfully manage and exploit the current asset portfolio and to take advantage of further opportunities which may arise. There can be no guarantee that the Group can or will be able to, or that it will be commercially advantageous for the Group to, develop the Exploration Blocks.

Further, the Group has no assets producing positive cash flow and its ultimate success will depend on the Directors' ability to implement their strategy, generate cash flow from economically viable projects and access equity markets. Whilst the Directors are optimistic about the Group's prospects, there is no certainty that sustainable revenue streams and sustainable profitability will be achieved. The Group will not generate any material income until production has successfully commenced or producing assets have been acquired and in the meantime the Group will continue to expend its cash reserves and may, in due course, need to raise debt or additional equity capital.

The Group's projects have no operating history upon which to base estimates of future cash operating costs. For early stage projects, estimates of proven and probable reserves and cash operating costs are, to a large extent, based upon the interpretation of geological data and feasibility studies which derive estimates of cash operating costs based upon anticipated recoveries, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual cash operating costs and economic returns may differ materially from those estimated.

General exploration and production risks

There can be no guarantee that the hydrocarbons currently discovered will be developed into profitable production, or that additional hydrocarbons will be discovered in commercial quantities or developed to profitable production. The business of exploration for, and development and exploitation of, hydrocarbon deposits is speculative and involves a high degree of risk, which even a combination of careful evaluation, experience and knowledge may not eliminate. Hydrocarbon deposits assessed by the Group may not ultimately contain economically recoverable volumes of resources and even if they do, delays in the construction and commissioning of production projects or other technical difficulties may result in any projected target dates for production being delayed or further capital expenditure being required.

The operations and planned drilling activities of the Group and its JV partners may be disrupted, curtailed, delayed or cancelled by a variety of risks and hazards which are beyond the control of the Group, including unusual or unexpected geological formations, formation pressures, geotechnical and seismic factors, environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharge of toxic gases, industrial accidents, occupational and health hazards, technical failures, mechanical difficulties, equipment shortages, labour disputes, fires, power outages, compliance with governmental requirements and extended interruptions due to inclement or hazardous weather and ocean conditions, explosions, blow-outs, pipe failure and other acts of God. Any one of these risks and hazards could result in work stoppages, damage to, or destruction of, the Group's or its partners' facilities, personal injury or loss of life, severe damage to or destruction of property, environmental damage or pollution, clean-up responsibilities, regulatory investigation and penalties, business interruption, monetary losses and possible legal liability which could have a material adverse impact on the business, operations and financial performance of the Group. Although precautions to minimise risk are taken, even a combination of careful evaluation, experience and knowledge may not eliminate all of the hazards and risks. In addition, not all of these risks are insurable.

As is common with many exploration ventures, there is uncertainty and therefore risk associated with the Group's operating parameters and costs which can be difficult to predict and are often affected by factors outside of the Group's control. Few exploration assets are ultimately developed into producing assets. There can be no guarantee that any estimates of quantities of hydrocarbons discovered by the Group will be available to exploit or extract. If reserves are developed, it can take significant expenditure and a number of years from the initial phases of drilling and identification of hydrocarbons until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish hydrocarbon reserves through drilling and, in the case of new properties, to construct processing facilities and other relevant infrastructure. With many natural resources operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions.

Hydrocarbon resource and reserve estimates

No assurance can be given that hydrocarbon resources and reserves reported by the Group in the future are present as estimated, will be recovered at the rates estimated or that they can be brought into profitable production. Hydrocarbon resource and reserve estimates may require revisions and/or changes (either up or down) based on actual production experience and in light of the prevailing market price of oil and gas. A decline in the market price for oil and gas could render reserves uneconomic to recover and may ultimately result in a reclassification of reserves as resources.

Unless stated otherwise, the hydrocarbon resources data contained in this document is taken from the Competent Person's Report. There are uncertainties inherent in estimating the quantity of resources and reserves and in projecting future rates of production, including factors beyond the Group's control. Estimating the amount of hydrocarbon resources and reserves is an interpretive process and, in addition, results of drilling, testing and production subsequent to the date of an estimate may result in material revisions to original estimates.

The hydrocarbon resources data contained in this document and in the Competent Person's Report are estimates only and should not be construed as representing exact quantities. The nature of reserve quantification studies means that there can be no guarantee that estimates of quantities and quality of the resources disclosed will be available for extraction. Therefore, actual production, revenues, cash flows, royalties and development and operating expenditures may vary from these estimates. Such variances may be material. Any reserves estimates contained in this document are based on production data, prices, costs, ownership, geophysical, geological and engineering data, and other information assembled by the Group (which it may not necessarily have produced). The estimates may prove to be incorrect and potential investors should not place reliance on the forward looking statements contained in this document (including data included in the Competent Person's Report or taken from the Competent Person's Report) concerning the Group's resources and reserves or production levels.

Hydrocarbon resources and reserves estimates are expressions of judgement based on knowledge, experience and industry practice. They are therefore imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate. Accordingly, two different independent parties may not necessarily arrive at the same conclusions, as is evident in the CPR, whereby the Competent Person has assessed Prospective Resources under the PRMS for each of Trap Oil's assets to be generally lower than the estimates provided by the respective JV participants. The views of the Directors and the JV participants as set out in this document could ultimately prove to be incorrect and investors are urged to refer to the views of the Competent Person when analysing the information contained in this document. Estimates that were reasonable when made may change significantly when new information from additional analysis and drilling becomes available.

This may result in alterations to development and production plans which may, in turn, adversely affect operations.

If the assumptions upon which the estimates of the Group's hydrocarbon resources have been based prove to be incorrect, the Group (or the operator of an asset in which the Group has an interest) may be unable to recover and produce the estimated levels or quality of hydrocarbons set out in this document and the Group's business, prospects, financial condition or results of operations could be materially and adversely affected.

Farm-out and joint venture partners

The Group has entered into agreements with Suncor and Noreco and they or other third parties operate the majority of the existing assets in which the Group has an ownership interest. From time to time, the Group may enter into additional partnership and/or farm-out agreements to operate and/or fund all or a portion of the exploration and development costs associated with its existing and potential future assets. Liquidity and cash flow problems encountered by the partners and co-owners of such assets and any non-compliance by the partners and co-owners may lead to a delay in the pace of drilling or project development that may be detrimental to a project or may otherwise have adverse consequences for the Group. In addition, any farm-out partners and working interest owners may be unwilling or unable to pay their share of the costs of projects as they become due. In the case of a farm-out partner, the Group may have to obtain alternative funding in order to complete the exploration and development of the assets subject to the farm-out agreement. In the case of a working interest owner, the Group may be required to pay the working interest owner's share of the project costs. The Group cannot assure investors that it would be able to obtain the capital necessary in order to fund either of these contingencies. It is also possible that the interests of the Group and those of its joint venture partners are not aligned resulting in project delays or additional costs or losses.

Counterparty risk

The Group will be subject to agreements with a number of counterparties in relation to the potential future sale and supply of oil and gas production volumes. Therefore, the Group will potentially be subject to the risk of delayed payment for delivered production volumes or counterparty default. Such delays or defaults could have a material adverse effect on the Group's business.

Volatility in the price of oil and gas and the general economic climate

The general economic climate and market price of, and demand for, oil and natural gas is volatile and is affected by a variety of factors which are beyond the Group's control. These could include international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels and new technologies, growth in gross domestic product, supply and demand of capital, employment trends, international economic trends, currency exchange rate fluctuations, the level of interest rates and the rate of inflation, the cost of freight, actions taken by governments and international cartels, global or regional political events and international events, as well as a range of other market forces. The aggregate effect of these factors is impossible to predict. International oil prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Sustained downward movements in oil and gas prices could render less economic, or wholly uneconomic, some or all of the exploration and potential future oil and gas production related activities to be undertaken by the Group and adversely affect the value of the Group's exploration assets.

The marketability of any oil and gas discovered will be affected by numerous factors beyond the Group's control. These factors include market fluctuations, proximity and capacity of oil and gas pipelines and processing equipment and government regulations including regulations relating to taxation, royalties, allowable production, importing and exporting of oil and gas and environmental protection.

Availability of drilling, exploration and production equipment

The availability of drilling rigs and other equipment and third party services or technical contractors is affected by the level and location of drilling activity around the world. An increase in drilling operations outside the current North Sea focus area of the Group or in other areas may reduce the availability of equipment and services to the Group. Similarly, the Group may have difficulty sourcing the exploration and production equipment it requires in the timeframe envisaged by the Group's plans due to high global demand for such equipment. The reduced availability of equipment and services, as well as their potentially high cost, may delay the Group's ability to exploit any reserves and adversely affect the Group's operations and profitability.

Government regulations and permits

The Group's assets are located in the United Kingdom and there are a number of risks which the Group is unable to control. There is a risk that the Group's activities will be adversely affected by economic and political factors such as the imposition of additional taxes and charges, cancellation or suspension of permits, expropriation, war, terrorism, insurrection and changes to the laws and regulations governing petroleum exploration and development, including labour standards and occupational health, site safety, toxic substances and other matters.

Governmental approvals, licences and permits including DECC consent in respect of the change of control of the Company that will take place following the Placing and Admission and the licences pending in respect of the Group's 26th Round Block applications are, as a practical matter, subject to the discretion of the relevant governmental and local authorities in the United Kingdom and can not be assured. The Group must comply with existing standards, laws and regulations that may entail greater or lesser costs and delays, depending on the nature of the activity to be permitted and the permitting authority.

The Group's intended activities will be dependent upon the appropriate licences, concessions, leases, permits and regulatory consents which could subsequently be withdrawn or made subject to limitations. There can be no guarantee as to the terms of any such concessions or assurance that current concessions or future concessions will be renewed or, if so, on what terms when they come up for renewal. Although the Directors believe that the Group's activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules, laws and regulations will not be enacted or that existing or future rules and regulations will not be applied in a manner which could serve to limit or curtail exploration, production or development of the Group's business or have an otherwise negative impact on its activities. Amendments to existing rules, laws and regulations governing the Group's operations and activities, or increases in or more stringent enforcement, implementation or interpretation thereof, could have a material adverse impact on the Group's business, results of operations and financial condition and its industry in general in terms of additional compliance costs.

Climatic conditions

The Directors are aware that exploration and appraisal programmes may be adversely affected by climatic conditions, with harsh weather and ocean conditions likely to cause delays in the Group's exploration and appraisal activities.

Dependence on key executives and personnel

The future performance of the Group will to a significant extent be dependent on its ability to retain the services and personal connections or contacts of key executives and to attract, recruit, motivate and retain other suitably skilled, qualified and industry experienced personnel to form a high calibre management team. Such key executives are expected to play an important role in the development and growth of the Group, in particular by maintaining good business relationships with regulatory and governmental departments and essential partners, contractors and suppliers.

Attracting and retaining additional skilled personnel may also be required to ensure the development of the Group's business. The Group faces significant competition for skilled personnel in the oil and gas sector.

Although certain key executives and personnel have entered, or will subject to Admission enter, into service agreements or letters of appointment with the Group, there can be no assurance that the Group will retain their services. The loss of the services of any of the key executives or personnel may have a material adverse effect on the business, operations, relationships and/or prospects of the Group.

Labour

Certain of the Group's operations may be carried out under potentially hazardous conditions. Whilst the Group intends to operate in accordance with relevant health and safety regulations and requirements, the Group remains susceptible to the possibility that liabilities might arise as a result of accidents or other workforce-related misfortunes, some of which may be beyond the Group's control.

Further, the Group may struggle to recruit engineers and other important members of the workforce required to run a full exploration or appraisal programme. Shortages of labour, or of skilled workers, may cause delays or other stoppages during exploration and appraisal activities.

Reputation

To protect the Group's licences and permits to operate and its ability to secure new resources it is important that the Group should maintain strong positive relationships with the governments of, and communities in, the countries where its business is conducted. The Group's business principles govern how the Group conducts its affairs. Failure – real or perceived – to follow these principles, or any of the risk factors described in this document materialising, could harm the Group's reputation, which could, in turn, impact the Group's licences, financing and access to new opportunities.

Risks associated with the need to maintain an effective system of internal controls

The Group faces risks frequently encountered by developing companies such as under-capitalisation, cash shortages and limited resources. In particular, its future growth and prospects will depend on its ability to manage growth and to continue to maintain, expand and improve operational, financial and management information systems on a timely basis, whilst at the same time maintaining effective cost controls. Any damage to, failure of or inability to maintain, expand and upgrade effective operational, financial and management information systems and internal controls in line with the Group's growth could have a material adverse effect on the Group's business, financial condition and results of operations.

Environmental, health and safety and other regulatory standards

The projects in which the Group invests and its exploration and potential production activities are subject to various laws and regulations relating to the protection of the environment (including regular environmental impact assessments and the obtaining of appropriate permits or approvals by relevant environmental authorities) and are also required to comply with applicable health and safety and other regulatory standards. Environmental legislation in particular can, in certain jurisdictions, comprise numerous regulations which might conflict with one another and which cannot be consistently interpreted. Such regulations typically cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The Group may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. As a result, although all necessary environmental consents are in place to enable exploration for oil and gas to take place and the Group intends to operate in accordance with the highest standards of environmental practice and comply in all material respects, full compliance with applicable environmental laws and regulations may not always be ensured.

Any failure to comply with relevant environmental, health and safety and other regulatory standards may subject the Group to extensive liability, fines and/or penalties and have an adverse effect on the business and operations, financial results or financial position of the Group. Furthermore, the future introduction or enactment of new laws, guidelines and regulations could serve to limit or curtail the growth and development of the Group's business or have an otherwise negative impact on its operations. Any changes to, and increases in, current regulation or legal requirements may have a material adverse effect upon the Group in terms of additional compliance costs. The obtaining of exploration, development or production licences and permits may become more difficult and/or be the subject of delay by reason of governmental, regional or local environmental consultation, approvals or other considerations or requirements. These factors may lead to delayed or reduced exploration, development or production activity as well as to increased costs and may have a material adverse effect on the Group's business.

Decommissioning and abandonment

Upon cessation of any operations on a Block, the Group together with its JV partners or co-owners may through their licence interests assume responsibility for costs associated with abandoning infrastructure and restoring the operational sites by taking reasonable and necessary steps in accordance with generally accepted environmental practices in the international petroleum industry. Any environmental permits held by the Group may also specify commitments to the UK Government for specific rehabilitation activities on a site. At the end of any exploitation period, the relevant authority will typically confirm fulfilment, or require further work as necessary, to meet the permit conditions.

The oil and gas industry in the UK has little experience of decommissioning petroleum exploration and production facilities on the UKCS. Few such facilities on the UKCS have been removed. Consequently, it is difficult to predict the costs that the Group may be exposed to in satisfying any such future decommissioning obligations.

Retention of key business relationships

The Group will rely significantly on strategic relationships with other entities, on good relationships with regulatory and governmental departments and upon third parties to provide essential contracting services. There can be no assurance that its existing relationships will continue to be maintained or that new ones will be successfully formed, and the Group could be adversely affected by changes to such relationships or difficulties in forming new ones. Any circumstance which causes the early termination or non-renewal of one or more of these key business alliances or contracts could adversely impact the Group, its business, operating results and prospects.

Project development risks

There can be no assurance that the Group will be able to manage effectively the expansion of its operations or that the Group's current personnel, systems, procedures and controls will be adequate to support the Group's operations. Any failure of the Board to manage effectively the Group's growth and development could have a material adverse effect on the Group's business, financial condition and results of operations. There is no certainty that all or, indeed, any of the elements of the Group's current strategy will develop as anticipated and that the Group will be profitable.

Payment obligations under partnership and other agreements

Under the key partnership and certain other agreements to which the Group is, or may in the future become, a party, the Group is, or may become, subject to payment and other obligations. If such obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by the Group. The Group may not have, or be able to obtain, funding for all such obligations as they arise.

The Group's objectives may not be fulfilled

The ability of the Board to implement the Group's strategy could be adversely affected by changes in the economy and/or industries in which it operates. Although the Group has a clearly defined strategy and the Board is optimistic about the Group's existing assets and future plans, there can be no guarantee that its objectives or any of them will be achieved on a timely basis or at all. In particular, further projects and/or opportunities may not be available or of the quality or in the number required to satisfy the Group's requirements and therefore the anticipated development or growth of the Group may not be achieved. The Group's ability to attract new growth opportunities is also dependent on the maintenance of its reputation.

2. General business risks relating to the Group

Future funding requirements

Significant capital investment will be required to achieve commercial production from the Group's existing projects. The Group may need to raise additional capital by way of the issue of further Ordinary Shares and/or by way of debt financing, or through other means, to finance its anticipated future operations, its working capital or capital expenditure requirements or to make acquisitions and finance its growth through future stages of development.

Additional equity issues may have a dilutive effect on the then prevailing Shareholders and investors if they are unable or choose not to subscribe and the issue of additional Ordinary Shares by the Company, or the possibility of such an issue, may cause the market price of the Ordinary Shares to decline.

Furthermore, any debt financing, if available, may include conditions that would restrict the Group's freedom to operate its business, such as conditions that:

- limit the Group's ability to pay dividends or require it to seek consent for the payment of dividends;
- increase the Group's vulnerability to general adverse economic and industry conditions;
- require the Group to dedicate a portion of any cash flow arising from future operations to payments on its debt, thereby reducing the availability of its cash flow to fund capital expenditures, working capital and other general corporate purposes; and
- limit the Group's flexibility in planning for, or reacting to, changes in its business and its industries.

There can be no guarantee or assurance that such debt funding or additional equity will be forthcoming when required, or as to the terms and price on which such funds would be available if at all. If the Group is unable to obtain additional financing as needed, or on terms which are acceptable, it may not be able to fulfil its strategy, which could have a material adverse effect on the Group's business, financial position and prospects. It may also be required to reduce the scope of its operations or anticipated growth, forfeit its interest in some or all of its assets, incur financial penalties or reduce or terminate its operations.

Capital expenditure may be higher than anticipated

The estimated capital expenditure requirements for the various assets in which the Group is interested are based on expected costs and made on certain assumptions. Should those capital expenditure requirements turn out to be higher than currently expected (for example, if there are unexpected difficulties in drilling or connecting to infrastructure, abandonment or decommissioning costs, other capital expenditure or price rises), the Group may need to seek additional funds which it may not be able to secure on reasonable commercial terms or at all or it may need to divert funds from other projects to satisfy the increased capital expenditure requirements. If this happens, it may have a material adverse effect on the Group's business.

Exchange rate fluctuations

Currency fluctuations may affect the Group's operating cash flow since certain of its costs and revenues are likely to be denominated in currencies other than Pounds Sterling such as US Dollars. Fluctuations in exchange rates between currencies in which the Group operates may cause fluctuations in its financial results which are not necessarily related to its underlying operations. The Group does not currently have a foreign currency hedging policy in place. If and when appropriate, the adoption of such a policy will be considered by the Board.

Credit market conditions

Recent events in the credit markets have significantly restricted the supply of credit to the industry, as financial institutions have applied more stringent lending criteria or exited the market entirely. If current market conditions worsen, it will be more costly and more difficult for the Group to secure any significant debt facilities.

Prospective investments and growth strategy execution risks

In order to expand its operations, the Group may expend significant costs on, *inter alia*, conducting due diligence into potential investment opportunities in further businesses, assets or prospects/projects that may not be successfully completed or result in any acquisition being made which could have a material adverse effect on its business, operating results and financial condition.

Although the Group believes that it is well placed to take advantage of potential acquisition opportunities, it may have to compete with a number of entities for these opportunities who may have considerably greater financial, technical and marketing resources than are available to the Group. Some of these competitors may also have a lower cost of capital and access to funding sources that are not readily available to the Group, which may create competitive disadvantages for the Group with respect to acquisition opportunities.

The Group may be subject to risks relating to acquisitions

Part of the Group's future strategy includes potentially increasing oil and gas resources, reserves and/or production through strategic business acquisitions. Risks commonly associated with acquisitions of companies or businesses include the difficulty of integrating the operations and personnel of the acquired business, problems with minority shareholders in acquired companies, the potential disruption of the Group's own business, the possibility that indemnification agreements with the sellers may be unenforceable or insufficient to cover potential liabilities, as well as operational risks relating to the assets acquired. Furthermore, the value of any business the Group acquires or invests in may be less than the amount it pays.

The competitive environment

Oil and gas exploration, appraisal, development and production and the natural resource industry in general is intensely competitive in all of its phases. The Group competes with numerous other local and international companies focused on the UKCS, including larger competitors with access to greater financial, technical and other resources than the Group, which may give them a competitive advantage in the exploration for and commercial exploitation of attractive oil and gas assets. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests and competition could adversely affect the Group's ability to acquire suitable additional assets in the future. This may lead to increased costs in the carrying on of the Group's activities and reduced available growth opportunities. The Group's success will depend on its ability to select and acquire exploration, appraisal and development rights on suitable assets or prospects on terms that it considers acceptable and there can be no assurance that the Group will continue to be able to compete successfully with its rivals.

Market perception

Market perception of junior exploration and extraction companies, as well as all oil and gas companies in general, may change which could impact on the value of investors' holdings and the ability of the Group to raise further funds through the issue of further ordinary shares in the Company or otherwise.

Insurance coverage and uninsured risks

The Group plans to insure the risks it considers appropriate for the Group's needs and circumstances. However, the Group may elect not to have insurance for certain risks, due to the high premium costs associated with insuring those risks or for various other reasons, including an assessment that the risks are remote.

No assurance can be given that the Group will be able to obtain insurance coverage at reasonable rates (or at all), or that any coverage it or the relevant operator obtains and the proceeds of any insurance will be adequate and available to cover any claims arising. The Group may become subject to liability for pollution, blow-outs or other hazards against which it has not insured or cannot insure, including those in respect of past activities for which it was not responsible. Any indemnities the Group may receive from such parties may be difficult to enforce if such sub-contractors, operators or joint venture partners lack adequate resources. In the event that insurance coverage is not available or the Group's insurance is insufficient to fully cover any losses, claims and/or liabilities incurred, or indemnities are difficult to enforce, the Group's business and operations, financial results or financial position may be disrupted and adversely affected.

The payment by the Group's insurers of any insurance claims may result in increases in the premiums payable by the Group for its insurance cover and adversely affect the Group's financial performance. In the future, some or all of the Group's insurance coverage may become unavailable or prohibitively expensive.

Functioning insurance market

Operational insurance policies are usually placed in one year contracts and the insurance market can withdraw cover for certain risks which can greatly increase the costs of risk transfer. Such increases are often driven by factors unrelated to the Company such as well control elsewhere in the world and wind storm damage.

Taxation

This document has been prepared in accordance with current UK tax legislation, practice and concession and interpretation thereof. Any change in the Group's tax status or the tax applicable to a holding of Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Group, affect the Group's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. It should be noted that the information contained in paragraph 18 of Part 6 of this document relating to the taxation of the Group and its investors is based upon current tax law and practice which is subject to legislative change. The taxation of an investment in the Company depends on the individual circumstances of investors, including, *inter alia*, tax laws in the jurisdiction in which that Shareholder is resident or domiciled. Potential investors should consult their professional advisers on the possible tax consequences of subscribing for, buying, holding, selling or transferring Ordinary Shares under the laws of their country of citizenship, residence or domicile.

During periods of high profitability in the oil and gas industry, there are often calls for increased or windfall taxes on oil and gas revenue. Taxes have increased or been imposed in the past and may increase or be imposed again in the future.

Litigation

While the Group currently has no material outstanding litigation or dispute, there can be no guarantee that the current or future actions of the Group will not result in litigation since there have been a number of cases where the rights and privileges of natural resource companies have been the subject of litigation. The petroleum industry, as with all industries, may be subject to legal claims, both with and without merit, from time to time. The Directors cannot preclude that such litigation may be brought against the Group in the future. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Group's financial position, results or operations. The Group's business may be materially adversely affected if the Group and/or its employees or agents are found not to have met the appropriate standard of care or not exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards.

Bank default

Recent credit market events have demonstrated the possibility of banks, previously thought to be secure, defaulting on their deposits. A good rating from a reputable rating agency does not provide adequate protection against default risk and as a corporate depositor the Company may fall outside any deposit protection schemes. If one or more of the Company's banks defaults on its deposits it would have a material adverse effect on the Group's ability to fund its commitments. In such an economic environment the Group would be unlikely to be able to sell assets at reasonable values or raise equity finance and consequently might be unable to continue its business.

3. Risks associated with the Ordinary Shares

Share price volatility and liquidity

Although the Company is applying for the Enlarged Share Capital to be admitted to trading on AIM, there can be no assurance that an active or liquid trading market for the Ordinary Shares will develop or, if developed, that it will be maintained. AIM is a market designed primarily for emerging or smaller growing companies which carry a higher than normal financial risk and tend to experience lower levels of liquidity than larger companies. Accordingly, AIM may not provide the liquidity normally associated with the Official List or some other stock exchanges. The Ordinary Shares may therefore be difficult to sell compared to the shares of companies listed on the Official List and the share price may be subject to greater fluctuations than might otherwise be the case. An investment in shares traded on AIM carries a higher risk than those listed on the Official List.

The Company is principally aiming to achieve capital growth and, therefore, Ordinary Shares may not be suitable as a short-term investment. Consequently, the share price may be subject to greater fluctuation on small volumes of shares traded, and thus the Ordinary Shares may be difficult to sell at a particular price. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. There can be no guarantee that the value of an investment in the Company will increase. Investors may therefore realise less than, or lose all of, their original investment.

The share prices of publicly quoted companies can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Group and its operations. These factors include, without limitation, the performance of the Company and the overall stock market, large purchases or sales of Ordinary Shares by other investors, changes in legislation or regulations and changes in general economic, political or regulatory conditions and other factors which are outside of the control of the Company.

Shareholders may sell their Ordinary Shares in the future to realise their investment. Sales of substantial amounts of Ordinary Shares following Admission and/or on termination of the lock-in restrictions (the terms of which are summarised in paragraph 14.7 of Part 6 of this document), or the perception that such sales could occur, could materially adversely affect the market price of the Ordinary Shares available for sale compared to the demand to buy Ordinary Shares. Such sales may also make it more difficult for the Company to sell equity securities in the future at a time and price that is deemed appropriate. There can be no guarantee that the price of the Ordinary Shares will reflect their actual or potential market value or the underlying value of the Group's net assets and the price of the Ordinary Shares may decline below the Placing Price.

Investment risk

An investment in the Company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time. While various oil and gas investment opportunities are available, potential investors should consider the risks that pertain to oil and gas development projects in general, and ventures in the UKCS in particular.

Dividends

There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the

Directors, and will depend on, among other things, the Company's earnings, financial position, cash requirements and availability of profits. A dividend may never be paid and at present, there is no intention to pay a dividend. At present, the Company's dividend policy is that all funds available for distribution should be reinvested in the business of the Company.

Share options and warrants

As detailed in paragraphs 16 and 14.23 of Part 6 to this document, the Company has issued share options and warrants to, amongst others, certain directors and certain of its existing professional advisers. The Company may, in the future, issue further share options and/or warrants to subscribe for new Ordinary Shares to certain advisers, employees, Directors, senior management and consultants of the Group. The exercise of any such share options and warrants would result in a dilution of the shareholdings of other investors.

Overseas Shareholders

The ability of an overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales. The rights of holders of Ordinary Shares are governed by English law and by the Articles. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. An overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. Consequently, it may not be possible for an overseas Shareholder to effect service of process upon the Directors and executive officers within the overseas Shareholder's country of residence or to enforce against the Directors and executive officers within the overseas Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of securities laws. There can be no assurance that an overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.

Forward-looking statements

This document contains forward-looking statements that involve risks and uncertainties. All statements, other than statements of historical facts, contained in this document, including statements regarding the Group's future financial position, business strategy and plans, business model and approach and objectives of management for future operations, are forward-looking statements. Generally, the forward-looking statements in this document use words like ''anticipate'', ''believe'', ''could'', ''estimate'', ''expect'', ''future'', ''intend'', ''may'', ''opportunity'', ''plan'', ''potential'', ''project'', ''seek'', ''will'' and similar terms. The Group's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Group which are described in this Part 2 and elsewhere in this document. Investors are urged to read this entire document carefully before making an investment decision. The forward-looking statements in this document are based on the relevant Directors' beliefs and assumptions and information only as of the date of this document, and the forward-looking events discussed in this document might not occur. Therefore, investors should not place any reliance on any forward-looking statements. Except as required by law or regulation, the Directors undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future earnings or otherwise.

It should be noted that the factors listed above are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Group is or may be exposed or all those associated with an investment in the Company. In particular, the Company's performance is likely to be affected by changes in market and/or economic conditions, political, judicial, and administrative factors and in legal, accounting, regulatory and tax requirements in the areas in which it operates and holds its major assets. There may be additional risks and uncertainties that the Directors do not currently consider to be material

or of which they are currently unaware which may also have an adverse effect upon the Group.

If any of the risks referred to in this Part 2 crystallise, the Group's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of its Ordinary Shares could decline and investors may lose all or part of their investment.

PART 3

ACCOUNTANT'S REPORT AND FINANCIAL INFORMATION ON THE PREDATOR OIL GROUP

Section A: Accountant's report

BDO LLP
55 Baker Street
London
W1U 7EU

14 March 2011

The Directors
Trap Oil Group plc
10 The Triangle
NG2 Business Park
Nottingham
NG2 1AE

and

The Directors
Strand Hanson Limited
26 Mount Row
London
W1K 3SQ

Dear Sirs

Predator Oil Limited ("Predator") and its subsidiary undertaking (together, the "Predator Oil Group")

Introduction

We report on the financial information set out in Section B of Part 3. This financial information has been prepared for inclusion in the admission document dated 14 March 2011 of Trap Oil Group plc (the ''Admission Document'') on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The directors of Trap Oil Group plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union (''IFRSs'').

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Predator Oil Group as at the dates stated and of its consolidated losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1 to the financial information and has been prepared in accordance with IFRSs as described in note 1 to the financial information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

BDO LLP
Chartered Accountants
London
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Section B: Financial information

Consolidated statement of comprehensive income

	Notes	*Period from 12 December 2007 to 31 December 2008*	*Year ended 31 December 2009*	*2010*
		2008	*2009*	*2010*
		£	£	£
Continuing operations				
Revenue		345,834	850,000	1,264,263
Cost of sales		(199,187)	(354,938)	(250,039)
Gross profit		146,647	495,062	1,014,224
Other operating income		—	75	—
Administrative expenses		(620,101)	(1,196,060)	(1,311,785)
(Loss) from operations	4	(473,454)	(700,923)	(297,561)
Finance costs	3	(25,452)	(49,644)	(56,259)
Finance income	3	4,283	943	383
(Loss) before tax		(494,623)	(749,624)	(353,437)
Taxation	5	—	—	—
(Loss) for the period		(494,623)	(749,624)	(353,437)
Other comprehensive income		—	—	—
Total comprehensive income for the period		(494,623)	(749,624)	(353,437)
(Loss) attributable to:				
Owners of the parent		(494,623)	(749,624)	(353,437)
Total comprehensive income attributable to:				
Owners of the parent		(494,623)	(749,624)	(353,437)
(Loss) per share	6	(£62.77)	(£95.13)	(£44.49)

Consolidated statement of financial position

	Notes	*As at 31 December* 2008 £	2009 £	2010 £
Assets				
Non-current assets				
Intangible assets	7	3,833,333	3,350,764	2,919,547
Property, plant and equipment	8	—	—	1,771
		3,833,333	3,350,764	2,921,318
Current assets				
Trade and other receivables	10	183,306	25,109	576,250
Cash and cash equivalents	11	583,799	530,333	307,451
		767,105	555,442	883,701
Total assets		4,600,438	3,906,206	3,805,019
Capital and reserves attributable to equity holders of the Company				
Share capital	12	7,880	7,880	9,040
Share premium	13	70,920	70,920	94,501
Shares to be issued	13	4,000,000	4,000,000	—
Retained deficit	13	(494,623)	(1,244,247)	(1,597,684)
Total Equity		3,584,177	2,834,553	(1,494,143)
Liabilities				
Non-current liabilities				
Long term loan notes	15	709,200	709,200	992,700
Other payables	14	—	—	4,000,000
		709,200	709,200	4,992,700
Current liabilities				
Trade and other payables	14	307,061	362,453	306,462
		307,061	362,453	306,462
Total liabilities		1,016,261	1,071,653	5,299,162
Total equity and liabilities		4,600,438	3,906,206	3,805,019

Consolidated statement of changes in equity

	Share capital £	*Share premium* £	*Shares to be issued* £	*Retained deficit* £	*Total equity* £
Balance at 12 December 2007	—	—	—	—	—
Issue of share capital	7,880	70,920	—	—	78,800
(Loss) for the period	—	—	—	(494,623)	(494,623)
Shares to be issued	—	—	4,000,000	—	4,000,000
Balance at 31 December 2008	7,880	70,920	4,000,000	(494,623)	3,584,177
(Loss) for the period	—	—	—	(749,624)	(749,624)
Balance at 31 December 2009	7,880	70,920	4,000,000	(1,244,247)	2,834,553
Issue of share capital	1,160	23,581	—	—	24,741
(Loss) for the period	—	—	—	(353,437)	(353,437)
Transfer to other payables	—	—	(4,000,000)	—	(4,000,000)
Balance at 31 December 2010	9,040	94,501	—	(1,597,684)	(1,494,143)

Consolidated statement of cash flows

	Notes	*Period from 12 December 2007 to 31 December 2008*	*Year ended 31 December 2009*	*2010*
		£	£	£
Cash flows from operating activities				
Cash absorbed by operations	1a	(208,484)	(36,978)	(460,067)
Net cash from operations		(208,484)	(36,978)	(460,067)
Cash flows from investing activities				
Purchase of intangible fixed assets	7	—	(17,431)	(68,783)
Purchase of tangible fixed assets	8	—	—	(2,656)
Interest received	3	4,283	943	383
Net cash from investing activities		4,283	(16,488)	(71,056)
Cash flows from financing activities				
Loan notes	15	709,200	—	283,500
Shares issued (net of costs)	12	78,800	—	24,741
Net cash from financing operations		788,000	—	308,241
Increase / (decrease) in cash and cash equivalents		583,799	(53,466)	(222,882)
Cash and cash equivalents at beginning of period	2a	—	583,799	530,333
Cash and cash equivalents at end of period	2a	583,799	530,333	307,451

Notes to the consolidated statement of cash flows

1a Reconciliation of (loss) before income tax to cash generated from operations

	2008	2009	2010
	£	£	£
(Loss) before tax	(494,623)	(749,624)	(353,437)
Depreciation charges	—	—	885
Amortisation	166,667	500,000	500,000
Finance income	(4,283)	(943)	(383)
	(332,239)	(250,567)	147,065
(Increase)/decrease in trade and other receivables	(183,306)	158,197	(551,141)
Increase/(decrease) in trade and other payables	307,061	55,392	(55,991)
Cash absorbed by operations	(208,484)	(36,978)	(460,067)

Non cash transactions in 2008 related to the acquisition of the data licence (see notes 7 and 14 for further information). There were no non-cash transactions in 2009 and 2010.

2a Cash and cash equivalents

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of the following:

Year ended 31 December 2010

	31 December 2010	*1 January 2010*
	£	£
Cash and cash equivalents	307,451	530,333

Year ended 31 December 2009

	31 December 2009	*1 January 2009*
	£	£
Cash and cash equivalents	530,333	583,799

Period ended 31 December 2008

	31 December 2008	*1 January 2008*
	£	£
Cash and cash equivalents	583,799	—

Notes to the consolidated financial information

1. Accounting policies

Basis of preparation

This financial information has been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as adopted by the European Union (''IFRS'') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Predator Oil Group has chosen to adopt International Financial Reporting Standards as adopted by the European Union (IFRS) for the year ended 31 December 2010. It has however, also updated the disclosure in the two period comparatives since incorporation under IFRS. This is the first time that group financial information has been prepared.

The Predator Oil Group accounts for oil and exploration activities under IFRS 6 'Exploration for and Evaluation of Mineral Resources' as explained further in the Intangible Assets accounting note.

Critical accounting judgements and key sources of estimation uncertainty

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

Accounting judgements

- Carrying values of intangible assets (Note 7)

Accounting estimates

- Carrying value of property, plant and equipment (Note 8)
- Financial instruments (Note 17)

Changes in accounting policies

(i) New and amended standards adopted by the Predator Oil Group

The following new standards and amendments to standards are mandatory for the first time for the Predator Oil Group for the financial year beginning 1 January 2010.

Standard	*Effective date*	*Impact on initial application*
IAS 27 – Amendment – Consolidated and Separate Financial Statements	1 Jul 2009	The amendment affects the acquisition of subsidiaries achieved in stages and disposals of interests. Amendment does not require the restatement of previous transactions. During the year, there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity; there have been no transactions with non-controlling interests.
IFRS 3 – Revised – Business Combinations	1 Jul 2009	The revision to IFRS 3 introduced a number of changes in accounting for acquisition costs and recognition of intangible assets in business combinations. The revised standard does not require the restatement of previous business combinations. During the year, there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity; there have been no transactions with non-controlling interests.
IAS 39 – Amendment – Financial Instruments: Recognition and Measurement: Eligible Hedged Items	1 Jul 2009	The amendment clarifies the principles for determining the eligibility of hedged items. The amendment did not have any impact on the current or prior periods' financial statements. Future transactions will be accounted for consistently with this amendment.
IFRS 2 – Amendment – Group Cash-settled Share-based Payment Transactions	1 Jan 2010	The amendment clarifies that where a parent (or another group entity) has an obligation to make a cash-settled share-based payment to another group entity's employees or suppliers, the entity receiving the goods or services should account for the transaction as equity-settled. The amendment did not have any impact on the current or prior periods' financial statements. Future transactions will be accounted for consistently with this amendment.
Improvements to IFRSs (2009)	Generally 1 January 2010	The improvements in this amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards. The improvements did not have any impact on the current or prior periods' financial statements
IFRIC 17 – Distributions of Non-cash Assets to Owners	1 Jan 2010	The interpretation provides guidance on how to measure distribution of assets other than cash. The application of this interpretation did not have any impact on the current or prior periods' financial statements. Future transactions will be accounted for consistently with this interpretation.

Standard	*Effective date*	*Impact on initial application*
IFRIC 18 – Transfer of Assets from Customers	1 Jan 2010	The interpretation clarifies the treatment of agreements in which an entity receives from a customer an item of property that it must use to provide the customer with an on-going access to goods or services. The application of this interpretation did not have any impact on the current or prior periods' financial statements. Future transactions will be accounted for consistently with this interpretation.
IFRIC 9/ IAS 39 – Amendment – Embedded Derivatives	1 Jan 2010	The amendment clarifies the treatment of embedded derivatives in host contracts that are classified out of fair value through profit or loss. The application of this interpretation did not have any impact on the current or prior periods' financial statements. Future transactions will be accounted for consistently with this interpretation.
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation	1 Jan 2010	The interpretation provides guidance for the application of hedge accounting in foreign operations. The application of this interpretation did not have any impact on the current or prior periods' financial statements. Future transactions will be accounted for consistently with this interpretation.

No other IFRS issued and adopted but not yet effective are expected to have an impact on the Predator Oil Group's financial information.

Changes in accounting policies *(continued)*

(ii) Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of this financial information which have not been adopted early:

Standard	*Description*	*Effective date*
IAS 32	Amendment – Classification of Rights Issues	1 Feb 2010
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 Jul 2010
IFRS 1	Amendment – First Time Adoption of IFRS	1 Jul 2010
IAS 24	Revised – Related Party Disclosures	1 Jan 2011
IFRIC 14	Amendment – IAS 19 Limit on a defined benefit asset	1 Jan 2011
IFRS 7 *	Amendment – Transfer of financial assets	1 Jul 2011
IFRS 1 *	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 Jul 2011
	Improvements to IFRSs (2010) *	1 Jan 2011
IAS 12 *	Deferred Tax: Recovery of Underlying Assets	1 Jan 2012
IFRS 9 *	Financial instruments	1 Jan 2013

The Predator Oil Group has not yet assessed the impact of IFRS 9. Except for the amended disclosure requirements of IAS 24, the above revised standards, amendments and interpretations are not expected to materially affect the Predator Oil Group's reporting or reported numbers.

* Not yet endorsed by the European Union.

Basis of consolidation

The Predator Oil Group's financial information consolidates the accounts of the Parent Company and its subsidiary undertaking as if they formed a single entity, both of which are made up to 31 December 2010. Inter-company transactions and balances between group companies are therefore eliminated in full.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable. Revenue is derived from the principal activity of the Predator Oil Group. The Predator Oil Group is involved in the analysis of seismic data and information in the exploration of oil reserves in the North Sea. Revenue is derived from annual retainers with strategic partners and success fees paid by them on the award of licences to explore further. Revenue derived from annual retainers with strategic partners is allocated to the period to which it relates. Success fees are recognised following receipt of confirmation by strategic partners of the identification of an opportunity for application for a licence to explore further.

Intangible assets – exploration and evaluation

The Predator Oil Group accounts for oil and exploration assets using IFRS 6 'Exploration for and Evaluation of Mineral Resources'. Under this standard, the exploration and appraisal activities are capitalised as intangible assets. Licence acquisition costs and direct costs of exploration are initially capitalised as intangible assets, pending determination of the existence of commercial reserves in the licence area. General overheads are not included within intangible assets and are expensed to the income statement as incurred. Such assets are classified as intangible assets based on the nature of the underlying asset, which does not yet have any proven physical substance. Exploration and appraisal costs are held, undepleted, until such a time as the exploration phase on the licence area is complete or commercial reserves have been discovered. If no discoveries are made, the accumulated capitalised costs will be written off through the income statement. Where the facts and circumstances indicate that exploration and evaluation costs exceed their recoverable amount, the intangible costs will be tested for impairment.

Intangible assets – data licence

The data licence cost reflects the fair value of the consideration paid to acquire access to the data in August 2008. Data licence costs are amortised over the life of the licence.

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer equipment – 3 years

Financial instruments

Financial assets and liabilities are recognised on the Predator Oil Group's statement of financial position when the Predator Oil Group becomes a party to the contractual provisions of the instrument. The Predator Oil Group classifies its financial assets into loans and receivables, which comprise trade and other receivables and cash and cash equivalents. The Predator Oil Group has not classified any of its financial assets as held to maturity or available for sale or fair value through profit or loss.

Trade and other receivables

Trade and other receivables are initially recorded at fair value and subsequently at amortised cost less an allowance for doubtful debts. The amount of any allowance is recognised in the Statement of Comprehensive Income.

Cash and cash equivalents

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

Financial liabilities

The Predator Oil Group classifies its financial liabilities into one category, depending on the purpose for which the liability was acquired. The accounting policy for this category is as follows:

> Other financial liabilities
>
> Include the following items:
>
> Long term loan notes are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and any interest or coupon payable while the liability is outstanding.
>
> Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Financial liabilities and equity instruments issued by the Predator Oil Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Predator Oil Group after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Taxation

Current taxes are based on the results shown in the financial information and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the reporting date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the reporting date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Employee benefit costs

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

Operating leases

The Predator Oil Group has entered into operating lease agreements during the period. The expense for the operating agreement is recognised in the statement of comprehensive income as it is incurred.

Financing expense

Interest is charged on borrowings at the rate provided in the loan note agreement and included in the finance cost line in the income statement. Interest does not get rolled up into the principal capital of the loan notes. Accrued interest is therefore shown within trade and other payables.

2. Employees and directors

	2008	*2009*	*2010*
	£	£	£
Wages and salaries	210,098	337,049	304,992
Social security costs	22,863	39,485	35,381
Other pension costs	58,087	82,508	82,508
	291,048	459,042	422,881

The average monthly number of employees during each year was as follows:

Directors	5	5	5

	2008	*2009*	*2010*
	£	£	£
Directors' remuneration	206,283	337,049	304,992
Directors' pension contributions to money purchase scheme	53,088	82,508	82,508
	259,371	419,557	387,500

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	2	2	2

Information regarding the highest paid director is as follows:

Emoluments	74,375	110,208	100,000
Pensions contributions	—	—	—

The Directors are considered to be key management with all relevant disclosure for short term benefits and employment benefits being provided above. In addition the directors have provided loan notes to the Predator Oil Group totalling £347,400 (2009: £347,400, 2008: £347,400).

3. Net finance costs

	2008	*2009*	*2010*
	£	£	£
Finance income:			
Interest received	4,283	943	383
Finance costs:			
Loan note interest	(25,452)	(49,644)	(56,259)
Net finance costs	(21,169)	(48,701)	(55,876)

4. (Loss) from operations

The loss from operations is stated after charging/(crediting):

	2008	*2009*	*2010*
	£	£	£
Revenue from retainers	(195,834)	(700,000)	(564,263)
Revenue from success fees	(150,000)	(150,000)	(700,000)
Cost of sales recognised as expense	199,187	354,939	250,039
Amortisation	166,667	500,000	500,000
Auditor's remuneration	4,182	6,251	17,488
Depreciation – owned assets	—	—	885
Foreign exchange loss	—	137	119

The Directors consider that the Predator Oil Group operates in one segment which is the UK Continental Shelf. The entity-wide disclosures as required by IFRS8 are provided within the other notes. Revenue is generated from two key customers.

5. Taxation

Analysis of the tax charge

	2008	*2009*	*2010*
	£	£	£
Current tax	—	—	—
Deferred tax	—	—	—
	—	—	—

UK corporation tax is calculated at 28% (2009: 30%, 2008: 30%) of the estimated assessable profit for the year.

	2008	*2009*	*2010*
	£	£	£
(Loss) on ordinary activities per the accounts	(494,623)	(749,624)	(353,437)
Tax reconciliation			
(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009: 30%, 2008: 30%)	(148,387)	(224,887)	(98,962)
Losses carried forward not recognised for deferred tax	148,387	224,887	98,962
Total tax charge	—	—	—

6. (Loss) per share

Basic (loss) per share is calculated by dividing the (loss) for the year attributed to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. There were no potential ordinary shares in issue in the periods and therefore basic and diluted earnings per share are the same:

	2008	*2009*	*2010*
	£	£	£
(Loss) after tax	(494,623)	(749,624)	(353,437)
Weighted average number of shares in issue	7,880	7,880	7,945
(Loss) per share	(£62.77)	(£95.13)	(£44.49)

7. Intangible assets

	Exploration licences £	*Data licence costs* £	*Totals* £
Cost			
At 12 December 2007	—	—	—
Additions	—	4,000,000	4,000,000
At 31 December 2008	—	4,000,000	4,000,000
Additions	17,431	—	17,431
At 31 December 2009	17,431	4,000,000	4,017,431
Additions	68,783	—	68,783
At 31 December 2010	86,214	4,000,000	4,086,214
Amortisation			
At 12 December 2007	—	—	—
Charge for the year	—	166,667	166,667
At 31 December 2008	—	166,667	166,667
Charge for the year	—	500,000	500,000
At 31 December 2009	—	666,667	666,667
Charge for the year	—	500,000	500,000
At 31 December 2010	—	1,166,667	1,166,667
Net Book Value			
At 31 December 2010	86,214	2,833,333	2,919,547
At 31 December 2009	17,431	3,333,333	3,350,764
At 31 December 2008	—	3,833,333	3,833,333

Intangible assets – exploration licences – comprise the Predator Oil Group's pre-production expenditure on the P.1650 licence interest.

8. Property, plant and equipment

	Computer equipment £
Cost	
At 12 December 2007	—
At 31 December 2008	—
At 31 December 2009	—
Additions	2,656
At 31 December 2010	2,656
Depreciation	
At 12 December 2007	—
At 31 December 2008	—
At 31 December 2009	—
Charge for year	885
At 31 December 2010	885
Net Book Value	
At 31 December 2010	1,771
At 31 December 2009	—
At 31 December 2008	—

9. Investments

Predator Oil Limited's investments at the reporting dates in the share capital of its subsidiary were as follows:

Subsidiary
TRAP Oil Limited
Country of incorporation: England and Wales
Nature of business: Oil exploration

	% Holding
Class of shares:	100.00

10. Trade and other receivables

	2008 £	*2009* £	*2010* £
Current:			
Trade receivables	176,250	—	576,250
VAT	—	25,109	—
Prepayments	7,056	—	—
	183,306	25,109	576,250

All amounts fall due for repayment within one year. There were £nil, (2009 £nil, 2008 £nil) past due or impaired.

11. Cash and cash equivalents

	2008 £	*2009* £	*2010* £
Bank accounts	583,799	530,333	307,451

12. Called up share capital

Authorised:		*Nominal*	*2008*	*2009*	*2010*
Number:	*Class:*	*Value (£):*	£	£	£
1,000,000	Ordinary	1	1,000,000	1,000,000	1,000,000
1,000,000	Ordinary A	1	1,000,000	1,000,000	1,000,000
			2,000,000	2,000,000	2,000,000

Allotted, issued and fully paid:					
		Nominal	*2008*	*2009*	*2010*
Number:	*Class:*	*Value (£):*	£	£	£
2,848	Ordinary	1	2,500	2,500	2,848
6,192	Ordinary A	1	5,380	5,380	6,192
			7,880	7,880	9,040

All shares have equal voting rights and rank pari passu. Predator Oil Limited was incorporated with authorised share capital of £1 million divided into 1 million ordinary shares of £1 each of which 500 were issued for cash at £10 per share. On 25 April 2008, the authorised share capital was increased to £2 million by the creation of 1 million ordinary A shares of £1 each. On the same date, 1,985 ordinary shares and 3,620 ordinary A shares were issued for cash at £10 per share and 340 issued ordinary shares were redesignated as ordinary A shares. On 22 December 2008, 355 ordinary shares and 1,420 ordinary A shares were issued for cash at £10 per share. On 9 December 2010, 348 ordinary shares and 626 ordinary A shares were issued for cash at £10 per share. On 24 December 2010, 186 ordinary A shares were issued for cash at £80.65 per share.

13. Reserves

	Retained deficit	*Share premium*	*Shares to be issued reserve*	*Totals*
	£	£	£	£
Balance at 12 December 2007	—	—	—	—
(Loss) for the period	(494,623)	—	—	(494,623)
Cash share issue	—	70,920	—	70,920
Shares to be issued	—	—	4,000,000	4,000,000
Balance at 1 January 2009	(494,623)	70,920	4,000,000	3,576,297
(Loss) for the year	(749,624)	—	—	(749,624)
At 1 January 2010	(1,244,247)	70,920	4,000,000	2,826,673
(Loss) for the year	(353,437)	—	—	(353,437)
Share issue (net of costs)	—	23,581	—	23,581
Transfer to other payables (Note 14)	—	—	(4,000,000)	(4,000,000)
Balance at 31 December 2010	(1,597,684)	94,501	—	(1,503,183)

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value
Shares to be issued	Reflects shares to be issued as part of consideration for the data licence rights
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income

14. Trade and other payables

	2008 £	*2009* £	*2010* £
Current:			
Trade payables	39,738	32,368	25,956
Social security and other taxes	14,335	—	—
Accrued expenses and deferred income	230,905	330,085	271,482
VAT	22,083	—	9,024
	307,061	362,453	306,462
Non-current:			
Other payables	—	—	4,000,000
	—	—	4,000,000
Aggregate amounts	307,061	362,453	4,306,462

The terms of the contract to acquire the data licence in August 2008 were amended under a supplemental to the original agreement. The effect of the amendment was to revise the consideration from being settled in shares of the company to being settled in cash in accordance with the terms set out below. Included in non-current other payables of the Predator Oil Group is £4,000,000 which relates to the consideration for the data licence obtained which has been capitalised under Intangible Assets. The term of the licence is for 8 years and the final liability is due on expiry of the licence. However, should the Predator Oil Group float on an investment or stock exchange, the sum of £1,000,000 shall be due immediately. Following that, should the Predator Oil Group obtain additional finance of over £10,000,000 as a result of the flotation, then a further £1,000,000 as part of the consideration falls due immediately. Also on each and every success fee after the additional financing has been obtained, that is acquired from using the data from the licence, £300,000 – £350,000 becomes due immediately. Any balance remaining when the licence expires is due on that date and shall attract interest at LIBOR plus 1%. At 31 December 2010 these events had not occurred and so the payable has been treated as non-current.

15. Long term loan notes

	2008 £	*2009* £	*2010* £
Non-current:			
Long term loan notes	709,200	709,200	992,700

The non-current other payable relates to loan notes provided to the company by its directors and shareholders under loan instruments dated 25/04/08, 22/12/08 and 09/12/10. The notes rank equally and rateably without preference as an unsecured debt obligation of the Predator Oil Group. The value of the loan notes has been stated at the fair value of the cash consideration, and no interest has been capitalised in the liability. Interest is payable on the loan notes at a rate of 7% from the date of the agreement. The first payment of interest is due on 31 December 2012. Interest accrued to date has been shown in accrued expenses within current trade and other payables. All loans fall due on 31 December 2015.

16. Leasing agreements

The Predator Oil Group operates from serviced offices in London and Arundel. As this is a serviced office, the lease can be terminated without notice and therefore all amounts fall due within less than six months and are considered immaterial for the purposes of disclosure. The Predator Oil Group has also entered into an agreement for office support services and technical assistance with Exploration Geosciences Limited. The terms of the agreement are for a 3 year period commencing 14 April 2008 but this can be varied and terminated by mutual consent.

17. Financial instruments

The Predator Oil Group's financial instruments comprise cash, loan notes, and items such as receivables and payables which arise directly from its operations. The Predator Oil Group's activities are subject to a range of financial risks, the main ones being credit, liquidity, interest rates and capital. These risks are managed through ongoing review taking into account the operational, business and economic circumstances at that time.

Credit risk

The Predator Oil Group is exposed to credit risk as all receivables are due from two customers. The customers are invoiced in accordance with the terms of their individual contracts and amounts outstanding are settled in full in accordance with the contract terms. At 31 December 2010 trade receivables were £576,250 (2009: £nil, 2008: £176,250) representing approximately one month of due payments (2009: nil, 2008: one month). The fair value of trade receivables approximates to their carrying value because of their short maturity. Any surplus cash is held on deposit with the Predator Oil Group's bankers. The maximum credit exposure in the period was in line with the balances held by the Predator Oil Group at each period end.

Liquidity risk

Though the Predator Oil Group has the benefit of a revenue stream, there is still a need for external financing. The Predator Oil Group has in place long term loan notes provided by its directors and shareholders. Details of the terms and maturity of the loan notes are included in note 15. Details of the terms of the non-current other payables are included in note 14.

The Predator Oil Group monitors its levels of working capital to ensure it can meet liabilities as they fall due. The following table shows the contractual maturities of the Predator Oil Group's financial liabilities, all of which are measured at amortised cost.

	Trade and other payables	*Non-current payables*	*Long term borrowings*
At 31 December 2010	£	£	£
6 months or less	34,980	—	—
6-12 months	131,355	—	—
1-2 years	—	—	—
2-5 years	—	4,000,000	992,700
Over 5 years	—	—	—
Total	166,335	4,000,000	992,700
At 31 December 2009			
6 months or less	32,368	—	—
6-12 months	75,096	—	—
1-2 years	—	—	—
2-5 years	—	—	—
Over 5 years	—	—	709,200
Total	107,464	—	709,200

	Trade and other payables £	Non-current payables £	Long term borrowings £
At 31 December 2008			
6 months or less	76,156	—	—
6-12 months	25,452	—	—
1-2 years	—	—	—
2-5 years	—	—	—
Over 5 years	—	—	709,200
Total	101,608	—	709,200

Trade and other payables do not normally incur interest charges. There is no difference between the fair value of the trade and other payables and their carrying amounts. Borrowings bear interest at a fixed rate of 7%.

Interest rate risk

The Predator Oil Group has interest bearing liabilities as described in Note 15. The loan notes are unsecured. Interest is charged at 7%. As the interest rate on the loans is fixed, there is considered to be no requirement to provide any sensitivity analysis.

Included in other payables is an amount of £4,000,000. See note 14 for further detail. The amount due will attract interest at LIBOR plus 1% once the original repayment terms of the loan have expired. At the reporting date these terms had not expired and therefore it is considered unlikely by the Directors that interest will accrue in the foreseeable future and that any amounts would be immaterial. Accordingly no sensitivity analysis has been performed.

Capital risk management

The Predator Oil Group's objectives when managing capital are to safeguard the Predator Oil Group's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital. The Predator Oil Group defines capital as being the consolidated shareholder equity and bank borrowings. The Board monitors the level of capital as compared to the Predator Oil Group's long term debt commitments and adjusts the ratio of debt to capital as is determined to be necessary, by issuing new shares, reducing or increasing debt, and returning capital to shareholders. The Predator Oil Group is not subject to any externally imposed capital requirements.

18. Capital commitments and guarantees

The Predator Oil Group's contractual commitments under its interests in its licences as at 31 December 2010 are set out in Part 1 of this document.

19. Related party disclosures

Predator Oil Limited has also issued loan notes totalling £992,700 (2009 and 2008: £709,200) to a number of investors and the directors of the company. The notes rank equally and rateably without preference as an unsecured debt obligation of the company. The value of the loan notes has been stated at the fair value of the cash consideration. No interest has been capitalised in the liability. The loan notes are redeemable on 31 December 2015. Interest is payable at a rate of 7% and the first payment of interest is due on 31 December 2012. The interest has been accrued to date and is shown in the accounts in non-current liabilities, other payables.

The Directors and key management also earn interest on the loan notes provided to the Predator Oil Group at 7% on the original principal which amounts to approximately £24,000 per annum.

During the year ended 31 December 2010, the subsidiary, TRAP Oil Limited, paid expenses on behalf of Predator Oil Limited totalling £91,278 (2009: £4,884) but received extra funding of £315,000, leaving an amount owing at the year end to Predator Oil Limited of £218,837 (2009: due to TRAP Oil Limited £4,884, 2008: £nil).

20. Key accounting policies under IFRS

IFRS 6 – 'Exploration for and Evaluation of Mineral Resources'

Under UK GAAP the Predator Oil Group previously accounted for its intangible assets following the full cost method of accounting in accordance with the Statement of Recommended Practice 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities.' The Predator Oil Group has now adopted IFRS 6 'Exploration for and Evaluation of Mineral Resources'. There has been no change to the carrying value of the assets following this adoption. Both standards allowed for the licence acquisition costs and direct costs of exploration and appraisal to be initially capitalised as intangible assets, pending determination of the existence of commercial reserves in the licence area.

PART 4

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE PREDATOR OIL GROUP

The following unaudited pro forma statement of net assets of the Predator Oil Group (the ''pro forma financial information'') is based on the consolidated net assets of the Predator Oil Group as at 31 December 2010, set out in the consolidated financial information of the Predator Oil Group for the year ended on that date, and has been prepared to illustrate the effect on the consolidated net liabilities of the Predator Oil Group as if the Placing was completed on 31 December 2010.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Predator Oil Group's actual financial position or results.

The pro forma financial information has been prepared under International Financial Reporting Standards as adopted by the EU and on the basis set out in the notes set out below. The pro forma financial information is stated on the basis of the accounting policies adopted in the last consolidated financial statements of the Predator Oil Group.

	Predator Oil Group as at 31 December 2010 Note (1) £	*Adjustment Note (2)* £	*Pro forma net assets of the Predator Oil Group* £
Non-current assets			
Intangible assets	2,919,547	—	2,919,547
Property, plant and equipment	1,771	—	1,771
Total non-current assets	2,921,318	—	2,921,318
Current assets			
Trade and other receivables	576,250	—	576,250
Cash and cash equivalents	307,451	55,355,000	55,662,451
Total current assets	883,701	55,355,000	56,238,701
Total assets	3,805,019	55,355,000	59,160,019
Current liabilities			
Trade and other payables	(306,462)	—	(306,462)
Total current liabilities	(306,462)	—	(306,462)
Non-current liabilities			
Borrowings	(992,700)	—	(992,700)
Other payables	(4,000,000)	—	(4,000,000)
Total non-current liabilities	(4,992,700)	—	(4,992,700)
Net (liabilities)/assets	(1,494,143)	55,355,000	53,860,857

Notes:

1. The net liabilities in respect of the Predator Oil Group as at 31 December 2010 have been extracted, without material adjustment, from the consolidated financial information on the Predator Oil Group as at 31 December 2010, as set out in Part 3 of this document. The net assets of the Company have been omitted from the unaudited *pro forma* net asset statement on the grounds that they are immaterial.
2. The Placing, is estimated to raise net proceeds of £55.4 million (gross proceeds of £60.0 million less estimated expenses of £4.6 million).
3. No account has been taken of the financial performance of the Predator Oil Group since 31 December 2010 nor of any other event save as disclosed above.

BDO LLP
55 Baker Street
London
W1U 7EU

14 March 2011

The Directors
Trap Oil Group plc
10 The Triangle
NG2 Business Park
Nottingham
NG2 1AE

and

The Directors
Strand Hanson Limited
26 Mount Row
London
W1K 3SQ

Dear Sirs

Trap Oil Group plc (the "Company"): Pro forma financial information

We report on the unaudited pro forma statement of net assets (the ''Pro forma financial information'') set out in Part 4 of the AIM admission document of the Company dated 14 March 2011 (the ''Admission Document''), which has been prepared on the basis described in the notes thereto, for illustrative purposes only, to provide information about how the Placing might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in preparing its financial statements for the period ending 31 December 2011.

Responsibilities

It is the responsibility of the Directors of the Company to prepare the Pro forma financial information in accordance with paragraph (a) of Schedule Two of the AIM Rules for Companies.

It is our responsibility to form an opinion, as required by paragraph (a) of Schedule Two of the AIM Rules for Companies, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as to and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors of the Company.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

a) the Pro forma financial information has been properly compiled on the basis stated; and

b) such basis is consistent with the accounting policies to be adopted by the Company.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Paragraph (a) of Schedule Two of the AIM Rules for Companies.

Yours faithfully

BDO LLP
Chartered Accountants
London
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Trap Oil Group plc

Competent Person's Report

on

Trap Oil Limited's UKCS Assets

14 March 2011

Prepared by: Challenge Energy Limited

Dr. C.D.Longman BSc, PhD, FGS

Contents

PRINCIPAL OFFICE: **1 Eastgate Court, High Street, Guildford, Surrey GU1 3DE**

To:

The Directors
Trap Oil Group plc
10 The Triangle
NG2 Business Park
Nottingham NG2 1AE

The Directors
Strand Hanson Limited
26 Mount Row
London W1K 3SQ

and

The Partners
Mirabaud Securities LLP
33 Grosvenor Place
London SW1X 7HY

14 March 2011

Gentlemen,

COMPETENT PERSON'S REPORT ON TRAP OIL LIMITED'S UKCS ASSETS

Introduction

Trap Oil Group plc (the "Company") engaged Challenge Energy Limited ("Challenge") to independently review, and prepare a report on, the assets held by its wholly owned subsidiary Trap Oil Limited ("Trap") on the United Kingdom Continental Shelf (UKCS). This Competent Person's Report ("CPR") reviews the assets currently held by Trap and also references an outstanding licence application.

The Company is a recently formed holding company for an independent UK oil and gas exploration and appraisal business with a geographic focus on the UKCS. Challenge understands that the Company is seeking admission of its entire issued share capital to trading on AIM, a market operated by the London Stock Exchange plc, and that the results of its review will be included in an admission document to be prepared in connection with such application for admission to trading on AIM. This CPR has been prepared in accordance with the AIM Rules for Companies and in particular the Note for Mining and Oil & Gas Companies dated June 2009, as issued by the London Stock Exchange plc.

Professional Qualifications

Challenge is an independent UK based advisory group that provides commercial and technical services to the upstream oil and gas industry. Challenge has been providing such services to a wide variety of companies on a continuous basis since it was founded in 1997.

This CPR has been prepared under the supervision of Dr C.D.Longman (BSc, PhD, FGS) who is a geologist by profession and has 30 years' experience in the UK and International oil & gas industry. All Challenge personnel involved in the evaluation have professional qualifications appropriate to the oil and gas industry.

Neither Challenge nor any of its directors, employees or associates has any material interest either direct, indirect or contingent in the Company nor in any of the assets reviewed in this report nor in any other asset of the Company nor its current subsidiaries. This report has been prepared by Challenge strictly in the role of an independent expert. Professional fees payable for this engagement and the preparation of this report constitute Challenge's only commercial interest in the Company. Payment of fees is in no way contingent upon conclusions contained in this report.

Information Provided

This evaluation is based on data provided by Trap's management team supplemented with additional information sourced from the public domain. The documents provided have been authored by Trap, Bridge Resources Corporation (Bridge), Norwegian Energy Company UK Limited (Noreco), Petro-

Canada UK Limited (Suncor) and others.

In addition to reviewing such documents, Challenge has had discussions with Trap personnel during the engagement and also visited the offices of Exploration Geosciences Limited (EGL) to review the seismic data interpretations performed by EGL on behalf of Trap. The CPR has been prepared based on information available up to and including 16 February 2011.

No site visits were undertaken as part of this report since all of the assets concerned are located in the UKCS which is a region that is well known to the author and on which there is significant published information concerning the regional geology, structural configuration and hydrocarbon potential.

Basis of the Review

The report comprises a review of Trap's UKCS assets and the principles and processes applied leading to the estimated hydrocarbons in place and resources. These have been documented in the data provided and, in some cases, a reassessment of the hydrocarbons in place and resources that may be expected from the licences has been made. Challenge has not been requested to provide a full independent view based upon a detailed reinterpretation of the original dataset. Consequently, any quantitative opinion expressed by Challenge is for guidance only.

Geological risk assessment is a subjective process dependent upon the experience and judgement of the evaluators and may be subject to revisions with further data acquisition or interpretation. Challenge has calculated the technical chance of success for all the prospects to generate a consistent approach to the risk assessment. Where risk elements have been removed by the discovery of hydrocarbons through previous drilling and/or flow testing of prospects, a 100% factor has been applied to those elements. The remaining elements of the chance of success calculation have had parameters assigned to them to reflect the remaining level of uncertainty. In consequence, the chance of success figures presented in this report represent Challenge's assessment of the chance of finding hydrocarbons within the volumetric range described (not the chance of finding "a barrel of oil/cubic foot of gas"). This methodology is considered the most appropriate in basins with proven hydrocarbon systems such as on the UKCS.

The legal basis for Trap's interests in the various assets described herein and the partnership agreements governing joint operations have not been verified as part of this report.

The review has been carried out in accordance with the definitions of reserves, contingent resources and prospective resources and guidelines set out in the Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers in 2007. Additional details on the definitions are provided in Appendix 1 to this report.

The resources are all classified as prospective resources and there are no reserves or contingent resources (although there have been some historic wells drilled that have encountered hydrocarbons on the blocks in which Trap has an interest, all such wells were abandoned).

Consent

We confirm that Challenge has given and has not withdrawn its written consent to the inclusion in Part 5 of the admission document of its CPR and to the inclusion in Part 1 of the admission document of statements made by Challenge, and to references to the CPR and its name, in the form and context in which they appear, and has not withdrawn such consent.

Challenge confirms that, to the best of its knowledge and belief, there has been no material change in circumstances to those stated herein.

This report is an independent assessment of prospective resources; it is not an independent certification of reserves.

Yours faithfully,

Dr C.D.LONGMAN
BSc, PhD, FGS

Director
Challenge Energy Limited

Summary

Challenge has undertaken an independent technical review of information provided by Trap's management and information sourced from the public domain relating to Trap's UKCS assets. The interests that Trap holds are all located within the North Sea (Figure 1) and comprise 11 blocks or part blocks held under 7 exploration licences (4 existing and 3 (including 1 as an operator) pending final ratification) plus 2 further blocks that have been applied for but which are the subject of further review and environmental assessment by DECC before any award can be made.

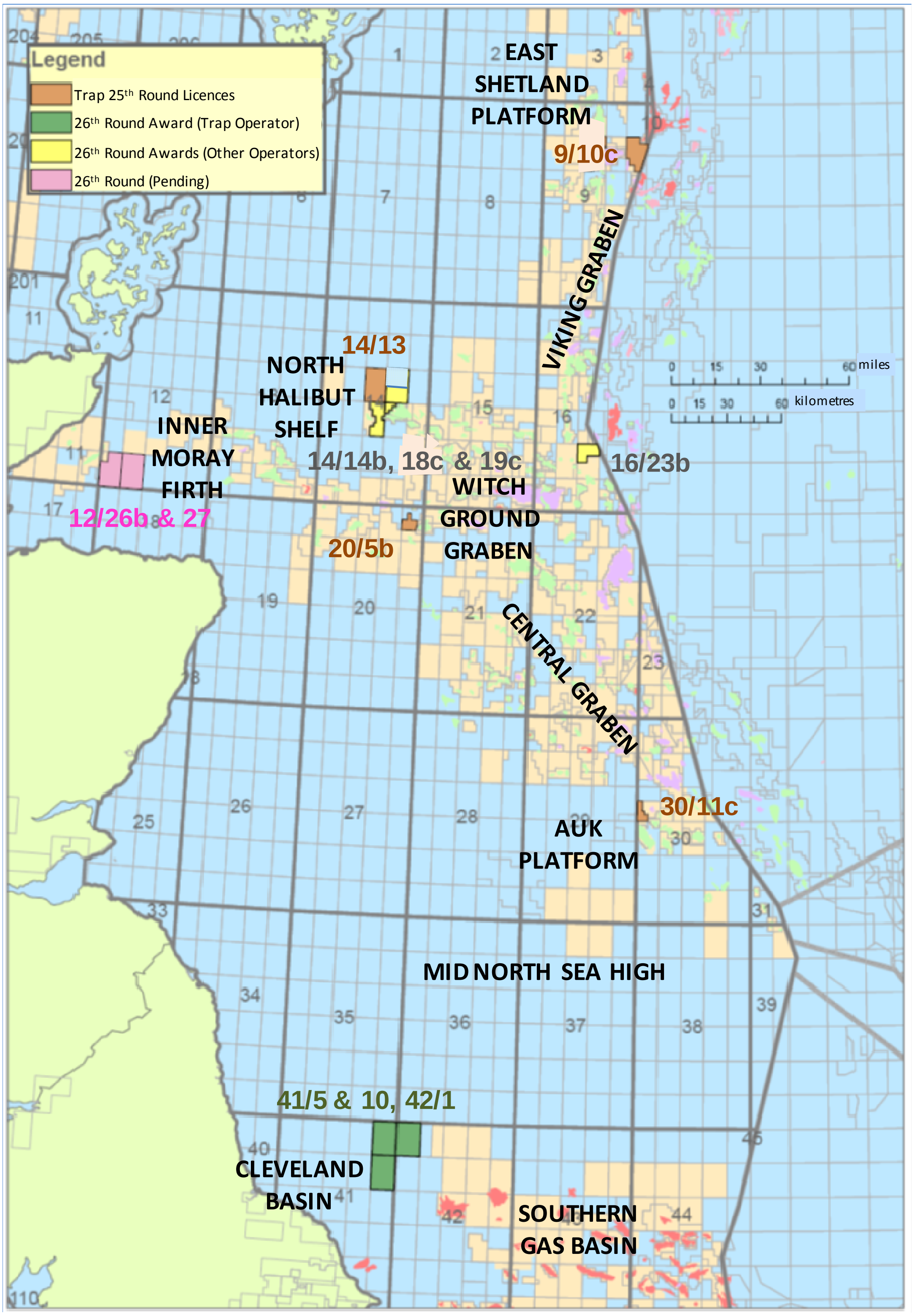


Figure 1: **Location Map for Trap's Exploration Blocks (after Trap)**

The latter blocks are included in this report but have not been the subject of any new assessment of the data.

The equity interests and partners involved in the blocks are shown in Table 1.

Asset	Licence	Type	Area (km^2)	Trap Equity (%)		Partner Equity (%)				
				Carried	Paying	First Oil	Noreco	Suncor	Bridge	GeoPartners
9/10c	P.1576	Traditional	152.0	10.000		22.500		67.500*		
14/13	P.1650	Traditional	216.0	5.000			62.000		33.000	
20/5b	P.1658	Traditional	53.2	12.500		15.000	43.750	28.750*		
30/11c	P.1666	Traditional	47.5	12.500		15.000	21.875	50.625*		
14/14b,18c & 19c	Successful Application	Traditional	260.0	10.000			90.000*			
16/23b	Successful Application	Traditional	93.0	10.000			22.500	67.500*		
41/5 & 10, 42/1	Successful Application	Promote	715.0		75.000*					25.000
12/26b & 27	Pending Application	Traditional	417.0	10.000			22.500	67.500*		

Notes: ** Operator or ultimate parent company of the operator*

Suncor is the parent company of Petro-Canada UK Limited

Noreco is the parent company of Norwegian Energy Company UK Limited

Bridge has recently indicated that it intends to withdraw from Licence P.1650 but Noreco has agreed to acquire the Bridge equity and assume the role of operator

Trap holds a 17% paying interest option in Block 14/13 that is currently held by Noreco pending Trap's ability to meet the DECC criteria for holding a paying interest

Trap holds an additional 40% option on the Noreco Quad 14 assets (Blocks 14/14b, 18c & 19c)

Trap is in the course of negotiating an additional 20% option on Block 16/23b although there is no guarantee that it will succeed in such negotiation, or what the eventual terms will be

Trap is in the course of negotiating an additional 20% option on Blocks 12/26b & 27 although there is no guarantee that it will succeed in such negotiation, or what the eventual terms will be

Table 1: **Summary of Trap's Exploration Licence Interests**

It should be noted that in most cases Trap's equity is in the form of a carried interest. The exceptions are application Blocks 41/5, 10 & 42/1 where Trap will be the operator and will have a 75% paying interest.

The blocks in which Trap holds an interest contain a suite of prospects and leads that have been defined by the operators and reviewed by Challenge. The prospective resources associated with the prospects and the chance of success of finding resources within the range estimated are summarised in Table 2 below.

Trap Oil Limited - Prospective Resource Summary								
		Gross			Net Attributable*		Chance of Success	Operator
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate		
Blocks Under Licence								
Oil (MMb) Prospective Resources								
Block 9/10c								
Hawthorn	13	23	36	1.3	2.3	3.6	5%	Suncor
Block 14/13								
Crazy Horse (Captain)	27	65	134	1.3	3.3	6.7	8%	Bridge
Crazy Horse (Scapa)	24	58	113	1.2	2.9	5.6	11%	Bridge
Block 20/5b								
Scotney	14	27	43	1.8	3.4	5.4	21%	Suncor
Block 30/11c								
Romeo	14	22	32	1.1	1.7	2.4	23%	Suncor
Total (MMb)	**92**	**195**	**357**	**6.6**	**13.5**	**23.7**		
Blocks Pending Licence Award								
Oil (MMb) Prospective Resources								
Blocks 14/14b, 18c & 19c								
Bordeaux	13	19	28	1.2	1.7	2.5	63%	Noreco
Brulé	8	17	32	0.8	1.7	3.2	48%	Noreco
Block 16/23b								
Sienna	23	49	90	1.7	3.7	6.8	18%	Suncor
Gas (bcf) Prospective Resources								
Blocks 41/5, 10 & 42/1								
Lytham (Hauptdolomite)	48	75	116	36.2	56.3	87.2	54%	Trap
Lytham (Namurian)	19	29	43	14.3	21.8	32.3	45%	Trap
Fairhaven (Plattendolomite)	12	17	25	9.3	12.8	17.8	22%	Trap
St Annes (Hauptdolomite)	16	23	33	12.0	17.3	24.8	23%	Trap
Total (MMboe)	**59**	**109**	**186**	**15.6**	**25.1**	**39.4**		
Grand Total (MMboe)	**151**	**304**	**543**	**22**	**39**	**63**		
Blocks With An Outstanding Application								
Oil (MMb) Prospective Resources								
Blocks 12/26b & 27								
Niobe**	35	51	72	3.5	5.1	7.2	20%	Suncor
Total (MMboe)	**35**	**51**	**72**	**3.5**	**5.1**	**7.2**		
Total inc. appl'n (MMboe)**	**186**	**355**	**615**	**26**	**44**	**70**		

Notes:
** Takes into account the Trap equity and the on-block prospect percentage (where appropriate) but excludes all options.*
*** DECC has not yet made a potential licence award in respect of the Niobe blocks (12/26b & 27) pending the results of its environmental assessments. Accordingly there is no guarantee that these blocks will be ultimately awarded.*

Table 2: **Trap Prospective Resource Summary**

In addition to the prospects above, there are other leads within the licence areas that could mature into prospects with further work.

Regional UKCS Setting

Trap's interests are all located on the UKCS within basins that, regionally, have proven hydrocarbon systems. There is a wealth of published information about the regional geology, structural configuration and hydrocarbon potential of the region and as such it is not the intention of this report to go into excessive detail about the UKCS petroleum systems.

DECC, the UK government ministry responsible for offshore hydrocarbon licensing, provides regular information on the UKCS sedimentary basins, drilling activities and opportunities available. The 2010 DECC Promote programme includes one of the most recent summaries of the North Sea including the basins in which Trap is active. The DECC report can be found at:

https://www.og.decc.gov.uk/UKpromote/offshore_paper/UK_Continental_Shelf_prospectivity.pdf

Blocks Under Licence

Trap has an interest in four blocks for which licences have been awarded by DECC. The potential of the individual blocks is described in the following section and the licence terms and associated commitments are summarised in Table 3.

Licence	Block	Licensees	Award Date	Expiry Date	Work Commitment	Comment
P.1576	9/10c	Suncor* First Oil Trap	20.06.2009	20.06.2013	Obtain 100 km^2 long offset 3D Reprocess 50 km^2 3D Drill or drop decision (well to 2,450m or to evaluate the Palaeocene whichever is the shallower) by 19.06.2011	Fulfilled Fulfilled JV participants have approached DECC for a 1 year extension to the DoD period
P.1650	14/13	Bridge* Noreco Trap	12.02.2009	12.02.2013	Obtain and reprocess 200 km^2 3D Acquire one CSEM profile (10 km) Drill or drop decision (well to 2,000m or to Base Cretaceous whichever is the shallower) by 11.02.2011	Fulfilled Fulfilled Noreco and Trap have agreed to exercise the drilling commitment
P.1658	20/5b	Suncor* Noreco First Oil Trap	12.02.2009	12.02.2013	Obtain and reprocess 100 km^2 3D Drill or drop decision (well to 2,800m or to Base Upper Jurassic whichever is the shallower) by 11.02.2011	Fulfilled Letter issued exercising the drilling commitment
P.1666	30/11c	Suncor* Noreco First Oil Trap	12.02.2009	12.02.2013	Obtain and reprocess 75 km^2 Long Offset 3D Drill or drop decision (well to 4,330m or to the Triassic whichever is the shallower) by 11.02.2011	Fulfilled Letter issued exercising the drilling commitment

** Operator*

Table 3: **Trap's Existing Licence Interests**

The four blocks were all awarded on a drill or drop basis and it is understood that all the firm work commitments have already been fulfilled.

Licence P.1576 (Block 9/10c)

Block 9/10c was awarded in the 25th Licensing Round and is located approximately 380 km NE of Aberdeen in approximately 400ft water depth. The block is located in the Central/South Viking Graben (Figure 2) in a slope setting on the eastern margin of the Bruce-Beryl embayment. The dominant structural gain is N-S and with a secondary NW-SE direction. Several phases of reactivation of basinward faults have resulted in a structurally complex geometry in the block with a series of terraces stepping down into the Viking Graben Basin.

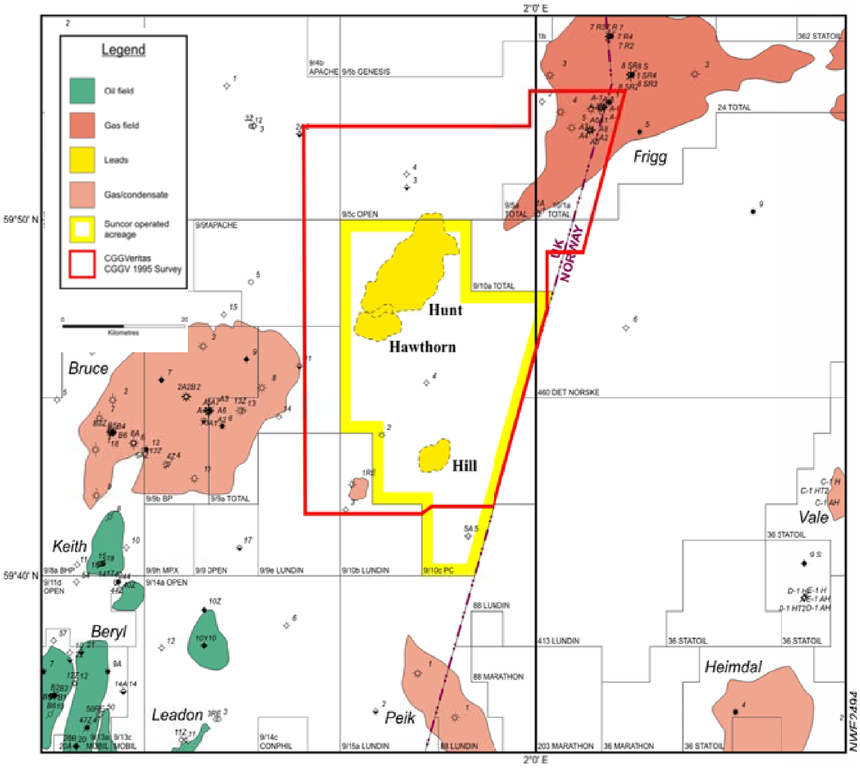


Figure 2: Block 9/10c Location Map (after the JV participants)

Technical Summary

The original licence application focused on a Palaeocene prospect (Hawthorn) and an Upper Jurassic stratigraphic play concept (Hunt).

The Hawthorn prospect was the initial target for the equity partners but that prospect has been severely downgraded as a result of the most recent work by the JV participants. The Hawthorn feature (Figure 3) is still identified as a Late Palaeocene sand injectite with high amplitude, cross-cutting reflectors. However, the interpretation of reprocessed seismic data (both relative impedance and angled stack volumes) provides no support for good quality reservoir or hydrocarbon presence within the feature.

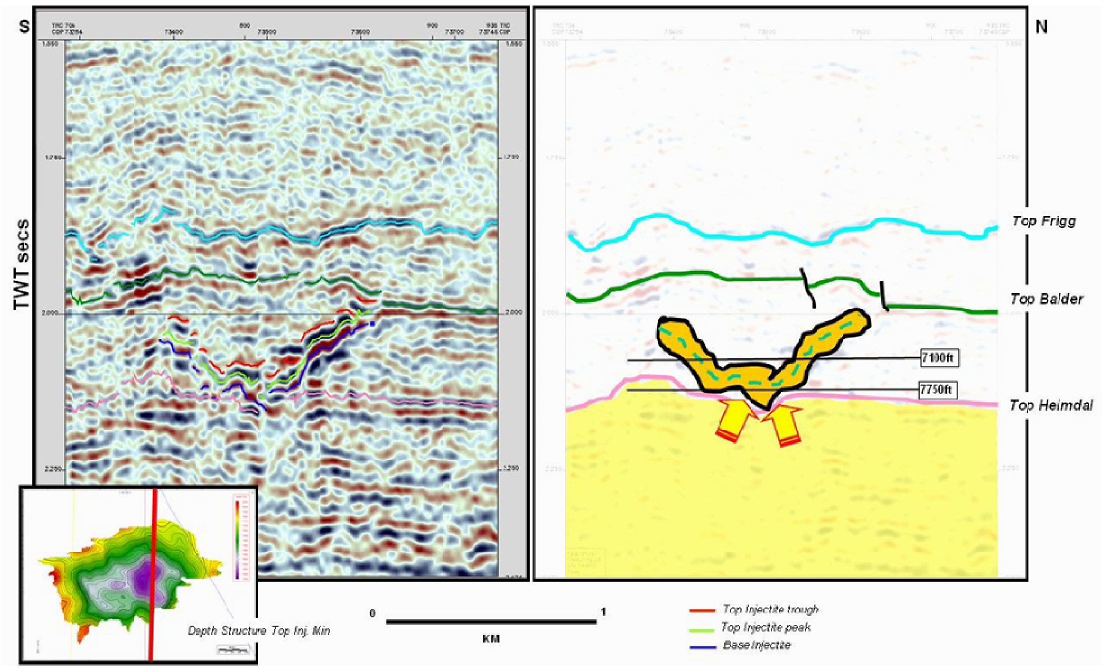


Figure 3: Hawthorn Prospect (after the JV participants)

The partners' focus is now on the deeper Hunt lead which they intend to mature to prospect status. Hunt is an Upper Jurassic deep water fan play with gas/condensate anticipated within a stratigraphic trap. The lead is evident on the mapped Base Cretaceous Unconformity (BCU), which clearly shows three way dip closure to the NW, NE and SE. Stratigraphic pinch-out of the prospective Miller/Brae sands is proposed towards the SW from where the sands are believed to have been sourced. Further work is required to map out the extent of the Upper Jurassic sands. The legacy 3D seismic data over the Hunt lead are poor but Petroleum Geo-Services ASA (PGS) acquired a new regional GeoStreamer 3D survey in 2009/10. The operator presented its latest analysis of the lead and the PGS seismic data at a partner workshop on 26th January 2011. The initial PGS data processing shows some improvement in quality but the final dataset will not be available for potential purchase until c. June 2011.

There is also a suite of smaller leads on the block that have been identified by the JV participants. They include the Eocene Frigg sandstone Clark feature, the Middle Jurassic fault-bound Hill lead, and some small, Palaeocene Heimdal (Hamilton, Button) closures. All of these are considered too small or immature to be material at this stage of the evaluation of the block.

Resource Assessment

The Hawthorn prospect has been mapped by the JV participants (Figure 3) and Challenge has reviewed the interpretation. The reservoir parameters as calculated by the JV participants have been retained but the range of closing contours has been modified. The results are shown in Table 4 with a P50 resource potential calculated at 23 MMb.

Hawthorn Prospect			
Input Data	***Low***	***Mid***	***High***
Crest (ft)	6,980	6,980	6,980
Closing contour (ft)	7,100	7,300	7,750
Area (acres)	219	400	604
Reservoir thickness avg (ft)		>relief	
GRV (acre ft)	12,280	47,850	99,004
Porosity (%)	25	30	35
S_{hc} (%)	65	75	85
FVF	1.1	1.12	1.14
N/G (%)	50	72.5	95
Output Data	***P90***	***P50***	***P10***
OIIP (MMb)	32	58	90
Recovery Factor (%)	30	40	50
Recoverable Oil (MMb)	13	23	36

Table 4: Hawthorn Prospect Volumetric Data

The Hunt lead is at present too immature to calculate potential resource volumes as there are no reliable structure maps or reservoir distribution maps that have been produced by the JV participants. The most recent assessment (January 2011) of the resource potential presented by the JV participants is in the range 13 – 76 – 407 MMboe.

Risk Analysis

The Hawthorn prospect has several critical risk elements associated with it and the overall chance of success is assessed at 5% in contrast to the latest JV participants figure of 12% (Table 5).

Hawthorn Prospect Chance of Success Analysis				
JV participants		**Challenge**		
Trap	90%	Trap	Presence	50%
Seal	20%	Trap	Effectiveness	40%
Reservoir	80%	Reservoir	Presence	50%
Charge	80%	Reservoir	Effectiveness	70%
		Source	Presence	100%
		Source	Effectiveness	70%
CoS	**12%**		**CoS**	**5%**

Table 5: Hawthorn Prospect Chance of Success Analysis

The low chance of success coupled with the modest resource potential has led the partners to focus on the Jurassic potential. In the event that the deeper Hunt Jurassic lead is matured to a drillable status it is possible that the Hawthorn feature could be tested with the same well.

The JV participants have recently presented a chance of success of 13% for the Hunt lead. This figure is likely to be optimistic and would need to be reviewed in light of any new data acquired by the JV participants.

Commitments

The firm seismic work commitments (reprocessing of existing data) have been fulfilled and the drill or drop decision needs to be made by 19th June 2011. At the most recent partners' meeting (held on 26th January 2011) the partners agreed that they would send a letter to DECC to request a one year extension to the deadline if the partners elect to purchase recently acquired PGS 3D seismic data over the Hunt lead. If such an extension is not granted then the partners are likely to commence a farm-out process but will, in parallel, complete a block evaluation in time to meet the June 2011 deadline.

Licence P.1650 (Block 14/13)

Block 14/13 lies at the NW end of the Witch Ground Graben (Figure 4), 180 km NE of Aberdeen and in 420 ft water depth. The Witch Ground Graben is primarily a Cimmerian extensional feature induced by the reactivation of older Caledonian lineaments. The inherited Caledonian structural grain has resulted in a conjugate set of Jurassic aged faults where the NW-SE ones are dominant but there is also a set of significant NE-SW faults. The latter faults are important as they not only set up structural traps (horst and tilted fault blocks) but they can also act as migration pathways. The NE-SW faults can also act as barriers to hydrocarbon migration along the strike of the basin axis. The extensional nature of the graben development generates predominantly normal faults that can be sealing as evidenced by the accumulation of oil in downthrown traps such as at the North Claymore, Saltire and Chanter Fields.

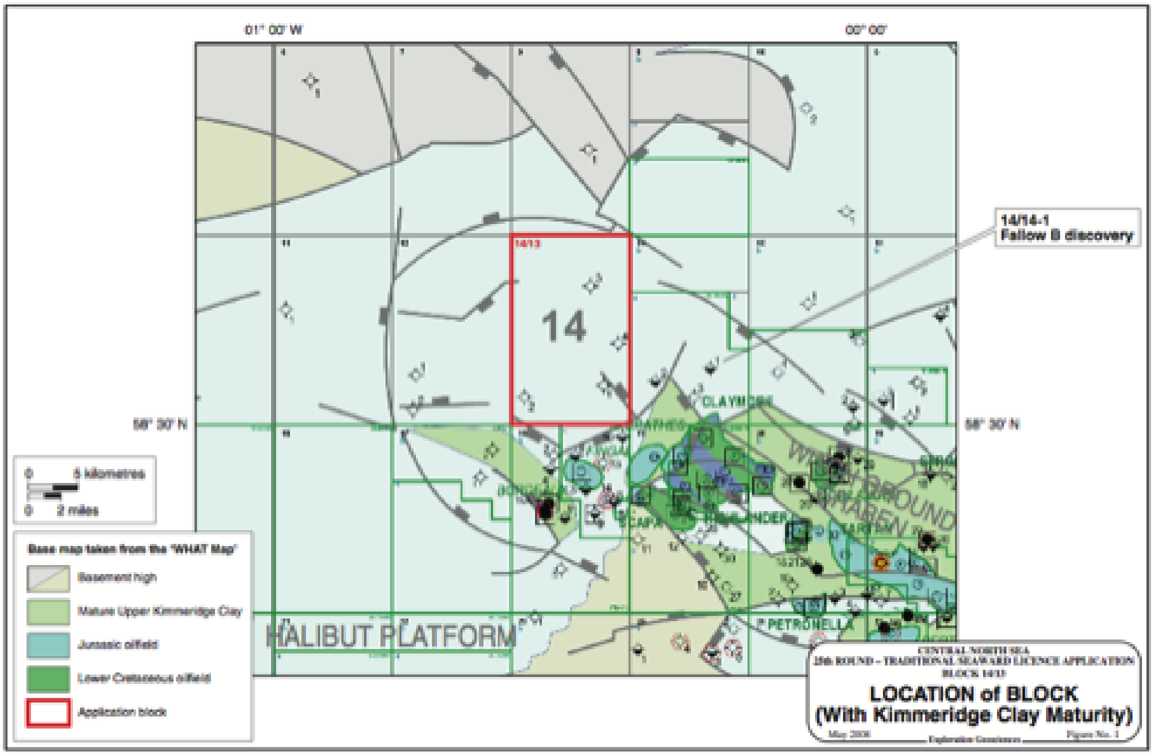


Figure 4: **Block 14/13 Location Map (after Silverstone)**

The four wells drilled to date in Block 14/13 contain no hydrocarbon shows. The failure of these historic wells is attributed primarily to the lack of reservoir sands connected to an active oil migration system. The key issues for hydrocarbon exploration in Block 14/13 are reservoir distribution, migration and lateral sealing capability.

Technical Summary

The Scapa sands are the primary target within the Crazy Horse prospect area, overlain by the secondary Captain Sand target. The Scapa Sands are mapped on seismic (Figures 5 & 6) as being developed between the BCU and Top Scapa seismic horizon within the deepest part of a small east-west trending Jurassic graben. The eroded structural high on the northern margin of the basin provided sediment input to the Crazy Horse prospect. Stratigraphic pinch-out is the primary trapping mechanism for the Scapa Sands. A minor element of fault seal is required to the west. Well 14/13-1 immediately to the east of the prospect encountered no Scapa Sands and a review of the Top Scapa seismic horizon revealed some inconsistency in the picked event across the structure to tie this well. There also seems to be some ambiguity in the exact position of the pinch-out edge around the prospect as observed on seismic.

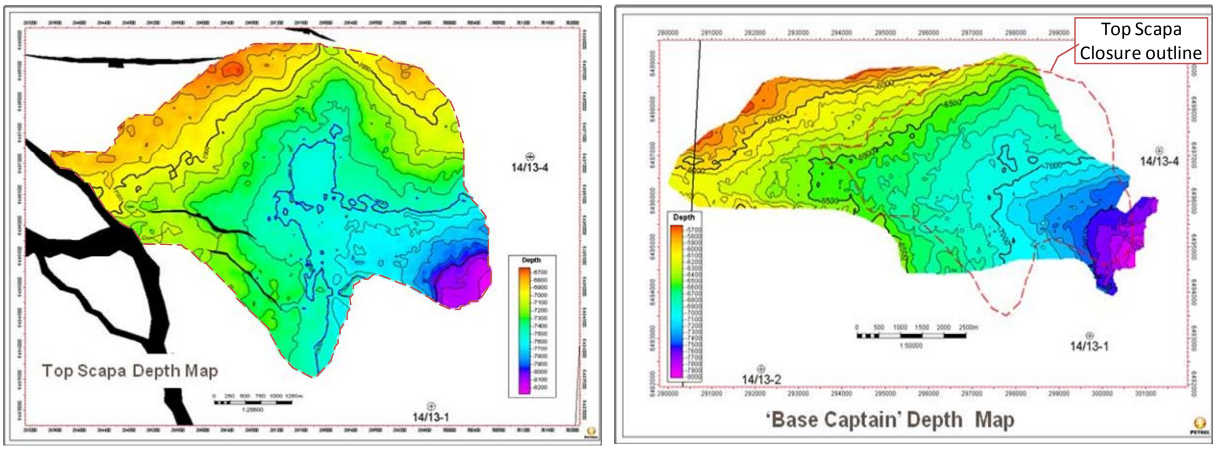


Figure 5: **Crazy Horse Prospect (after Bridge)**

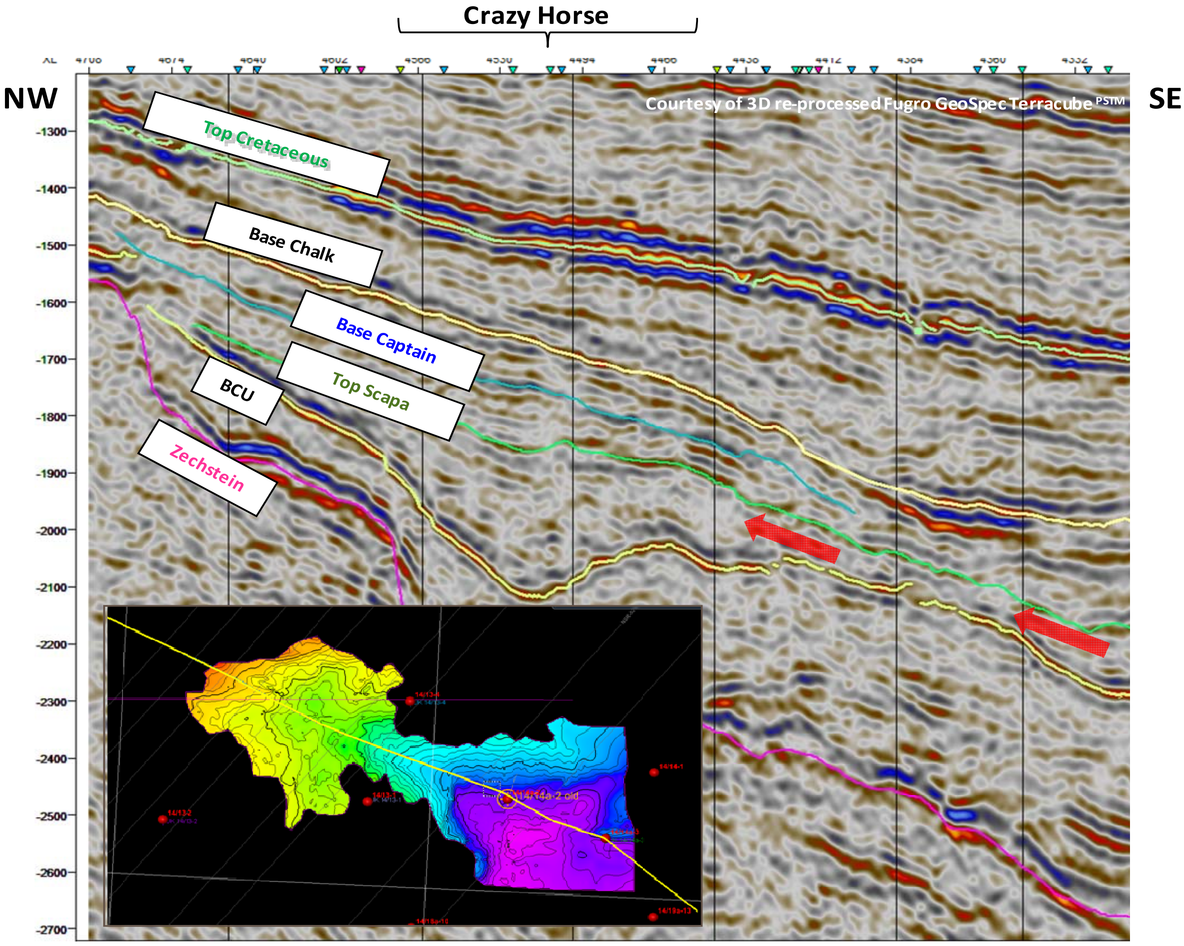


Figure 6: **Crazy Horse Seismic Line (after Bridge)**

The Crazy Horse Captain sands are recognised as a new play in this region. As such, in this report, they are considered to be a secondary target, although it is recognised that the two prospective intervals could be tested with a single well. The Captain Sand interval is defined on seismic by an envelope between the Top Lower Cretaceous and a prominent intra Lower Cretaceous marker. Clear thickening of this interval within the east-west trending Cretaceous Basin is demonstrated on the seismic with pinch-out onto the basin margins in all directions.

Resource Assessment

The most recent maps produced by Bridge (Figure 5) have been used to assess the prospect areas and the reservoir parameters presented by Bridge adapted to estimate the potential resource volumes for both the Captain and Scapa reservoir targets (Table 6).

Crazy Horse Scapa Prospect			
Input Data	*Low*	*Mid*	*High*
Crest (ft)	6,680	6,680	6,680
Closing contour (ft)	6,900	7,500	8,100
Area (acres)	667	4,127	5,337
Reservoir thickness avg (ft)	50	150	300
GRV (acre ft)	29,569	554,122	1,510,399
Porosity (%)	14	21	28
S_{hc} (%)	65	72	80
FVF	1.1	1.3	1.5
N/G (%)	20	40	60
Output Data	*P90*	*P50*	*P10*
OIIP (MMb)	100	236	438
Recovery Factor (%)	15	25	35
Recoverable Oil (MMb)	24	58	113

Crazy Horse Captain Prospect			
Input Data	*Low*	*Mid*	*High*
Crest (ft)	5,200	5,200	5,200
Closing contour (ft)	6,000	6,500	7,500
Area (acres)	815	3,188	8,179
Reservoir thickness avg (ft)	50	150	250
GRV (acre ft)	39,497	424,766	1,888,769
Porosity (%)	18	24	30
S_{hc} (%)	65	75	85
FVF	1.0	1.1	1.2
N/G (%)	20	30	40
Output Data	*P90*	*P50*	*P10*
OIIP (MMb)	112	266	530
Recovery Factor (%)	15	25	35
Recoverable Oil (MMb)	27	65	134

Table 6: **Crazy Horse Prospect Volumetric Data**

Risk Analysis

The Crazy Horse prospect has several critical risk elements associated with it and the overall chance of success for the primary Scapa Sandstone target is assessed at 11% in contrast to the latest Bridge figure of 20% (Table 7). The equivalent figures for the Captain Sandstone are 8% and 11% respectively.

Crazy Horse (Scapa) Prospect Chance of Success Analysis				
Operator (Bridge)		**Challenge**		
Trap	70%	Trap	Presence	70%
Seal	50%	Trap	Effectiveness	40%
Reservoir	80%	Reservoir	Presence	70%
Charge	70%	Reservoir	Effectiveness	80%
		Source	Presence	100%
		Source	Effectiveness	70%
CoS	**20%**		**CoS**	**11%**

Crazy Horse (Captain) Prospect Chance of Success Analysis				
Operator (Bridge)		**Challenge**		
Trap	90%	Trap	Presence	70%
Seal	50%	Trap	Effectiveness	40%
Reservoir	60%	Reservoir	Presence	50%
Charge	40%	Reservoir	Effectiveness	70%
		Source	Presence	100%
		Source	Effectiveness	80%
CoS	**11%**		**CoS**	**8%**

Table 7: **Crazy Horse Prospect Chance of Success Analysis**

Commitments

The firm seismic reprocessing work commitment (reprocessing of existing data) has been fulfilled and it is understood that a 10 km CSEM profile has been acquired, the initial CSEM results are indicated to be ambiguous but the final report is not yet available.

A drill or drop decision was required to be made by 11th February 2011. A partner meeting was held on 27th January 2011. Noreco and Trap indicated that they have board approval for committing to drill a well and the Bridge management team recommended committing to a well but Bridge has subsequently decided to withdraw from the licence. Noreco has therefore agreed to acquire Bridge's equity interest and the remaining partnership has exercised the drilling commitment.

Licence P.1658 (Block 20/5b)

Block 20/5b is located within the North Buchan Graben of the Outer Moray Firth (Figure 7) and is 150 km NE of Aberdeen in approximately 400 ft water depth. The Buchan Field, a Devonian Horst, was the first commercial discovery in the area. More recent discoveries have been made in Lower Cretaceous and Upper Jurassic reservoirs and include Hannay, Goldeneye, Buzzard and Tweedsmuir.

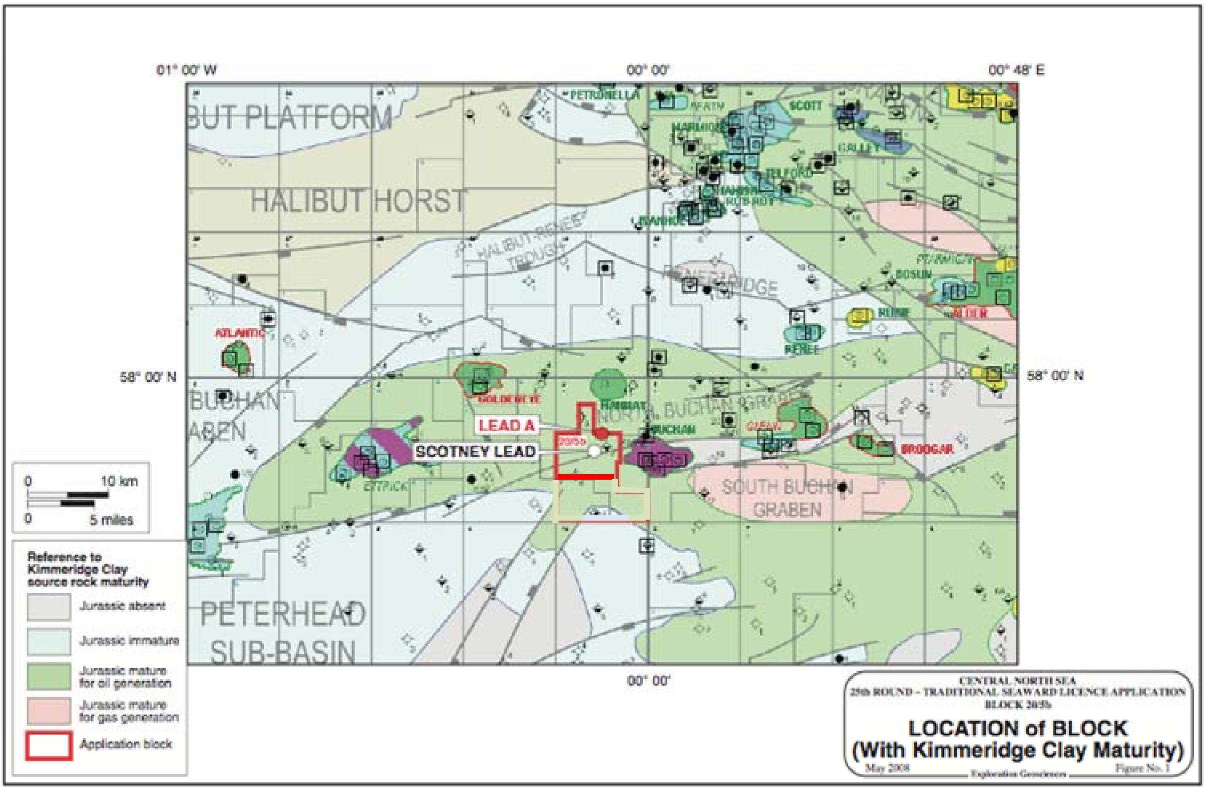


Figure 7: **Block 20/5b Location Map (after Silverstone)**

Technical Summary

A single prospect (Scotney) is identified on the block. The prospect is a well defined four way dip closure at the Base Cretaceous Unconformity (BCU). However, the prospective reservoirs are Upper Jurassic age Buzzard equivalent sands which are potentially defined by a higher amplitude reflectivity package subcropping the BCU within an overall seismically transparent Upper Jurassic seismic sequence. NW-SE and E-W trending faults are mapped at the BCU and Top Buzzard horizons, although the high density of low offset faults are difficult to correlate across the survey.

Well 20/5b-2 is located within the mapped BCU closure and contained c. 25 ft of water wet intra-Kimmeridge Clay Burns sandstone approximately 120 ft beneath the BCU and overlain by shale. The Highest Known Water (HKW) based on this well is at 10,283 ftss (-3,134mss). The JV participants volumetric mapping is based around two geometric models; 1) Four-way dip closure on the BCU (Figure 8) with reservoir distributed equally beneath and 2) a combined BCU/Top Buzzard map (Figure 8) where the Buzzard sands are assumed to subcrop against the BCU. In the latter case the JV participants' low to high case areas of closure rely on fault seal against a NW to SE (en-echelon) fault array that separates the prospective reservoir from well 20/5b-2. Similar trapping is known in adjacent Upper Jurassic fields but uncertainty exists with this interpretation in that structural continuity seems to exist between the Scotney structure and well 20/5b-2 through the en-echelon faults (Figure 9).

The JV participants' resource estimates for the different models are 20 – 50 – 108 MMb for the BCU closure and 7 – 29 – 122 MMb for the combined BCU/Buzzard map.

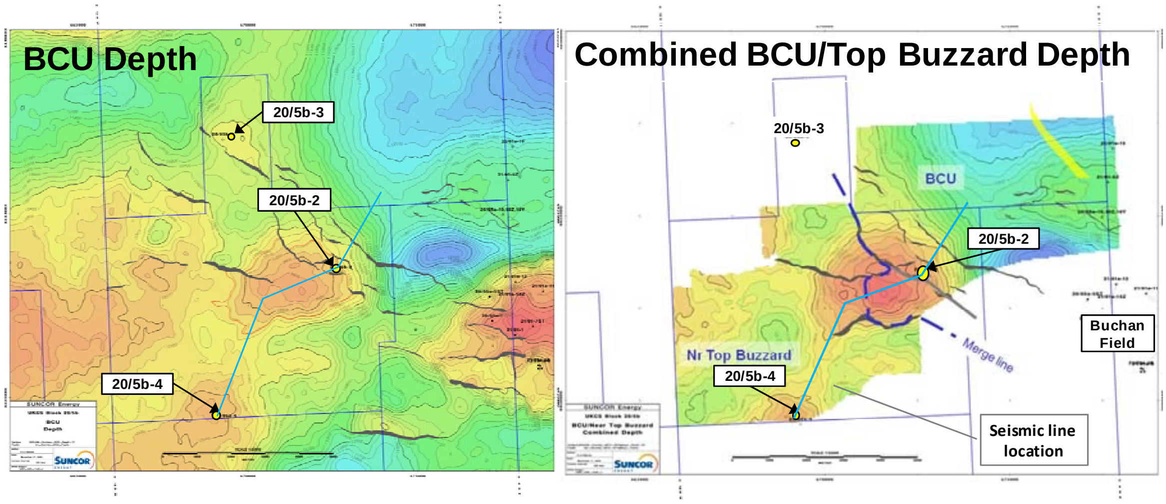


Figure 8: **Scotney Prospect Maps (after the JV participants)**

The Challenge volumetric assessment is based on the BCU map (on which the dip closure is always above the HKW) but the reservoir is considered only to be present to the west of the fault array as the section between the BCU and the Top Burns Sand in well 20/5b-2 was a non-reservoir shale facies.

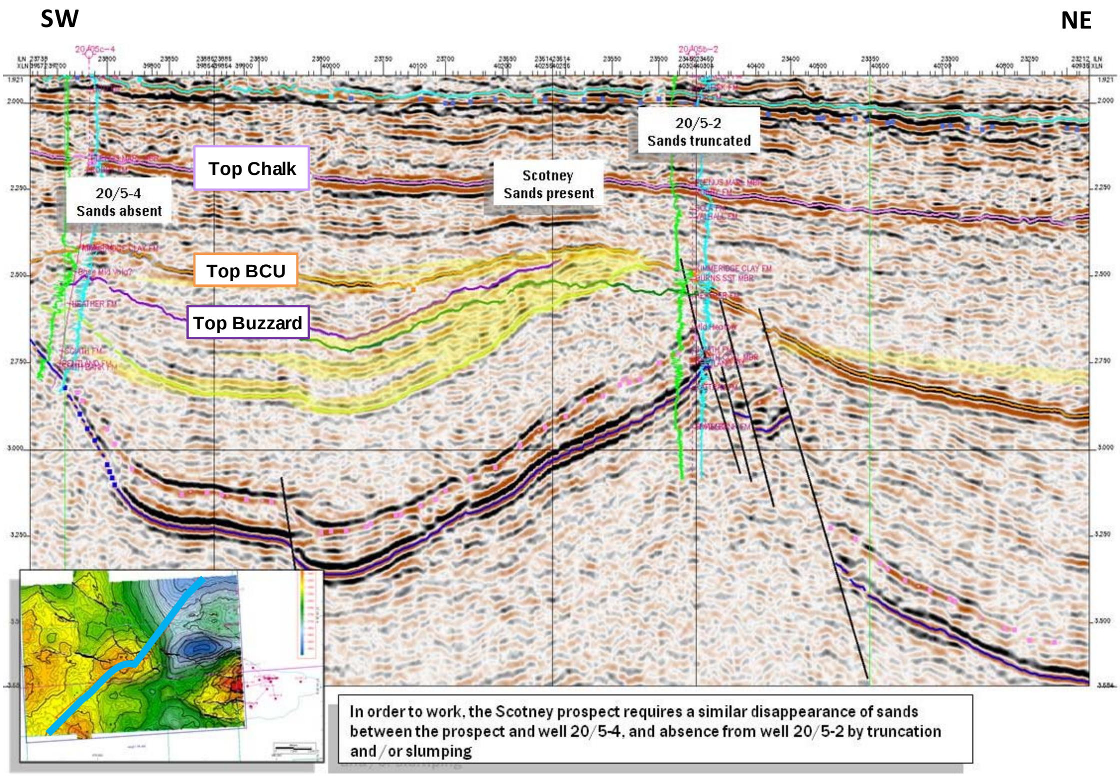


Figure 9: **Scotney Example Seismic Line (after the JV participants)**

Although there are uncertainties in the JV participants' interpretation, the maps presented can be seen as a viable interpretation and they have been used as a basis for the resource assessment.

Resource Assessment

The Scotney resource potential is summarised in Table 8 and has been calculated based on the JV participants' BCU map, reservoir parameters presented by the JV participants and Challenge representative average net reservoir thicknesses. The range of potential closing contours has been chosen to reflect the structural uncertainty in the prospect area and ranges from an independent four-way dip closure in the minimum case to a three-way dip closure with reservoir truncated at the fault array in the maximum case.

Scotney Prospect			
Input Data	***Low***	***Mid***	***High***
Crest (ft)	9,680	9,680	9,680
Closing contour (ft)	9,875	10,100	10,250
Area (acres)	408	961	1,357
Reservoir thickness avg (ft)	50	100	150
GRV (acre ft)	16,850	84,600	173,850
Porosity (%)	15	23	30
S_{hc} (%)	60	70	80
FVF	1.2	1.4	1.6
N/G (%)	100	100	100
Output Data	***P90***	***P50***	***P10***
OIIP (MMb)	42	77	123
Recovery Factor (%)	25	35	45
Recoverable Oil (MMb)	14	27	43

Table 8: Scotney Prospect Volumetric Data

Risk Analysis

The Scotney prospect has critical risk elements associated with both the structural definition and the presence of the target reservoir sands. The overall chance of success for the Buzzard Sandstone target is assessed at 21% in contrast to the latest JV participants' figure of 32% (Table 9).

Scotney Prospect Chance of Success Analysis				
JV Participants		**Challenge**		
Trap	90%	Trap	Presence	90%
Seal	90%	Trap	Effectiveness	80%
Reservoir	40%	Reservoir	Presence	40%
Charge	100%	Reservoir	Effectiveness	80%
		Source	Presence	100%
		Source	Effectiveness	90%
CoS	**32%**		**CoS**	**21%**

Table 9: Scotney Prospect Chance of Success Analysis

Commitments

The firm seismic work commitments (reprocessing of existing data) have been fulfilled and the drill or drop decision was required to be made by 11th February 2011. At the most recent partners meeting (12th October 2010) it was proposed that the group commit to the drilling of a well (in 2012) on the Scotney prospect. A letter was subsequently sent to DECC on 8th February 2011 confirming that the JV participants have agreed to exercise the drilling commitment and continue the licence.

Licence P.1666 (Block 30/11c)

Block 30/11c was awarded in the 25th Licensing Round and is located 260km ESE of Aberdeen in approximately 280 ft water depth. The block is located on the western margin of the West Central Graben, with the Auk Platform located to the southwest and the Auk Ridge to the south (Figure 10). East of the Auk Ridge, a series of structural terraces, bounded by mainly NNW-SSE trending faults, step down into the main Central Graben depocentre. These terraces, which host several Upper Jurassic fields, including Fulmar, Janice and Clyde, show a complex structural/ stratigraphic history of extension and uplift, with Zechstein halites having a strong influence on structural development. The northern flank of the Auk Platform is bounded by an east-west trending basement fault system of down to the north, en-echelon faults. This fault trend crosses the southern part of Block 30/11c and exhibits significant displacement at Base Cretaceous level.

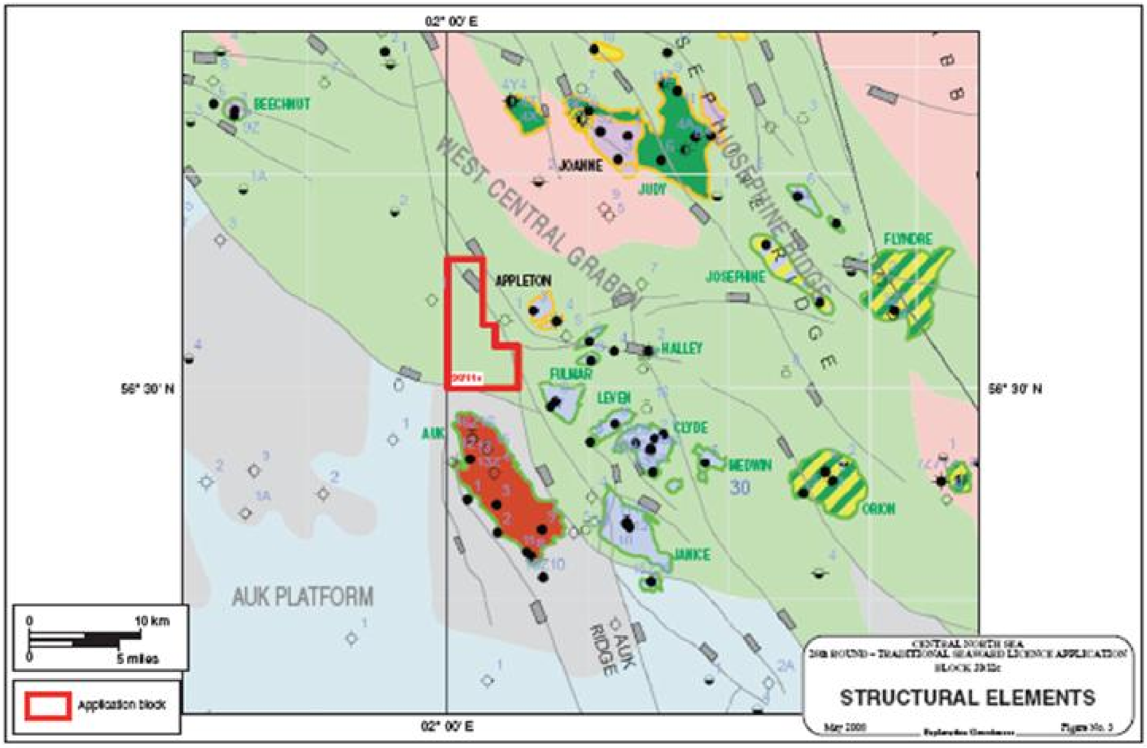


Figure 10: **Block 30/11c Location Map (after the JV participants)**

Technical Summary

The Block 30/11c JV participants have undertaken a detailed evaluation of the block using all the available seismic (the primary dataset being reprocessed 3D data) and well data.

A single prospect (Romeo) was identified at the time the block application was submitted and has since been confirmed by subsequent analysis. The structure is broadly analogous to the Fulmar Field, being a small, rotated Upper Jurassic fault basin down-thrown northwards from the platform to the south, with the bounding fault controlling margin-ward rotation of the Upper Jurassic basin fill and exhibiting décollement within the Zechstein salt.

Structural mapping has confirmed the presence of a robust closure at Base Cretaceous level and although the Intra-Jurassic interpretation is difficult (Figure 11) a Top Fulmar closure is also mapped (Figure 12).

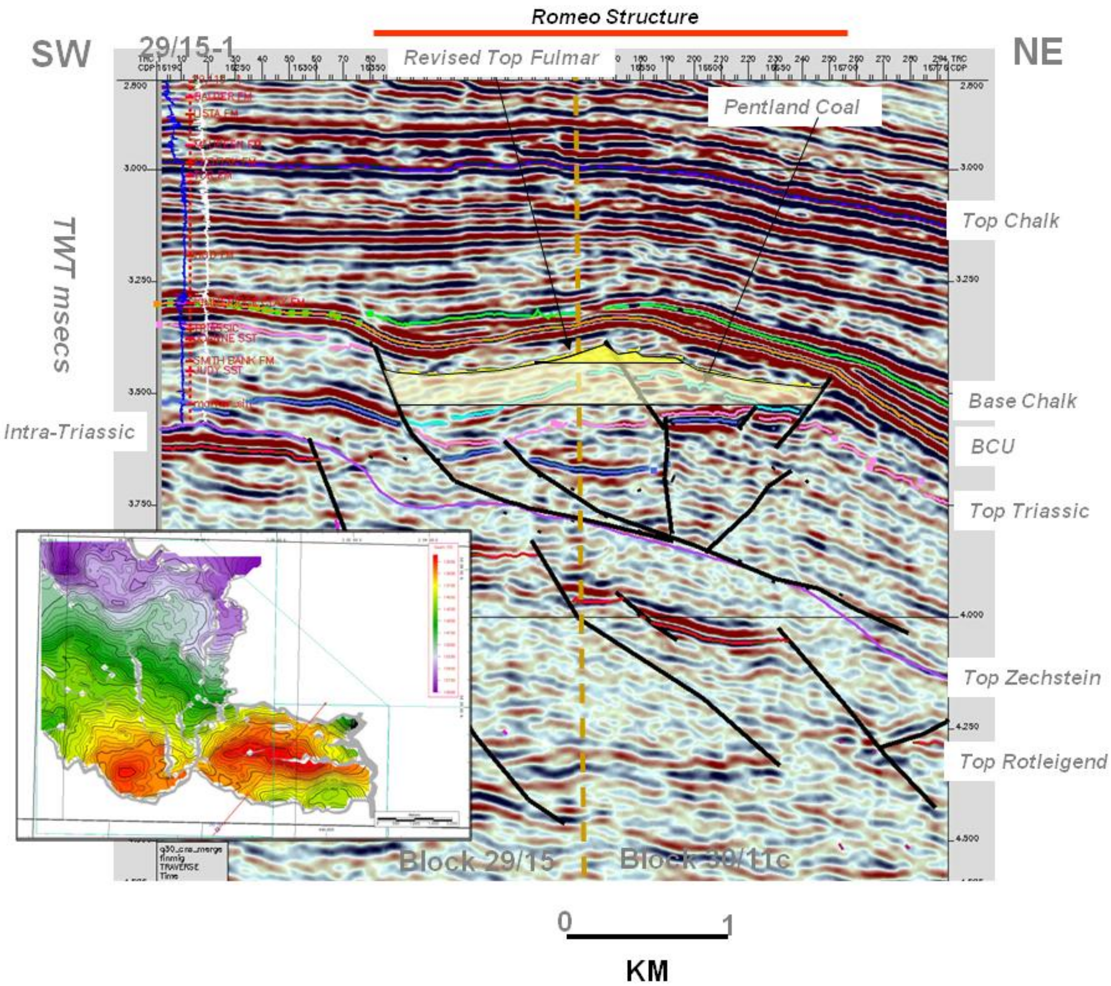


Figure 11: **Block 30/11c Example Seismic Line (after the JV participants)**

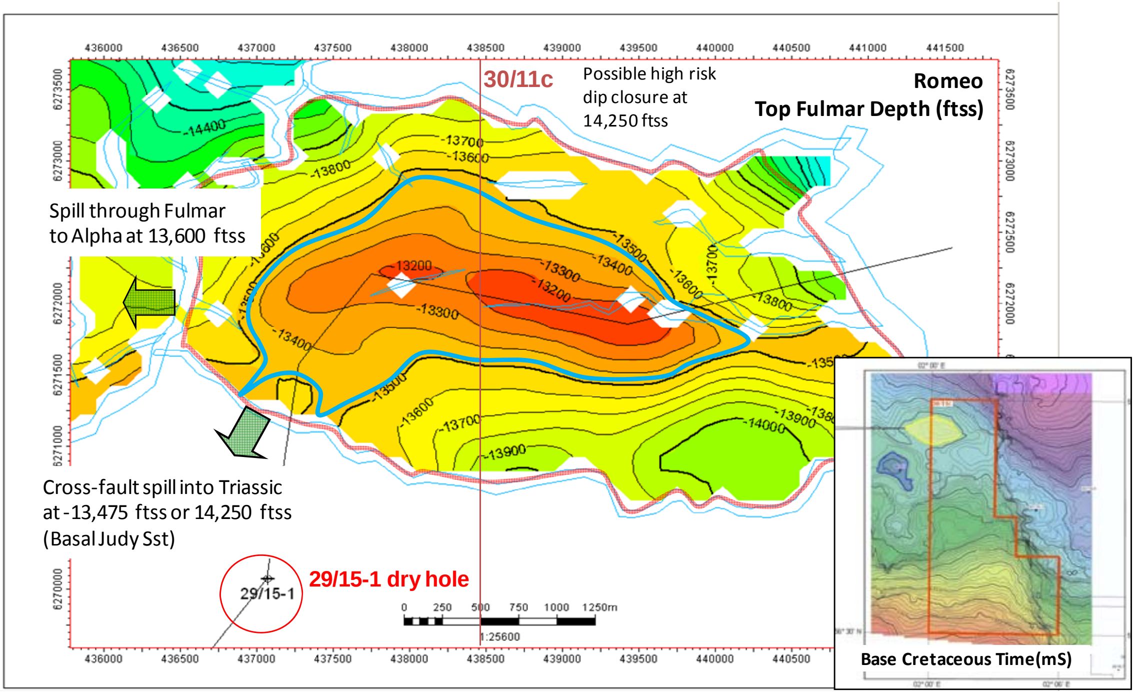


Figure 12: **Romeo Structure Maps (after the JV participants)**

The Romeo prospect is mapped on the Top Fulmar prospective reservoir as a four way dip closure in the low case (-13,475 ftss). The structure, which extends westwards into Block 29/15, is set up by N-S and E-W trending normal faults which link to form a rectangular fault enclosed structure. The Fulmar deepens to the north of the Romeo structure into an E-W trending syncline, while to the south well 29/15-1 was devoid of Upper Jurassic sand and reservoir pinch-out is assumed. To the east the Fulmar horizon deepens, while to the west it spills into the adjacent fault block mapped in Block 29/15. This spill is taken by Challenge as defining the high case closure for volumetric assessment (-13,600 ftss) and is less dependent on fault seal. In contrast, the JV participants have chosen the deeper closure at -14,250 ftss as the high case closure defined by the cross fault spill of the Fulmar into the Triassic basal Judy sands to the south, and lateral fault seal for any higher sand levels. The JV participants’ high case depends critically on a high degree of fault seal in all directions, or alternatively the potential for a ‘mega-structure’ incorporating those structures mapped in Block 29/15. Whilst it is recognised that this could be possible (and the JV participants calculate the resulting reserve range as 7 – 37 – 126 MMb) the risk on such a fault dependent or mega-structure would be significantly increased.

In general, the seismic data quality is good and the picks of the JV participants' are robust. Although the picks are based on jump correlation into the prospective structure, the structure is clearly present at many levels from the Base Cretaceous Unconformity and deeper.

Resource Assessment

The assessment of the resource potential for the Romeo prospect is complex with different structural models governing closures based on either the high confidence Base Cretaceous map or the less robust Top Fulmar Sandstone map. Challenge has used the JV participants’ maps and reservoir data but with a range of closing contours to reflect the issues discussed above. The resulting analysis is shown in Table 10. It should be noted that this table is based on the gross prospect but only c. 60% is within Block 30/11c.

Romeo Prospect			
Input Data	***Low***	***Mid***	***High***
Crest (ft)	13,100	13,100	13,100
Closing contour (ft)	13,475	13,550	13,600
Area (acres)	800	1,100	1,300
Reservoir thickness avg (ft)	400	500	600
GRV (acre ft)	113,750	185,000	245,000
Porosity (%)	12	18	23
S_{hc} (%)	60	70	80
FVF	1.2	1.45	1.8
N/G (%)	30	55	80
Output Data	***P90***	***P50***	***P10***
OIIP (MMb)	42	63	90
Recovery Factor (%)	25	35	45
Recoverable Oil (MMb)	14	22	32

Table 10: **Romeo Prospect Volumetric Data**

Risk Analysis

The Romeo prospect is in an area with proven mature source rocks and both local and regional migration pathways. It is well defined at Base Cretaceous level but the structural interpretation at Fulmar level is less secure and a high degree of fault seal is required. The target Fulmar reservoir Sandstone in offset wells is highly variable in distribution and reservoir parameters also vary widely dependent on the local facies and cementation history.

The JV participants have assessed the chance of success for the prospect at 24% and Challenge’s analysis is similar at 23%. The comparison in risk analysis is shown in Table 11.

Romeo Prospect Chance of Success Analysis				
JV Participants		**Challenge**		
Trap	90%	Trap	Presence	90%
Seal	60%	Trap	Effectiveness	80%
Reservoir	50%	Reservoir	Presence	50%
Charge	90%	Reservoir	Effectiveness	70%
		Source	Presence	100%
		Source	Effectiveness	90%
CoS	**24%**		**CoS**	**23%**

Table 11: **Romeo Prospect Chance of Success Analysis**

Overall the prospect represents an attractive opportunity from a technical perspective with analogue fields, existing infrastructure and additional drilling expected in the area.

Commitments

The firm seismic work commitments (reprocessing of existing data) have been fulfilled and the drill or drop decision was required to be made by 11th February 2011. At the most recent partners' meeting (12th October 2010) the operator proposed that the group commit to the drilling of a well (in 2012) on the Romeo prospect. A letter was subsequently sent to DECC on 8th February 2011 confirming that the JV participants have agreed to exercise the drilling commitment and continue the licence.

The Romeo prospect straddles the western block boundary with c. 40% of the prospect extending into Block 29/15 (North). That block is a 26th Licence Round award to Total E&P UK with a firm 2 well drilling commitment. It is not known what drilling targets Total has planned. The Block 30/11c participants intend to discuss future plans with Total.

DECC has indicated that both the Block 30/11c and Block 29/15 groups will have to fulfil their respective firm well drilling commitments.

Blocks Pending Licence Award

Trap has an interest in seven blocks for which the potential awards have been notified by DECC but the licences have not yet been awarded formally. The potential of the individual blocks is described in the following section and the expected licence terms and associated commitments are summarised in Table 12.

Block(s)	Applicants	Expected Award	Expiry	Work Commitment	Comment
14/14b 14/18c 14/19c	Noreco* Trap	2011	2015	Shoot 145 km^2 of 3D seismic data Drill or drop decision within 2 years (well to 2,900m or to the Middle Jurassic)	
16/23b	Suncor* Noreco Trap	2011	2015	Reprocess (PSDM) 310 km^2 3D Inversion studies, AVO, biostratigraphy & basin modelling Drill or drop decision within 2 years (well to 4,200m or to the Sleipner Formation)	Western Geco data referenced
41/5 41/10 42/1	Trap* Geopartners	2011	2015	Engineer the ideal well test design parameters Promote regional/proprietary 3D to extend 3D coverage throughout the area Drill or drop decision within 2 years	

** Operator*

Table 12: **Trap's Pending Licence Interests**

All the blocks will be held on a drill or drop basis and all the firm work commitments remain to be fulfilled.

Blocks 14/14b, 14/18c & 14/19c

Blocks 14/14b, 18c & 19c are located 180 km NE of Aberdeen and in approximately 400 ft water depth at the NW end of the Witch Ground Graben (Figure 13) in an area of complex geology and poor quality seismic. The Witch Ground Graben is primarily a Cimmerian extensional feature induced by the reactivation of older Caledonian lineaments.

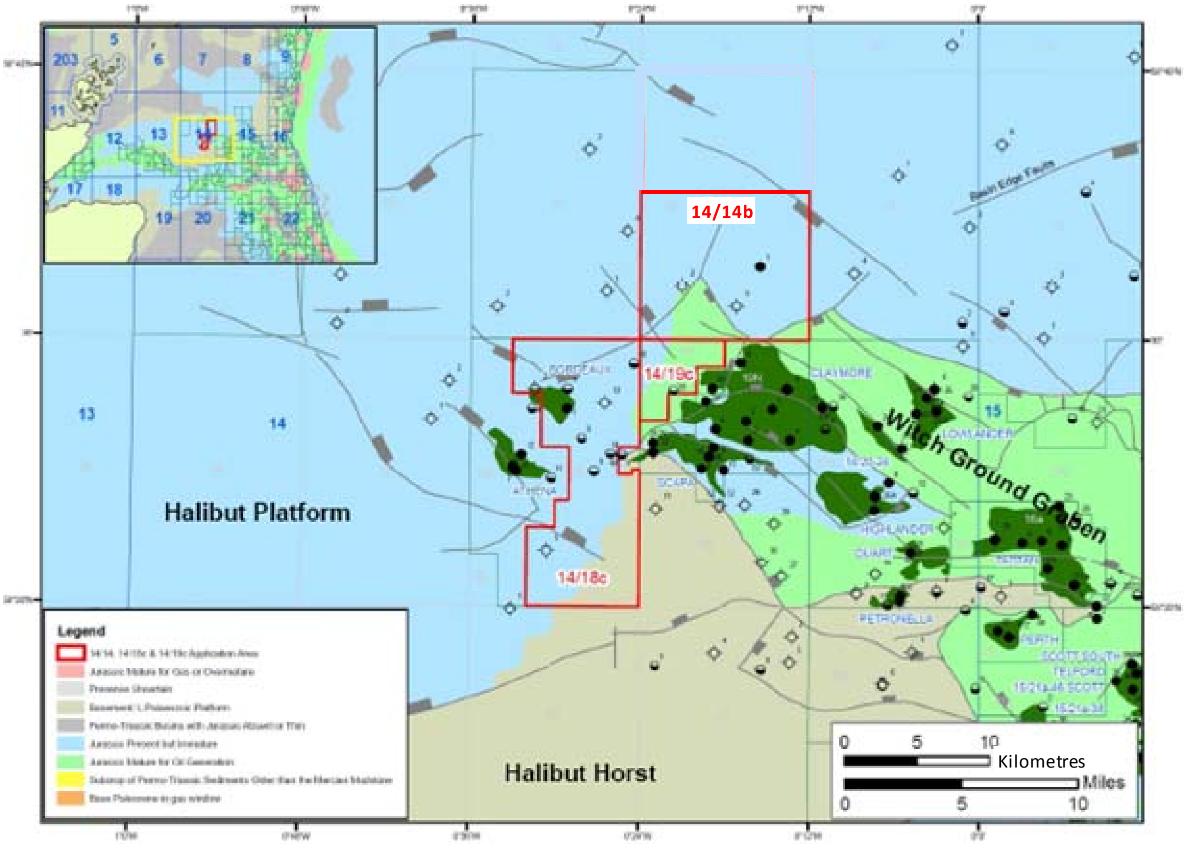


Figure 13: **Blocks 14/14b, 18c & 19c Location Map (after Noreco)**

The inherited Caledonian structural grain has resulted in a conjugate set of Jurassic aged faults where the NW-SE ones are dominant but there is also a set of significant NE-SW faults. The latter faults are important as they not only set up structural traps (horst and tilted fault blocks) but they can also act as migration pathways. The NE-SW faults can also act as barriers to hydrocarbon migration along the strike of the basin axis. The extensional nature of the graben development generates predominantly normal faults that can be sealing as evidenced by the accumulation of oil in downthrown traps such as at North Claymore, Saltire and Chanter Fields.

Technical Summary

Noreco, the operator of Blocks 14/14b, 18c & 19c, undertook an evaluation of the block that led to the submission of the application and the data have been reviewed by Challenge.

The seismic data quality across the Bordeaux and Brulé prospects is poor (Figures 14 & 15) and trap definition is problematic, although the presence of oil in wells 14/18-1 (Bordeaux) and 14/14-1 (Brulé) proves that traps are working.

The Bordeaux 14/18-1 well penetrated an oil bearing Claymore Sandstone. A DST was undertaken on the well and a rate of 1,400 bopd (28^{o} API oil) was achieved. The test was curtailed early due to the presence of H_2S. The Brulé 14/14-1 well proved the presence of oil bearing Sgiath Sandstones. The well was not flow tested but a suite of RFT data points was acquired and plot on an oil gradient.

The operator has presented mid case resource volumes for Bordeaux and Brulé of 23 MMb and 10 MMb respectively but as is discussed later Challenge has questions over the methodology behind the operator's assessment.

A key risk is therefore associated with the extent of the trap beyond that currently proven by the wells.

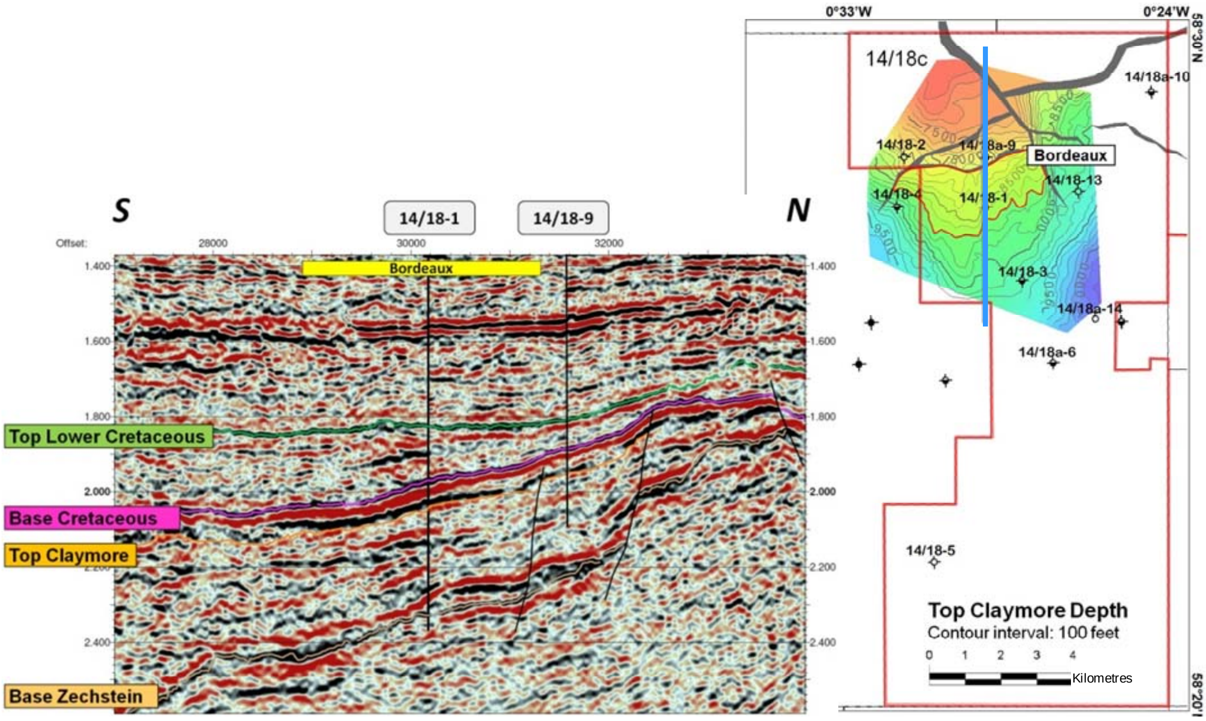


Figure 14: **Bordeaux Seismic Line and Map (after Noreco)**

Bordeaux is mapped on the prospective Top Claymore sands (Figure 14) as having fault closure to the west, north and east and dip closure to the south.

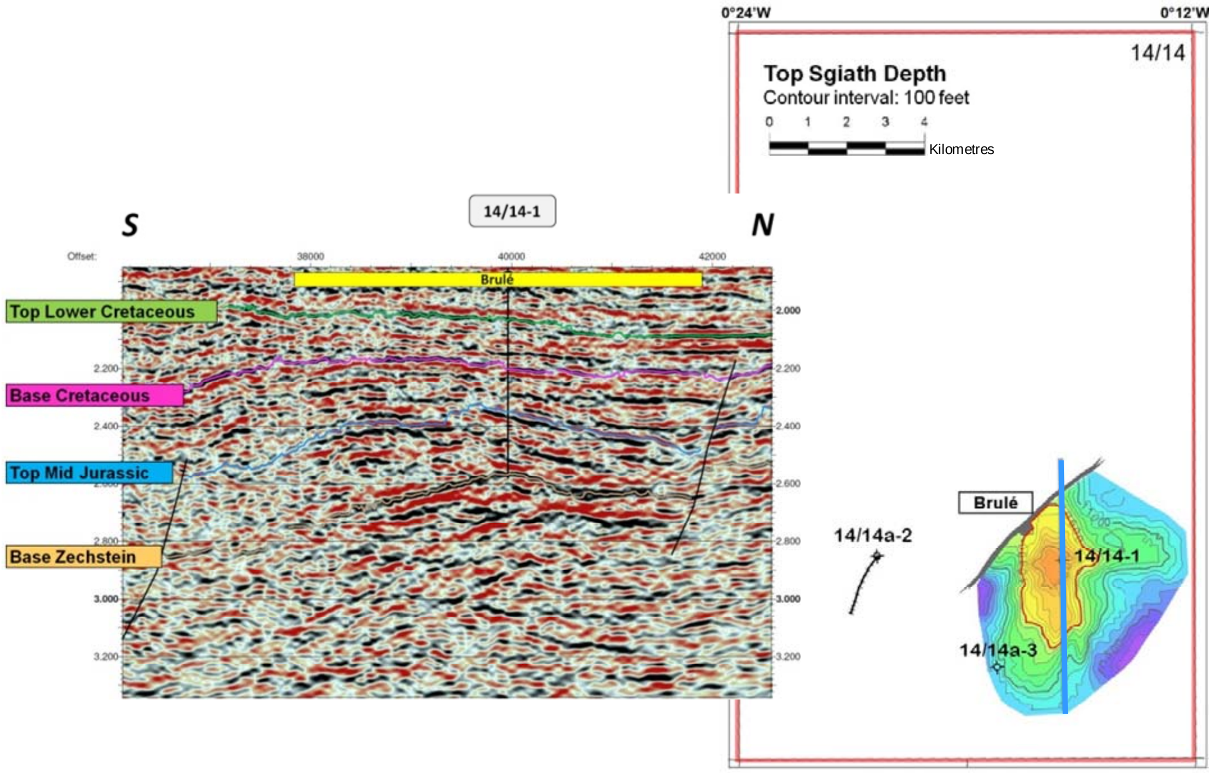


Figure 15: **Brulé Seismic Line and Map (after Noreco)**

Fault offset, as observed on seismic, is very small but fault seal is proven by the presence of wet Claymore sands in an up dip position in wells 14/18-2 and 14/18a-9. For volumetric assessment the low case area is defined by the Oil Down To (ODT) in 14/18-1 at -8,636 ftss. The mid case area for resources is defined by the Oil Water Contact (OWC) as interpreted from the RFT data in 14/18-1 (-

8,700 ftss). The operator has taken the high case area out to the -9,000 ftss contour, just above the Top Claymore sand in wet well 14/18-4. However, having reviewed the pressure data in offset wells Challenge cannot support the operator's high case and defines the high case area at -8,800 ftss.

Brulé is defined by the operator as primarily a four way dip closed structure with an element of fault closure to the NW in their high case resource estimate (Figure 15). Seismic data quality is very poor and the presence of an additional fault to the south of discovery well 14/14-1, that is not shown on the maps, cannot be ruled out. Challenge has included an element of fault closure in its high case resource estimates (-10,800 ftss), while in the mid case Challenge has taken the deepest four way dip closure at -10,500 ftss to define the area. As with the operator the low case estimate assumes the smallest area of four way dip closure around the well (-9,975 ftss).

The Bordeaux prospect extends into Block 14/18b (operated by Ithaca Energy (UK) Limited) to the west with approximately 10% of the feature outside Trap's block.

In addition to the Bordeaux and Brulé prospects there are some further leads identified. Black Elk is a Claymore pinch-out play and Hunkpapa is a Scapa pinch-out play. Both of these are considered too immature to be material at this stage of the evaluation of the block.

Resource Assessment

The data presented by Noreco on the Bordeaux and Brulé prospects has been reviewed. In broad terms the range of parameters indicated by Noreco has been supported. However, as discussed above the potential closing contours for the features are considered optimistic and alternative values have been selected by Challenge. The resulting resource assessment for the two prospects is shown in Table 13.

Bordeaux Prospect			
Input Data	***Low***	***Mid***	***High***
Crest (ft)	8,116	8,116	8,116
Closing contour (ft)	8,636	8,700	8,800
Area (acres)	1,164	1,396	1,784
Reservoir thickness avg (ft)	30	60	70
GRV (acre ft)	33,913	77,235	115,556
Porosity (%)	20	24	25
S_{hc} (%)	70	80	85
FVF	1.1	1.2	1.3
N/G (%)	50	85	90
Output Data	***P90***	***P50***	***P10***
OIIP (MMb)	44	65	89
Recovery Factor (%)	20	30	40
Recoverable Oil (MMb)	13	19	28

Brulé Prospect			
Input Data	***Low***	***Mid***	***High***
Crest (ft)	9,800	9,800	9,800
Closing contour (ft)	9,975	10,500	10,800
Area (acres)	151	1,149	2,071
Reservoir thickness avg (ft)	120	160	250
GRV (acre ft)	11,884	126,825	421,665
Porosity (%)	20	22	23
S_{hc} (%)	50	70	80
FVF	1.1	1.2	1.3
N/G (%)	30	36	40
Output Data	***P90***	***P50***	***P10***
OIIP (MMb)	26	58	105
Recovery Factor (%)	20	30	40
Recoverable Oil (MMb)	8	17	32

Table 13: **Bordeaux and Brulé Prospects Volumetric Data**

Risk Analysis

Both the Bordeaux and Brulé prospects have had wells drilled on them in the past. Noreco has documented the chance of success for both prospects as 100%. However, both prospects would require to be redrilled and there is uncertainty over the hydrocarbon column thickness and the definition of the trap geometry for both prospects. Challenge has assessed the chances of success as 63% for Bordeaux and 48% for Brulé (Table 14).

Bordeaux Prospect Chance of Success Analysis				
Operator (Noreco)		**Challenge**		
Trap	100%	Trap	Presence	70%
Seal	100%	Trap	Effectiveness	100%
Reservoir	100%	Reservoir	Presence	100%
Charge	100%	Reservoir	Effectiveness	90%
		Source	Presence	100%
		Source	Effectiveness	100%
CoS	**100%**		**CoS**	**63%**

Brule Prospect Chance of Success Analysis				
Operator (Noreco)		**Challenge**		
Trap	100%	Trap	Presence	60%
Seal	100%	Trap	Effectiveness	100%
Reservoir	100%	Reservoir	Presence	100%
Charge	100%	Reservoir	Effectiveness	80%
		Source	Presence	100%
		Source	Effectiveness	100%
CoS	**100%**		**CoS**	**48%**

Table 14: **Bordeaux and Brulé Prospects Chance of Success Analysis**

Commitments

The firm work commitment includes the acquisition of 145 km^2 3D seismic. At present there are no firm plans for seismic acquisition.

Block 16/23b

Block 16/23b is located in the South Viking Graben (Figure 16), approximately 460 km NE from Aberdeen and abuts the median line with Norway. Water depths average 390 ft over the block which contains the elements of a number of productive Jurassic and Tertiary fairways in both the UK and Norway.

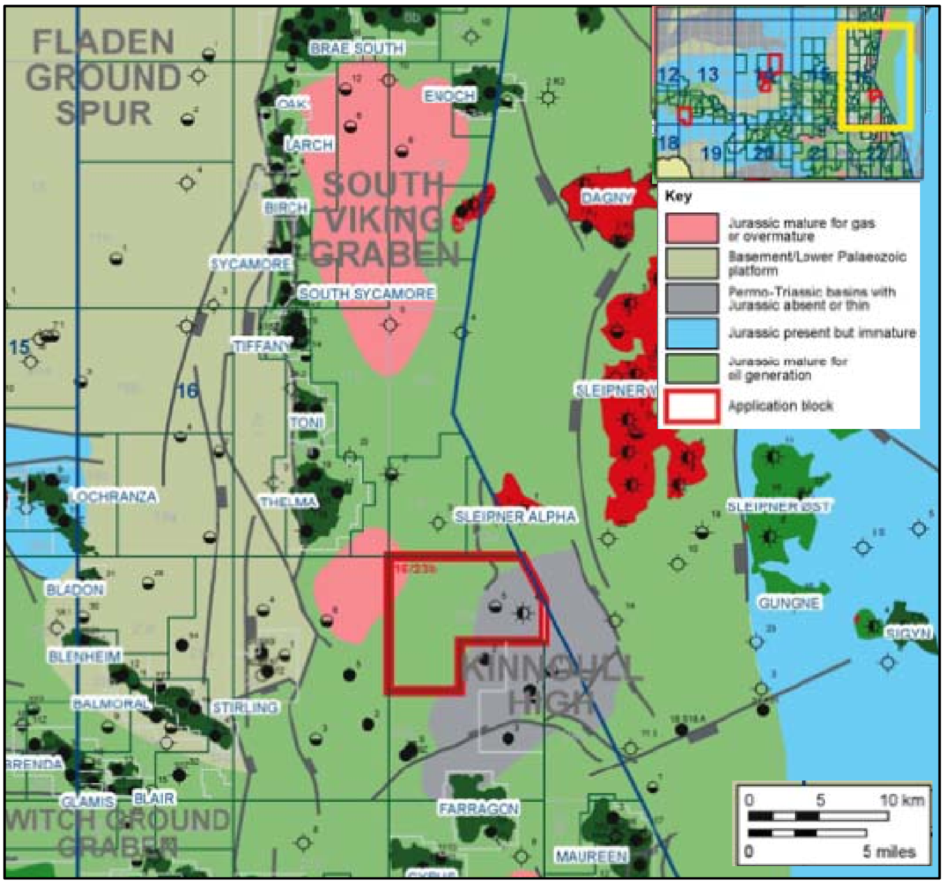


Figure 16: **Block 16/23b Location Map (after the JV participants)**

Technical Summary

The focus of the licence application was on an Upper Jurassic pinch-out play onto the Kinnoull High in the east of the block. The seismic interpretation confirmed the presence of a geometry appropriate to such a play referred to as the Sienna prospect.

The Sienna prospect is primarily an Upper Jurassic stratigraphic trap, although an element of fault closure is required to the NE where a terrace of NW to SE trending faults is developed downthrowing to the SSW from well 16/18-1. The SE pinch-out is well defined between the Base Cretaceous Unconformity and Upper Heather, and is supported by the absence of Upper Jurassic sands in well 16/23-5 (Figure 17). The JV participants' mid case resource assessment for Sienna at the time of application was 57 MMb.

Although the seismic data quality is relatively poor the horizon mapping is considered to be good and the prospect mapping (Figure 18) robust.

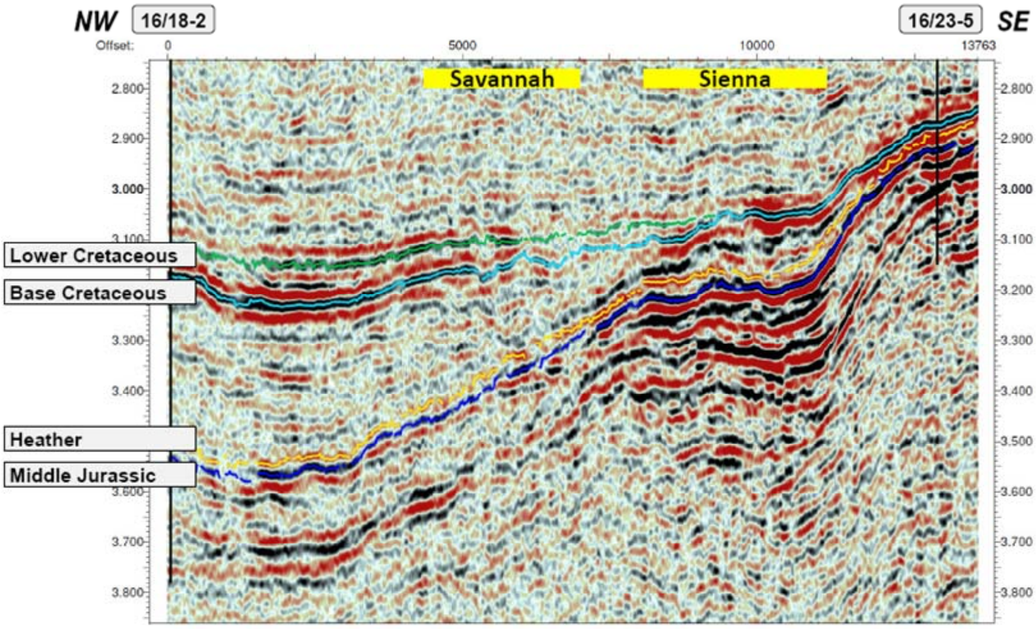


Figure 17: **Sienna Seismic Line (after the JV participants)**

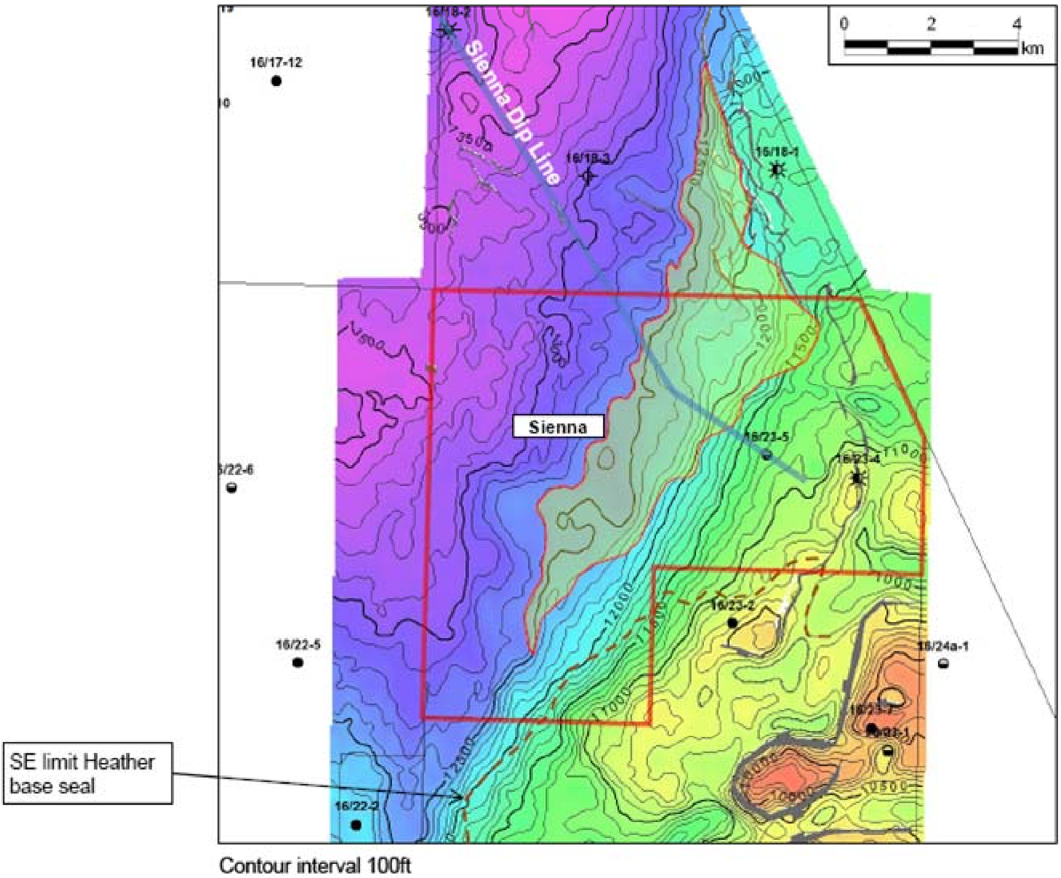


Figure 18: **Sienna Structure Map (after the JV participants)**

There is also a suite of smaller leads on the block that have been identified by the JV participants. They include a concept driven Brae/Miller feature (Savannah), three small Hugin leads (Sadie, Kissan and Amanda) and an Oligocene play. At present they are all considered too small or immature to be material at this stage of the evaluation of the block.

Resource Assessment

The assessment of the resource potential for the Sienna prospect is based on the JV participants' Base Cretaceous map with the pinch-out edge superimposed (Figure 18). Challenge has used the JV participants' reservoir data but with a lower average reservoir thickness and a range of closing contours that avoids the need for fault seal in the northeast in the minimum case. The resulting analysis is shown in Table 15. It should be noted that this table is based on the gross prospect but only c. 75% is within Block 16/23b. The remainder of the prospect lies in the 16/18a block operated by ENI UK Limited.

Sienna Prospect			
Input Data	***Low***	***Mid***	***High***
Crest (ft)	11,450	11,450	11,450
Closing contour (ft)	12,000	12,400	12,600
Area (acres)	1,063	3,707	6,795
Reservoir thickness avg (ft)	100	200	250
GRV (acre ft)	96,594	541,149	1,214,342
Porosity (%)	12	17	22
S_{hc} (%)	60	70	80
FVF	1.45	1.95	2.50
N/G (%)	20	55	80
Output Data	***P90***	***P50***	***P10***
OIIP (MMb)	67	141	252
Recovery Factor (%)	25	35	45
Recoverable Oil (MMb)	23	49	90

Table 15: **Sienna Prospect Volumetric Data**

Risk Analysis

The Sienna prospect is well defined on the seismic data but, in common with stratigraphic plays, has certain key risk elements associated with the reservoir distribution and the updip seal. The JV participants assessed the chance of success for the prospect at 19% and Challenge has a very similar assessment with an 18% chance of success (Table 16).

Sienna Prospect Chance of Success Analysis				
JV Participants		**Challenge**		
Trap	70%	Trap	Presence	80%
Seal	40%	Trap	Effectiveness	60%
Reservoir	70%	Reservoir	Presence	70%
Charge	95%	Reservoir	Effectiveness	60%
		Source	Presence	100%
		Source	Effectiveness	90%
CoS	**19%**		**CoS**	**18%**

Table 16: **Sienna Prospect Chance of Success Analysis**

Commitments

The firm work commitment includes the reprocessing of existing 3D seismic along with other analysis including AVO. At present there are no firm plans to undertake any of the commitment obligations.

Blocks 41/5, 41/10 & 42/1

Blocks 41/5, 10 and 42/1 are located on the northern flank of the Southern Gas Basin, 110 km E of Teesside (Figure 19) and in water depths of approximately 250 ft. Geologically they are located on the southern edge of the Mid North Sea High, which defines the northern extent of the Cleveland Basin and the Southern Gas Basin.

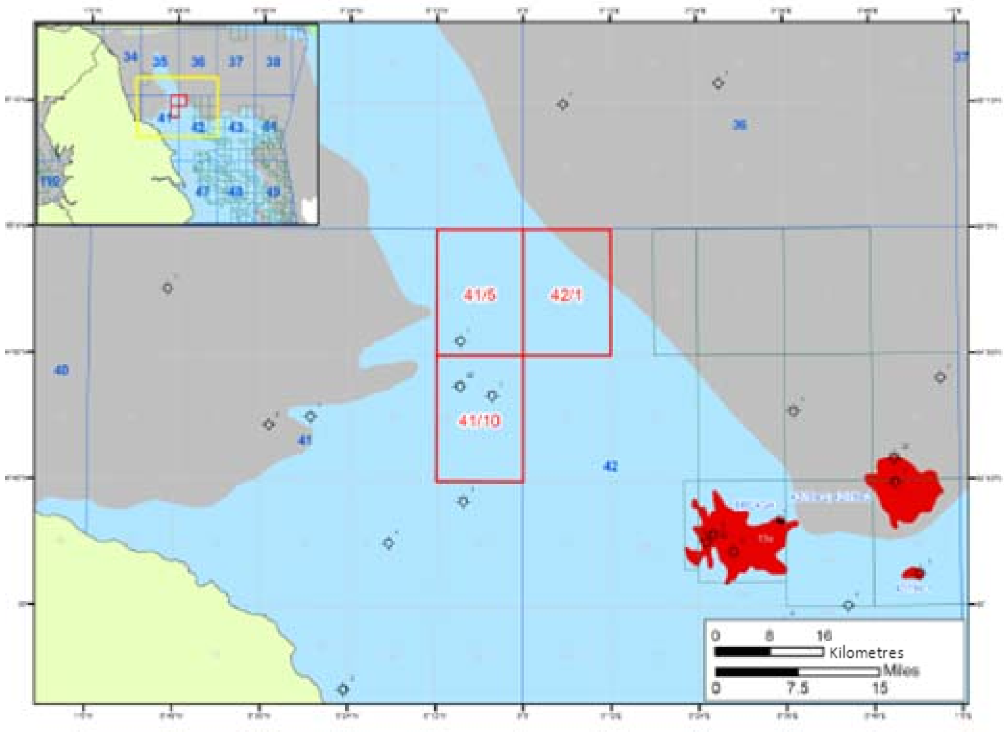


Figure 19: **Blocks 41/5, 10 & 42/1 Location Map (after Trap)**

Two relatively recent wells have been drilled on the blocks by Walter Oil & Gas and Lundin Oil. These were both located on structures with Zechstein carbonates as the primary target. Well 41/5-1 suffered a near catastrophic failure of the Hauptdolomite reservoir with consequent loss of mud and the damaging of the shallower Plattendolomite reservoir. On test that reservoir produced a short flow of gas through the flare. Trap considers that the reservoir was damaged to such an extent that gas was unable to be produced and hence the short flow event. Well 41/10a-2z indicated a gas column within the Hauptdolomite but was not flow tested.

Technical Review

Trap has identified a suite of features within the blocks (Figure 20) and there are three wells within the blocks, two of which have been drilled on valid closures and have demonstrated the presence of gas in various reservoirs. The 3D seismic data on the blocks is of very good quality, and the horizon and fault mapping robust.

Trap has presented mid case resource volumes for Lytham of 292 bcf for the combined Hauptdolomite and Namurian reservoirs and 29 bcf for the Fairhaven Plattendolomite reservoir. However, as is discussed later Challenge has questions over the methodology behind Trap's volumetric assessment.

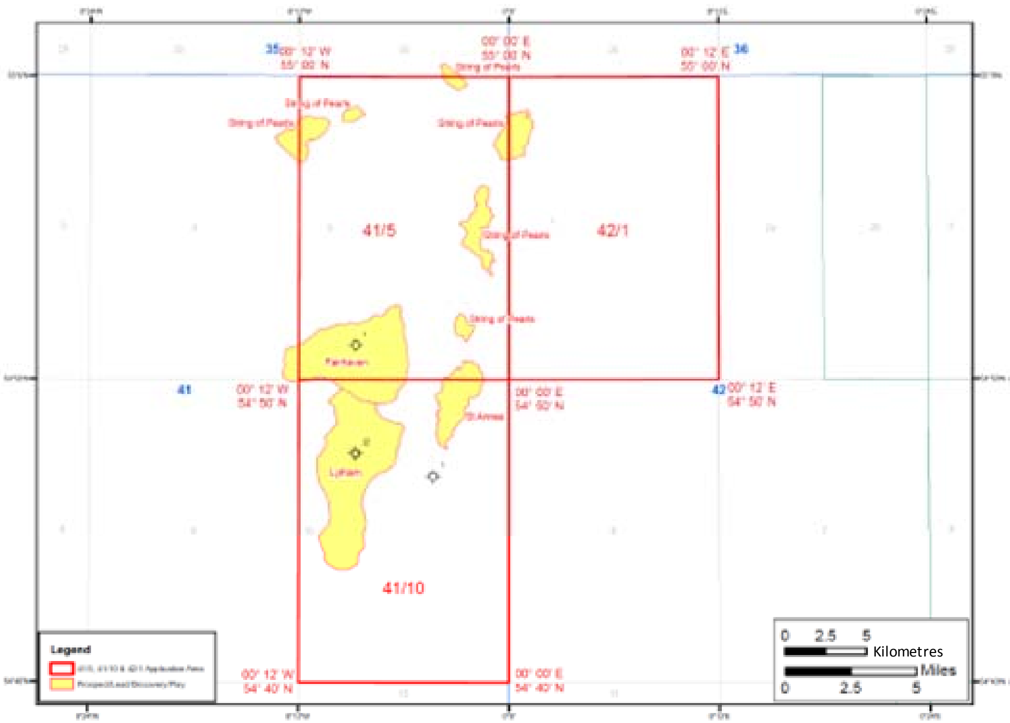


Figure 20: **Blocks 41/5, 10 & 42/1 Prospect and Lead Locations (after Trap)**

Lytham Hauptdolomite (prospect drilled previously)

The Lytham prospect (Figure 21) is a north-south oriented anticline at the Hauptdolomite and Base Permian stratigraphic level, bisected by E-W to NW-SE trending normal faults. Well 41/10a-2z had good gas shows through the Hauptdolomite with c. 60 - 100 ft of gas pay interpreted by Trap based on log analysis.

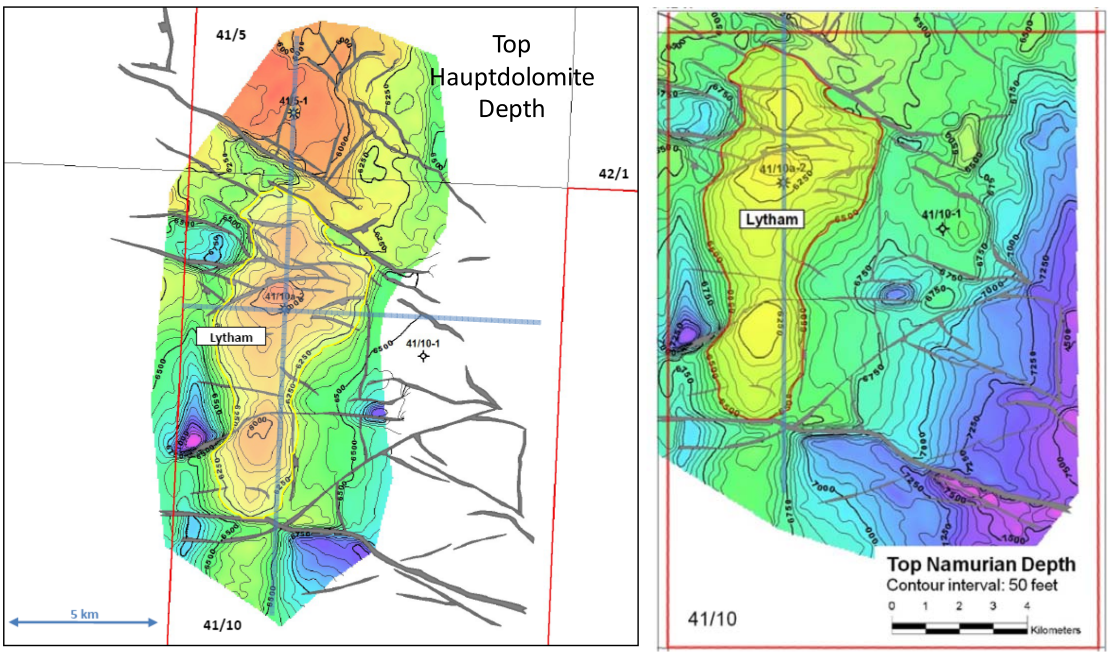


Figure 21: **Lytham Prospect Maps (after Trap)**

The trap is defined by dip closure to the east and west. To the south closure is created by an E-W trending fault that downthrows to the south. In the north, the operator's mid and high case volumetric closure (-6,390 ftss) relies on fault seal against a NW-SE trending normal fault which also downthrows to the south. The footwall block rises to the north into the 41/5-1 structure. Structural spill at the Top

Hauptdolomite is around 6,200 ftss and defines the mid case volumetric area used in this report. The Challenge volumetric analysis only includes fault dependent closure in the maximum case.

Lytham Namurian (prospect drilled previously)

At the Base Permian/Top Namurian the structural spill is at 6,350 ftss (Figure 21) and defines the low case closure for volumetrics in the Namurian sandstone sequence in this report (the operators' high case volumetrics again relies on fault seal to the north with closure at 6,700 ftss). Well 41/10a-2 exhibited gas shows in the Namurian section with up to c. 100 ft of gas pay interpreted by Trap based on log analysis. Since the Lytham well was drilled the Breagh Field (Carboniferous sands) in Block 42/13 (45 km to the south-east) has been proved commercial and is undergoing development.

Fairhaven (prospect drilled previously)

Fairhaven is presented by the operator as a simple four-way dip closed structure on a Top Plattendolomite depth map (Figure 22). Well 41/5-1 was drilled within the closure and produced a small amount of gas on test but, as mentioned previously, the formation was probably damaged during drilling. The structure is predominantly mapped on 3D seismic, but as shown in Figure 22, the western extent of the closure is mapped on 2D data.

Examination of the seismic data by Challenge has shown that in fact the structure is crossed on the southern margin by two E-W trending faults (Figure 22). These faults have also been interpreted by Trap on a time map (Figure 22). A depth map showing the faults was not available in the dataset reviewed and so revised areas of closure have been assessed based on the Top Plattendolomite TWT structure map incorporating the influence of the faults.

The western extremity of the Fairhaven prospect extends into the adjacent Block 41/4 at the maximum case (5% outside the block). That block is, however, currently unlicensed.

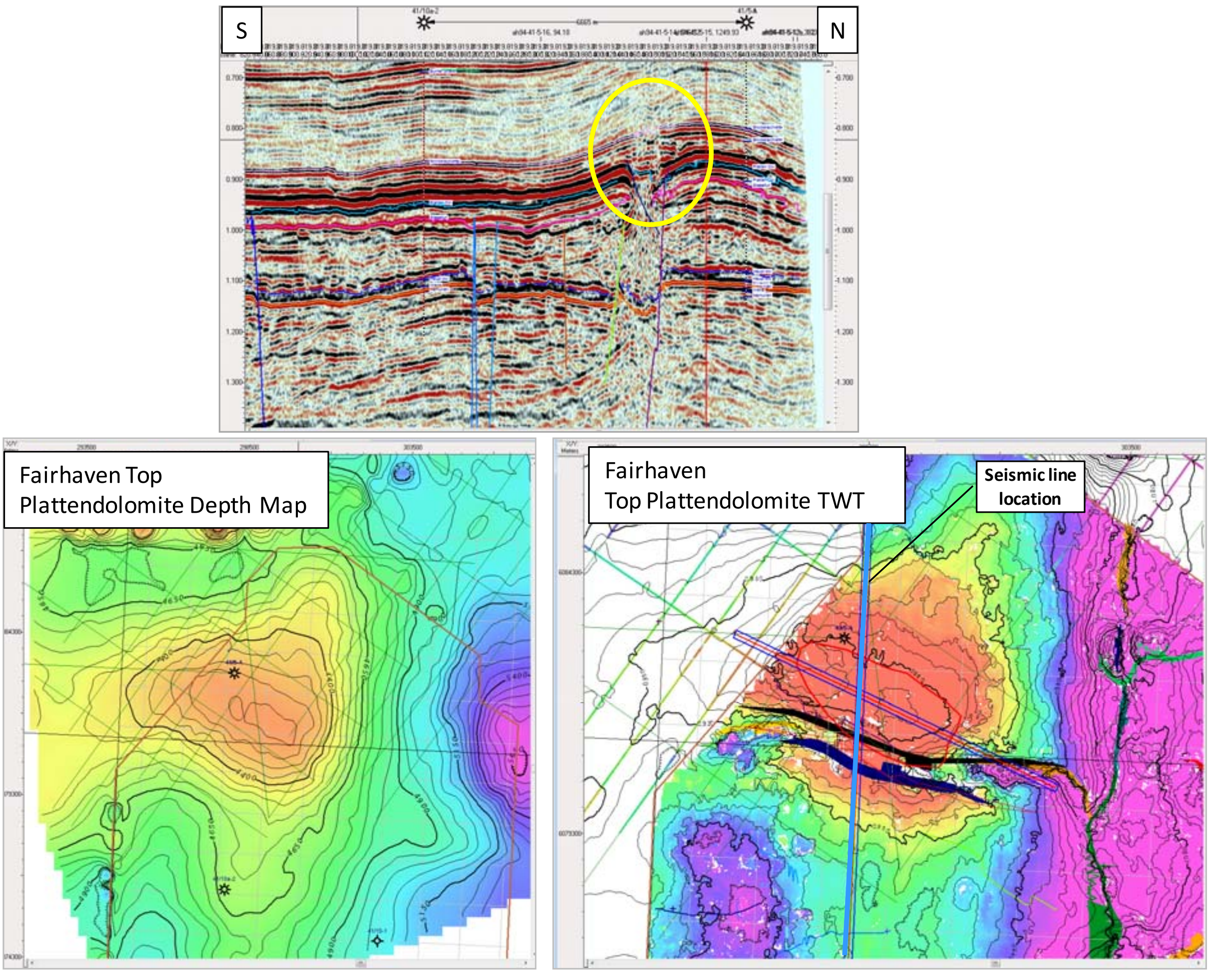


Figure 22: **Fairhaven Prospect Maps and Seismic Line (after Trap)**

St Annes

The St Annes prospect is an undrilled four-way dip closure to the east of the Lytham/Fairhaven features (Figure 23). The mapping is fairly robust although an E-W anomaly coincides with the northern spill point for the structure and would warrant further analysis to increase confidence in the prospect definition.

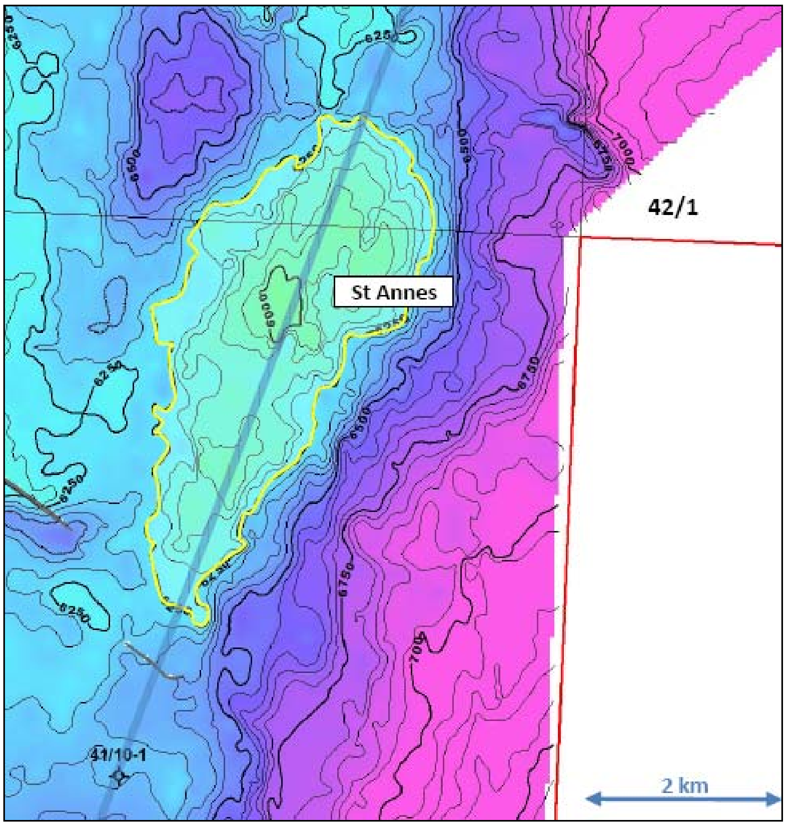


Figure 23: **St Annes Prospect Map (after Trap)**

Resource Assessment

Challenge has reassessed the range of closing contours used to define the prospects and adapted the reservoir parameters presented by Trap in the 26th Round application to calculate the resource potential for the prospects identified (Tables 17 & 18).

Lytham Hauptdolomite Prospect			
Input Data	***Low***	***Mid***	***High***
Crest (ft)	5,900	5,900	5,900
Closing contour (ft)	6,150	6,200	6,300
Area (acres)	4,942	6,350	8,401
Reservoir thickness avg (ft)	180	210	240
GRV (acre ft)	376,212	647,932	1,320,360
Porosity (%)	5	7	10
S_{hc} (%)	50	60	70
GEF	180	190	200
N/G (%)	30	50	60
Output Data	***P90***	***P50***	***P10***
GIIP (bcf)	82	125	193
Recovery Factor (%)	50	60	70
Recoverable Gas (bcf)	48	75	116

Lytham Namurian Prospect			
Input Data	***Low***	***Mid***	***High***
Crest (ft)	6,150	6,150	6,150
Closing contour (ft)	6,350	6,400	6,450
Area (acres)	4,695	5,930	8,401
Reservoir thickness avg (ft)	250	300	500
GRV (acre ft)	344,952	607,495	965,790
Porosity (%)	6	8	12
S_{hc} (%)	30	40	55
GEF	190	200	210
N/G (%)	20	30	40
Output Data	***P90***	***P50***	***P10***
GIIP (bcf)	38	57	85
Recovery Factor (%)	40	50	60
Recoverable Gas (bcf)	19	29	43

Table 17: **Lytham Prospect Volumetric Data**

Fairhaven Prospect			
Input Data	***Low***	***Mid***	***High***
Crest (ft)	4,200	4,200	4,200
Closing contour (ft)	4,350	4,400	4,450
Area (acres)	4,201	4,720	6,103
Reservoir thickness avg (ft)	250	300	350
GRV (acre ft)	311,346	534,354	804,928
Porosity (%)	4	6	8
S_{hc} (%)	50	60	70
FVF	130	140	150
N/G (%)	20	30	40
Output Data	***P90***	***P50***	***P10***
GIIP (bcf)	24	35	50
Recovery Factor (%)	40	50	60
Recoverable Gas (bcf)	12	17	25

St Annes Prospect			
Input Data	***Low***	***Mid***	***High***
Crest (ft)	5,950	5,950	5,950
Closing contour (ft)	6,150	6,200	6,250
Area (acres)	1,196	1,604	2,093
Reservoir thickness avg (ft)	180	210	240
GRV (acre ft)	86,436	154,796	244,493
Porosity (%)	6	8	12
S_{hc} (%)	50	60	70
GEF	180	190	200
N/G (%)	40	60	70
Output Data	***P90***	***P50***	***P10***
GIIP (bcf)	26	38	54
Recovery Factor (%)	50	60	70
Recoverable Gas (bcf)	16	23	33

Table 18: **Fairhaven & St Annes Prospects Volumetric Data**

A further zone of Hauptdolomite leads (String of Pearls) is also referenced by Trap but is less mature than the other features.

Risk Analysis

The chances of success for the various prospects are shown in Tables 19 and 20. Both the Lytham and Fairhaven prospects have had wells drilled on them in the past. Trap has documented the chance of success for both prospects as 100%. However, both prospects would require to be redrilled and there is significant uncertainty over the effectiveness of the reservoir in both prospects.

Lytham (Hauptdolomite) Prospect Chance of Success Analysis				
Operator (Trap)		**Challenge**		
Trap	100%	Trap	Presence	100%
Seal	100%	Trap	Effectiveness	90%
Reservoir	100%	Reservoir	Presence	100%
Charge	100%	Reservoir	Effectiveness	60%
		Source	Presence	100%
		Source	Effectiveness	100%
CoS	**100%**		**CoS**	**54%**

Lytham (Namurian) Prospect Chance of Success Analysis				
Operator (Trap)		**Challenge**		
Trap	100%	Trap	Presence	100%
Seal	100%	Trap	Effectiveness	90%
Reservoir	100%	Reservoir	Presence	100%
Charge	100%	Reservoir	Effectiveness	50%
		Source	Presence	100%
		Source	Effectiveness	100%
CoS	**100%**		**CoS**	**45%**

Table 19: **Lytham Prospect Chance of Success Analysis**

Fairhaven Prospect Chance of Success Analysis				
Operator (Trap)		**Challenge**		
Trap	100%	Trap	Presence	100%
Seal	100%	Trap	Effectiveness	60%
Reservoir	100%	Reservoir	Presence	100%
Charge	100%	Reservoir	Effectiveness	40%
		Source	Presence	100%
		Source	Effectiveness	90%
CoS	**100%**		**CoS**	**22%**

St Annes Prospect Chance of Success Analysis				
Operator (Trap)		**Challenge**		
Trap	90%	Trap	Presence	80%
Seal	90%	Trap	Effectiveness	70%
Reservoir	60%	Reservoir	Presence	90%
Charge	90%	Reservoir	Effectiveness	50%
		Source	Presence	100%
		Source	Effectiveness	90%
CoS	**44%**		**CoS**	**23%**

Table 20: **Fairhaven & St Annes Prospects Chance of Success Analysis**

Commitments

The work programme for this promote licence is minimal but includes the following: "engineer the ideal well test design parameters" and "promote regional/proprietary 3D to extend 3D coverage throughout the area".

Blocks With An Outstanding Application

Trap has an interest in two blocks for which DECC has not yet made any potential award due to a requirement for further review. The DECC statement is as follows: “Following a screening exercise by DECC, it has been decided that 99 further blocks (comprised in 45 prospective licences) should be subject to more detailed assessments of the likely effects of oil and gas activities on certain protected nature conservation areas. A decision on whether to grant licences for these blocks will be subject to the results of the environmental assessments.”

The potential of the blocks is summarised briefly in the following section and the licence terms and associated commitments are summarised in Table 21. It should be noted that no review of the application data and no reassessment of volumetric data or the chance of success analysis has been undertaken as part of this report.

Block(s)	Applicants	Expected Award	Expiry	Work Commitment	Comment
12/26b 12/27	Suncor* Noreco Trap	2011**	2015**	Purchase 150 km 2D seismic Reprocess (offset stacks) 300 km^2 Endeavour 3D Rock physics, AVO, inversion of reprocessed seismic One firm well on the Niobe prospect to 1,680 mTVDss or the Heather formation whichever is the shallower	Application under review but delayed pending further environmental assessments by DECC

** Operator ** Possible date*

Table 21: **Trap's Outstanding Licence Application**

DECC has issued a letter to Suncor indicating that the JV group has the highest geotechnical marks for Blocks 12/26b & 27 achieved by 26th Licensing Round applicants. DECC further reiterates that it has the discretion not to award blocks to applicants with the highest marks and may also split blocks. Any offer of award is not expected until summer 2011.

Blocks 12/26b & 12/27

Blocks 12/26b & 12/27 are located in the Inner Moray Firth to the south-east of the Beatrice and Jacky Fields (Figure 24).

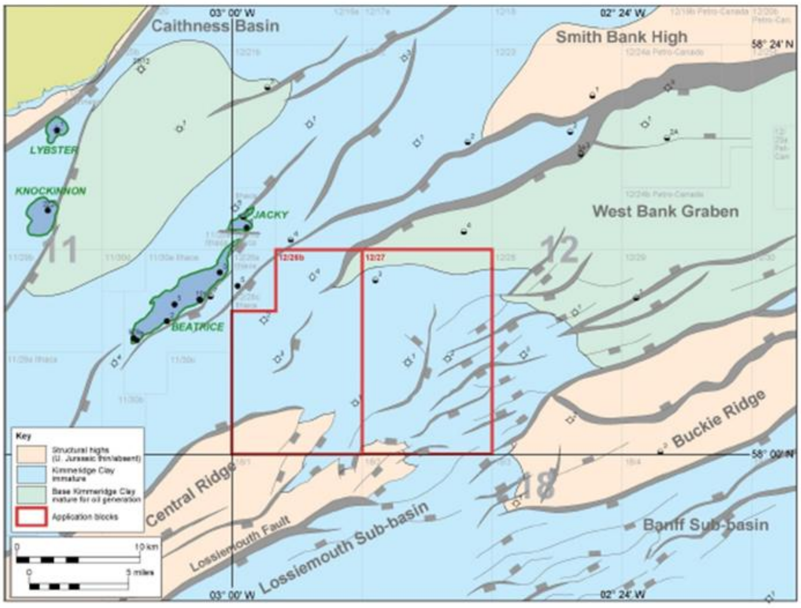


Figure 24: **Blocks 12/26b & 12/27 Location Map (after the JV participants)**

A suite of prospects and leads have been identified (Figure 25) by the JV participants with the primary Niobe prospect described as a Volgian sandstone stratigraphic play with reservoirs proven downdip in the 12/27a-3 well pinching out updip before the 12/27-1 well (no reservoir sands present).

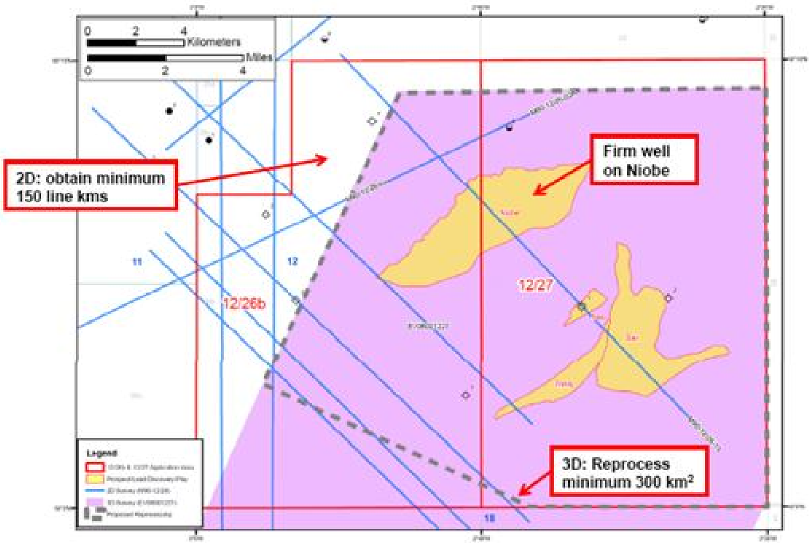


Figure 25: **Blocks 12/26b & 12/27 Prospect Location and Work Programme (after the JV participants)**

The Niobe prospect summary sheet in the application quoted most likely resources of 51 MMb with a 20% chance of success.

No review of the application data, and no reassessment of the chance of success, has been undertaken as part of this project but the application prospect volumetric data are summarised in Table 22.

Niobe Prospect			
Input Data	***Low***	***Mid***	***High***
GRV (acre ft)	332,720	332,720	332,720
Porosity (%)	20	25	28
S_{hc} (%)	50	70	85
FVF	1.1	1.1	1.1
N/G (%)	30	50	75
Output Data	***Low***	***Mid***	***High***
OIIP (MMb)	151	205	270
Recovery Factor (%)	15	25	35
Recoverable Oil (MMb)	35	51	72

Table 22: Niobe Prospect Data (Application Figures)

Other Potential

The data provided by Trap has formed the basis of this review and although no other potential is referenced it is possible that other opportunities may be identified in the existing acreage with further data acquisition and evaluation.

Definitions

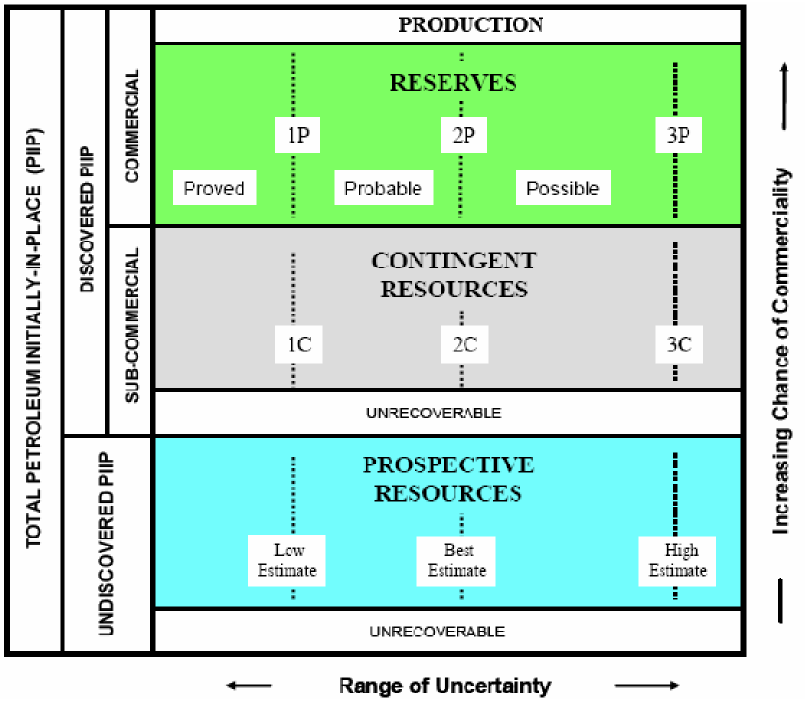
AVO	Amplitude Versus Offset
bbl	Barrel(s)
bbl/MMscf	Barrels per million standard cubic feet of gas
bcf	Billion standard cubic feet gas (10^9)
bcpd	Barrels of condensate per day
bfpd	Barrels of fluid per day
BHP	Bottom Hole Pressure
BHT	Bottom Hole Temperature
boe	Barrel of oil equivalent (6,000 standard cubic feet of gas = 1boe)
bopd	Barrels of oil per day
bwpd	Barrels of water per day
c.	Circa, approximately
CGR	Condensate:gas ratio
cP	Centipoise
Crude Oil	Crude mineral oil, asphalt, ozokerite and all kinds of hydrocarbons and bitumens, both solid and liquid form, in their natural state or obtained from Natural Gas by condensation or extraction
CSEM	Controlled Source ElectroMagnetic
DECC	Department of Energy and Climate Change (UK Government Ministry)
DoD	Drill or Drop
DST	Drill Stem Test
ft	Foot
GEF	Gas Expansion Factor
GIIP	Gas Initially In Place
GOC	Gas Oil Contact
GOR	Gas:Oil Ratio
GRV	Gross Rock Volume
GWC	Gas Water Contact
k	Thousand(s)
kbopd	Thousand(s) barrel of oil per day (etc.)
km	Kilometre(s)
km^2	Square kilometre(s)
m	Metre(s)
m^2	Square metre(s)
m^3	Cubic metre(s)
md	Measured depth
mD	Millidarcy
mdbRT	Measured depth below rotary table
MM	Million(s)
MMb	Million(s) of barrel of oil/condensate
MMboe	Million(s) barrel of oil equivalent
MMscf	Million(s) of standard cubic feet of gas
MMscfd	Million(s) of standard cubic feet of gas per day

MMstb	Million(s) of stock tank barrel of oil
mS	Milliseconds
scf/stb	Standard cubic feet of gas per stock tank barrel of oil
MSL	Mean Sea Level
Natural Gas	All associated and/or non-associated gaseous hydrocarbons produced from wells, including wet mineral gas, dry mineral gas, casing-head gas and residue gas remaining after the extraction of liquid hydrocarbons from wet gas
NGLs	Liquids obtained from Natural Gas by condensation or extraction
NPV	Net Present Value
N/G	Net to Gross ratio
Ø	Porosity
ODT	Oil Down To
OWC	Oil Water Contact
ºAPI	Oil gravity in degrees measured according to the American Petroleum Institute
°C	Degrees Centigrade
P10	10% probability that the figure will exceed this value, determined using probabilistic methods
P50	50% probability that the figure will exceed this value, determined using probabilistic methods
P90	90% probability that the figure will exceed this value, determined using probabilistic methods
pa	Per annum
Trap	Trap Oil Limited
Petroleum	Mineral oil and gas known as Crude Oil and Natural Gas
ppm	Parts per million
psia	Pounds per square inch, absolute
psig	Pounds per square inch, gauge
rb/Mscf	Reservoir barrels per thousand standard cubic feet of gas
rb/stb	Reservoir barrel per stock tank barrel of oil
RFT	Repeat Formation Tester
scf/stb	Thousands of standard cubic feet of gas per stock tank barrel of oil
S_{hc}	Hydrocarbon saturation
Sg	Specific gravity
ss	Sub-sea
stb/d	Stock tank barrels of oil per day
STOIIP	Stock Tank Oil Initially In Place
tcf	Trillion standard cubic feet of gas (10^{12})
TD	Total Depth
TVDss	True Vertical Depth Sub-Sea
TWT	Two-way time
UKCS	United Kingdom Continental Shelf
WHP	Well head pressure
WUT	Water Up To

Tables

Figures

Appendix 1 - SPE Petroleum Reserve & Resource Definitions



SPE Resources Classification Framework

Reserves

RESERVES are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.

Contingent Resources

CONTINGENT RESOURCES are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status.

Prospective Resources

PROSPECTIVE RESOURCES are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources can also be further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

Additional information on the Society of Petroleum Engineers (SPE) system for categorising and classifying resources and reserves can be found in the document “Petroleum Resources Management System”, 2007 on the SPE website www.spe.org.

PART 6

ADDITIONAL INFORMATION

1. Responsibility statements

1.1 The Directors, whose names and functions are set out on page 16 of this document, and the Company, accept responsibility, both individually and collectively, for all of the information contained in this document and for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 Challenge Energy accepts responsibility for its report set out in Part 5 of this document and for any information sourced from the CPR in this document. To the best of the knowledge and belief of Challenge Energy (who has taken all reasonable care to ensure that such is the case) the information contained therein is in accordance with the facts and contains no omissions likely to affect its import.

2. Incorporation and registration

2.1 The Company, whose registered office is at 10 The Triangle, NG2 Business Park, Nottingham NG2 1AE was incorporated and registered in England and Wales under the Act on 24 January 2011 as a public limited company with registration number 7503957. On 11 February 2011, the Company obtained a trading certificate pursuant to section 761 of the Act entitling it to do business and borrow. The Company's principal place of business is at 4 Park Place, St. James's, Mayfair, London SW1A 1LP. The telephone number of the Company's principal place of business is 0203 170 5586. The address of the Company's corporate website on which the information required by Rule 26 of the AIM Rules can be found is www.trapoil.com.

2.2 The principal activity of the Company is to act as a holding company. It acts as the holding company of the Group, whose principal activities are described more fully in Part 1 of this document and summarised at paragraph 3 below. There are no exceptional factors which have influenced the Company's activities.

2.3 The Company has no administrative, management or supervisory bodies other than the Board, the remuneration committee, audit committee and the nomination committee.

2.4 The Company is governed by its Articles and the principal legislation under which the Company operates is the Act (where applicable) and the regulations made thereunder.

2.5 The Company's auditors are TCP Chartered Accountants, 10 The Triangle, NG2 Business Park, Nottingham NG2 1AE, which is a member of the Institute of Chartered Accountants in England and Wales.

2.6 The accounting reference date of the Company is 31 December.

2.7 The International Security Identification Number or ''ISIN'' for the Ordinary Shares is GB00B3Q57427.

2.8 Save as disclosed in paragraph 3 below, there are no undertakings in which the Company holds a proportion of the capital that is likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits.

2.9 The liability of the members of the Company is limited to the amount, if any, unpaid on the shares respectively held by them.

2.10 The Company is domiciled in the United Kingdom.

3. Group organisation

3.1 The Company is the Group's holding company and has the following wholly owned subsidiary undertakings, all of which are, directly or indirectly, held by the Company, as set out below:

Name	*Country of incorporation or residence*	*Proportion of ownership interest (%)*	*Proportion of voting power (%)*	*Activity*
Predator Oil Limited	England & Wales	100	100	Holding company
Trap Oil Limited	England & Wales	100	100	Operating company

3.2 The Group's oil and gas exploration activities and operations are carried on by Trap Oil and Predator Oil is an intervening holding company.

4. Share capital of the Company

4.1 The history of the Company's share capital from incorporation to Admission is as follows:

(a) on incorporation, Peter Adrian Smith and John Andrew Church were each issued with:

(i) 1 Ordinary Share fully subscribed for at par value; and

(ii) 25,000 Redeemable Shares, nil paid; and

(b) on 24 January 2011, each of Peter Adrian Smith and John Andrew Church irrevocably and unconditionally undertook to the Company to pay or procure the payment of £1.00 in cash for each Redeemable Share on or before 23 January 2016; and

(c) on 11 March 2011, the Company issued 42,634,713 Ordinary Shares to the shareholders of Predator Oil in consideration for the transfer of the entire issued share capital and loan notes of Predator Oil to the Company pursuant to the Predator Acquisition Agreement summarised at paragraph 14.8 of this Part 6. In connection with the transfer of the entire issued share capital and loan notes of Predator Oil to the Company, on 11 March 2011 the Company granted options to subscribe for in aggregate 3,672,750 Ordinary Shares to Mark Groves Gidney, Paul Collins, Peter Smith, John Church and David Kemp. These options were granted pursuant to individual option agreements to replace existing options that had previously been granted by Predator Oil to these individuals and which were intended to qualify as enterprise management incentives pursuant to Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003.

4.2 On 13 March 2011, the Company served on each of Peter Adrian Smith and John Andrew Church a notice to redeem all of the Redeemable Shares held by them at their nominal amount immediately following Admission out of the proceeds of the Placing.

4.3 The issued fully paid up share capital of the Company as at the date of this document and as it is expected to be immediately following Admission, is as follows:

Ordinary Shares

	Number	*£*
As at the date of this document	42,634,715	426,347.15
Immediately following Admission	182,169,715	1,821,697.15

Redeemable Shares

	Number	*£*
As at the date of this document	50,000	50,000
Immediately following Admission	Nil	Nil

4.4 On 8 February 2011, the Shareholders passed resolutions on the following terms:

(a) generally and unconditionally to authorise the Directors, until the conclusion of the Company's annual general meeting to be held in 2012, to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company in accordance with section 551 of the Act up to an aggregate nominal amount of £4,275,000 comprising:

(i) up to an aggregate nominal value of £2,500,000 in connection with the Placing;

(ii) up to an aggregate nominal value of £500,000 in connection with the acquisition of the entire issued share capital of Predator Oil by the Company pursuant to the Predator Acquisition Agreement;

(iii) up to an aggregate nominal value of £125,000 in connection with the Warrants;

(iv) up to an aggregate nominal value of £150,000 in connection with the Options; and

(v) otherwise than in connection with the Placing, Predator Acquisition Agreement, Warrants and Options, up to an aggregate nominal amount equal to the lesser of £1,000,000 and one third of the aggregate nominal amount of the Enlarged Share Capital, and

(b) to authorise the Directors, until the conclusion of the Company's annual general meeting to be held in 2012, pursuant to Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by the resolution contained in subparagraph 4.4(a) above as if Section 561(1) of the Act did not apply provided that the power is limited to the allotment of equity securities:

(i) in connection with the Placing;

(ii) pursuant to the Predator Acquisition Agreement;

(iii) in connection with the Warrants;

(iv) in connection with the Options; and

(v) otherwise for cash up to an aggregate nominal amount equal to the lesser of £350,000 and ten per cent. of the aggregate nominal amount of the Enlarged Share Capital.

4.5 On 13 March 2011, the Directors resolved to issue, conditional upon Admission, up to 139,535,000 new Ordinary Shares pursuant to the Placing.

4.6 The provisions of Section 561 of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are paid up in cash) apply to the unissued share capital of the Company except to the extent disapplied by the resolution referred to in sub-paragraph 4.4(b) above.

4.7 The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission on the Ordinary Share capital.

4.8 Save as disclosed in this Part 6, since 24 January 2011 (being the date of incorporation of the Company):

(a) no share or loan capital in the Company or the Group is under option or is the subject of an agreement, conditional or unconditional, to be put under option;

(b) no share or loan capital of the Company or of the Group has been issued, or is now proposed to be issued, fully or partly paid, either for cash or other consideration to any person;

(c) no person has any preferential subscription rights for any share capital of the Company;

(d) no commissions, discounts, brokerages or other special terms, have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company;

(e) the Company does not hold any of its own Ordinary Shares and none of the Company's subsidiaries hold any of the Ordinary Shares;

(f) the Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue; and

(g) there are no acquisition rights or obligations over the authorised but unissued share capital of the Company and there is no undertaking to increase the share capital of the Company.

4.9 The Ordinary Shares have been created under the Act.

4.10 The Ordinary Shares are in registered form and may be held either in certificated form or in uncertificated form through CREST. The Articles permit the Company to issue shares in uncertificated form.

4.11 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

4.12 The Company does not have in issue any securities not representing share capital.

4.13 As at 11 March 2011 (the latest practicable date before the publication of this document), options and other rights to subscribe for shares were outstanding over a total of 13,852,985 Ordinary Shares. The total number of Ordinary Shares in respect of which options may be granted in any ten year period under the Share Option Scheme and any future option scheme to be constituted by the Company shall not, at any time after Admission, exceed 10 per cent. of the issued share capital of the Company. Further details of the options over the Company's share capital are set out in paragraph 16 of this Part 6.

4.14 There are no issued but not fully paid Ordinary Shares.

4.15 None of the Ordinary Shares have been marketed or are being made available to the public in whole or in part in conjunction with the application for Admission.

4.16 The Existing Ordinary Shares have not been admitted to dealing on any recognised investment exchange or other trading faciity, nor has any application for such admission been made and it is not intended to make any arrangements for dealings in the Ordinary Shares on any such exchange other than the application to be made in connection with Admission.

4.17 The Company has the contractual capacity of a natural person and is empowered to borrow, guarantee and give security.

5. Summary of the Articles of Association

5.1 Copies of the Articles are available on written request to the Company Secretary of the Company.

5.2 The Articles include provisions to the following effect:

Objects

The Articles contain no restriction on the objects of the Company.

Redeemable Shares

(a) Income

The Redeemable Shares rank *pari passu* with the Ordinary Shares in respect of the right to receive any dividend, distribution or other participation in the profits of the Company.

(b) Capital

The Redeemable Shares rank *pari passu* with the Ordinary Shares on any distribution of assets on liquidation or otherwise.

(c) Voting

The Redeemable Shares do not entitle their holders to receive notice of or to attend and speak or vote at any general meeting of the Company nor do they entitle their holders to receive notice of or to attend and speak or vote at any meeting of the Directors nor to appoint any Director.

(d) Redemption

The Redeemable Shares, subject to the provisions of the Act, can be redeemed upon and subject to the following terms and conditions:

(i) The Company has the right to redeem all, or part, of the Redeemable Shares at any time after the date of incorporation of the Company at par value. The holders of the Redeemable Shares have no right to request redemption.

(ii) No Redeemable Shares can be redeemed otherwise than out of distributable profits or the proceeds of a fresh issue of shares made, *inter alia*, for the purposes of the redemption, or out of capital to the extent permitted by the Act.

(iii) When all of the Redeemable Shares have been redeemed, article 5.1 governing the rights attaching to the Redeemable Shares shall cease to have effect.

Meetings of Members

Subject to the requirement to convene and hold annual general meetings in accordance with the requirements of the Act and the Articles, the Board may call general meetings whenever and at such times and places as it shall determine and, on the requisition of members pursuant to the provisions of the Act, shall forthwith proceed to convene a general meeting in accordance with the requirements of the Act and the Articles.

An annual general meeting shall be called by at least 21 clear days' notice. All other general meetings that are not annual general meetings shall be called by at least 14 clear days' notice (or such other minimum period as is applicable pursuant to the Act or the Articles).

Subject to the provisions of the Act and notwithstanding that it is convened by shorter notice than specified in the Articles, a general meeting shall be deemed to have been duly convened if it is so agreed: (i) in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and (ii) in the case of any other general meeting, by a majority in number of the members having the right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

Subject to the provisions of the Articles and to any restrictions imposed on any shares, the notice shall be given to all the members, to each of the directors and the auditors for the time being of the Company. The notice shall specify the time, date and place of the meeting and, in the case of special business, the general nature of such business. The accidental omission to give notice of a meeting, or to send any other document or information with a notice where required by the Articles, to any person entitled to receive the same, or the non-receipt of a notice of meeting or any other document or information by any such person, shall not invalidate the proceedings of that meeting. The directors may from time to time make such arrangements for the purpose of controlling the level of attendance as they shall in their absolute discretion consider appropriate.

The notice shall, with reasonable prominence, specify that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him/her and that a proxy need not also be a member.

The appointment of a proxy shall be executed in writing and by or on behalf of the appointer. Delivery of a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned. A member may appoint more than one proxy to attend on the same occasion, provided that each proxy is appointed to exercise the rights attaching to different shares held by that member. A corporation or corporation sole which is a member of the Company may authorise such person or persons as it thinks fit to act as its representative or representatives at any meeting of the Company or at any separate meeting of the holders of any class of shares.

Voting Rights

The Redeemable Shares do not entitle the holders of such shares to receive notice of or to attend, speak or vote at any general meeting of the Company.

As regards the Ordinary Shares, subject to the Act, the Articles and any rights or restrictions attached to the Ordinary Shares, on a show of hands every member who is present in person or by proxy shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

Subject to the Act and the Articles, on a vote on a resolution on a show of hands at a meeting, every proxy present who has been duly appointed by one or more members entitled to vote on the resolution has one vote. On a vote on a resolution on a show of hands at a meeting, a proxy has one vote for and one vote against the resolution if: (i) the proxy has been duly appointed by more than one member entitled to vote on the resolution, and (ii) the proxy has been instructed by one or more of those members to vote for the resolution and by one or more other of those members to vote against it.

Alteration of Capital

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its shares into shares of larger amount; and

(b) sub-divide all or any of its shares into shares of a smaller amount and attach varying rights to the shares resulting from such sub-division.

The Company may by special resolution reduce its share capital, any capital redemption reserve or redenomination reserve, any share premium account and any undistributable reserve subject to the provisions of the Act and to any rights for the time being attached to any shares.

Variation of Rights

All or any of the rights attached to any class of shares for the time being issued may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated, whether or not the Company is being wound up, either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class (but not otherwise).

Purchase of Own Shares

If undertaking a purchase of its own shares, the Company may (subject to and in accordance with the provisions of the Act and without prejudice to any relevant special rights attached to any class of shares) purchase shares of any class at any price (whether at par or above or below par), and so that any shares to be so purchased may be selected in any manner whatsoever. Every contract for the purchase of, or under which the Company may become entitled or obliged to purchase, shares in the Company shall be authorised by such resolution of the Company as may be required by the Act and by a special resolution passed at a separate general meeting of the holders of each class of shares (if any) which, at the date on which the contract is authorised by the Company in general meeting, entitle them, either immediately or at any time later on, to convert all or any of the shares of that class held by them into equity share capital of the Company.

Transfer of Shares

Subject to any restriction contained in the Articles or to any legend on any share certificate, any member may transfer all or any of his certificated shares in the usual form or in any other form which the Board may approve and shall be executed by or on behalf of the transferor and (in the case of a share which is not fully paid) by the transferee. Nothing in the Articles precludes the transfer of shares in uncertificated form. Save where any rules or regulations made under the Act permit otherwise, the instrument of transfer of a share shall be in any usual form. The Board may in its absolute discretion decline to register any transfer of shares which are not fully paid or on which the Company has a lien. If the Board refuses to register the transfer, it shall as soon as reasonably practicable, and in any event within two months after the date on which the instrument of transfer was lodged with the Company, send to the transferee notice of the refusal along with the reasons for such refusal.

Dividends and other distributions

Subject to the Act and the Articles, the Company may by ordinary resolution declare dividends in accordance with the respective rights and interests in the profits of the members, but no dividend shall exceed the amount recommended by the Board. The Board may declare and pay interim dividends if it appears that they are justified by the profits of the Company available for distribution.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid; but no amount paid on a share in advance of the date on which a call is payable shall be treated as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but, if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

Any dividend unclaimed after a period of twelve years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

The Board may, if authorised by an ordinary resolution of the shareholders of the Company, offer members the right to elect to receive shares credited as fully paid in whole or in part, instead of cash, in respect of the whole or part of any dividend specified by the ordinary resolution.

In a winding up, the liquidator may, with the sanction of a special resolution of the Company and subject to the Insolvency Act 1986 or other relevant law, divide among the members in specie the whole or any part of the assets of the Company and/or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator determines.

Restrictions on Shares

If the Board is satisfied that a member or any person appearing to be interested in shares in the Company has been duly served with a notice under Section 793 of the Act and is in default in supplying to the Company the information thereby required within a prescribed period after the service of such notice the Board may serve on such member or on any such person a notice (''a direction notice'') in respect of the shares in relation to which the default occurred (''default shares'') directing that a member shall not be entitled to be present or vote either personally or by proxy at any general meeting or class meeting of the Company. Where default shares represent at least 0.25 per cent. of the class of shares concerned (less any shares of that class held in treasury) the direction notice may in addition direct that (except in liquidation) no payment shall be made on any sums due from the Company on the default shares, whether in respect of capital or dividend or otherwise, and the Company shall not meet any liability to pay interest on any such payment when it is finally paid to the member and no transfer of any of the shares held by the member shall be registered unless it is a transfer of shares to an offeror by way or in pursuance of acceptance of a takeover offer (as defined in Section 974 of the Act); or the Board is satisfied that the transfer is made pursuant to a sale of the whole of the beneficial ownership of the shares the subject of the transfer to a party unconnected with the member and with other persons appearing to be interested in such shares; or the transfer results from a sale made through a recognised investment exchange as defined in the FSMA or any other stock exchange outside the United Kingdom on which the Company's shares are normally traded. The prescribed period referred to above means 28 days from the date of service of the notice under Section 793 unless the default shares represent at least 0.25 per cent. of the class of shares concerned in which case it is 14 days from that date.

Directors

At every annual general meeting of the Company as near as possible (but not greater than) one third of the directors for the time being shall retire by rotation and be eligible for re-election.

The directors to retire will be those who have been longest in office or, in the case of those who became or who are re-elected directors on the same day, shall, unless they otherwise agree, be determined by lot.

Save as otherwise provided in the Articles or as permitted by way of a specific authorisation by the Board pursuant to the Articles, a Director shall not vote at a meeting of the Board or a committee of the Board on any resolution of the Board concerning a matter in which he has an interest which together with any interest of any person connected with him is to his knowledge a material interest (other than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company) unless his interest arises only because the case falls within one or more of the following paragraphs:

(a) the resolution relates to the giving of any guarantee, security, or indemnity in respect of money lent, or obligations incurred by him or by any other person at the request of or for the benefit of, the Company or any of its subsidiaries; and/or

(b) the resolution relates to the giving of any guarantee, security, or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security; and/or

(c) his interest arises by virtue of his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any shares, debentures, or other securities by the Company or any of its subsidiaries for subscription, purchase or exchange; and/or

(d) his interest arises in relation to the subscription or purchase by him of shares, debentures or other securities of the Company pursuant to an offer or invitation to members or debenture holders of the Company, or any class of them; and/or

(e) any proposal concerning any other company in which he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent. or more of either any class of the equity share capital, or the voting rights, in such company; and/or

(f) the resolution relates to an arrangement for the benefit of employees of the Company or of any of its subsidiaries and does not provide in respect of the Director any privilege or benefit not awarded to the employees to whom such arrangement relates; and/or

(g) any proposal concerning any insurance which the Company is empowered to purchase or maintain for the benefit of any Directors of the Company or for the benefit of persons who include Directors of the Company provided that for the purposes of this paragraph insurance shall mean only insurance against liability incurred by a Director in respect of any such act or omission by him or any other insurance which the Company is empowered to purchase or maintain for or for the benefit of any groups of persons consisting of or including Directors of the Company.

The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision of these Articles) shall not exceed in aggregate £250,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board. Any Director who does not hold executive office and who serves on any committee of the Directors, or by the request of the Board goes or resides abroad for any purpose of the Company or otherwise performs special services or duties which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission, fees or otherwise as the Board may determine. The Directors may be paid all travelling, hotel, and other expenses properly incurred by them in connection with their attendance at meetings of the Board or committees of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

Unless otherwise determined by the Company by ordinary resolution and subject to the Act, the number of Directors (other than alternate Directors) shall be not less than two nor more than ten in number. A director shall not be required to hold any shares of the Company by way of qualification.

Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and, subject to the provisions of the Act, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (so far as regards subsidiaries as by such exercise they can secure) that, save with the previous sanction of an ordinary resolution, the aggregate principal amount (including any premium payable on final payment) for the time being outstanding of all monies borrowed by the Company and its subsidiaries and for the time being owing to third parties shall not at any time exceed an amount equal to four times the Adjusted Capital and Reserves (as defined in the Articles).

6. Mandatory bids, squeeze-out and sell-out rules relating to the Ordinary Shares

Mandatory bid

6.1 The Takeover Code applies to the Company for so long as its central management and control remain in the UK. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights of the Company.

Squeeze-out

6.2 Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer unless the Shareholders can show that the offer value is unfair.

Sell-out

6.3 The Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

7. Directors of the Company

7.1 Details of the Directors, their business address and their functions in the Company are set out on page 16 of this document under the heading ''Directors, Secretary and Advisers''. Each of the Directors can be contacted at the principal place of business of the Company at 4 Park Place, St. James's, Mayfair, London SW1A 1LP.

7.2 The Exploration Manager and the Directors (in addition to their directorships of the Company) are or have been a member of the administrative, management or supervisory bodies, or directors or partners of the following companies or partnerships within the five years prior to the publication of this document:

Name	*Current Directorships/Partnerships*	*Previous Directorships/Partnerships*
Kevin Watts	Enterprise Oil (Bawean) Limited Foscote Development Limited Foundry Place Management Company Limited Nextproject Limited	Grove Energy (Southern North Sea) Limited Grove Energy (Romania) Limited Stratic Energy Corporation Stratic Energy (Developments) Limited Stratic Energy (Developments) Holdings Limited Stratic Energy (North Sea) Limited Stratic Energy (UK) Limited Stratic Exploration (Syria) Limited Stratic UK Holdings Limited Grove Energy Limited Stratic Energy Netherlands BV Stratic Energy (Morocco) Inc. Grove Energy (Tunisia) Limited Stratic Energy (Turkey) Inc.
Mark Groves Gidney	Predator Oil Limited Trap Oil Limited	Eagle HC Limited Environmental Geosciences Limited Exploration Geosciences (UK) Limited (formerly EG Royalties Limited) First Oil Royalties Limited SeaEnergy Plc (formerly Ramco Energy plc) Taverham Limited
Paul Collins	Predator Oil Limited Trap Oil Limited Pamaco Limited (BVI) Pamaco Land Limited (BVI)	Crystal (Europe) Limited
Peter Smith	Drip Action Theatre Company Fe2 Limited South Coast GIS Limited Trap Oil Limited	Eagle HC Limited Predator Oil Limited
John Church	Geopartners Limited Hill Farm Barns Management Company Limited Restaurant Sat Bains Limited Spenu Limited Trap Oil Limited	Firewall Telecom Limited Paraglider Limited Taverham Limited Taxsol Limited TCP (GB) LLP
Elwyn Jones	Geopartners Limited Trap Oil Limited	Veritas DGC Limited Veritas Geophysical Limited
David Kemp	Technip-coflexip UK Holdings Limited Technip Offshore Holdings Limited Technip UK Limited Trap Oil Limited	None

Name	*Current Directorships/Partnerships*	*Previous Directorships/Partnerships*
Marcus Stanton	Cable Finance Limited Kingsworthy Investments Limited Velosi Limited	Insurethelot.co.uk Limited Lok'n Store Group plc Ostrakon Capital (2) Limited Taurex Resources plc Lok'n Store Trustee Limited
Martin David	Persian Cat Press Limited	None

7.3 John Church was a director of Studentnet Limited until 1 November 2000. A liquidator was appointed on 7 August 2001 and the company was deemed to be dissolved on 11 February 2004. The company had an estimated deficiency as regards creditors of £448,834.

7.4 Save as disclosed at paragraph 7.3 above, as at the date of this document, none of the Directors or the Exploration Manager has:

(a) any unspent convictions in relation to fraudulent offences or unspent convictions in relation to indictable offences;

(b) been declared bankrupt or been subject to any individual voluntary arrangement;

(c) been a director of any company or been a member of the administrative, management or supervisory body of an issuer or a senior manager of an issuer which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was acting in that capacity for that company or within the 12 months after he ceased to be so acting;

(d) been a partner in any partnership which has been placed in compulsory liquidation, administration or partnership voluntary arrangement whilst he was a partner of that partnership or within 12 months after he ceased to be a partner in that partnership;

(e) been the owner of any asset placed in receivership or been a partner in any partnership which had an asset placed in receivership whilst he was a partner of that partnership or within the 12 months after he ceased to be a partner of that partnership; or

(f) been subject to any public criticisms by any statutory or regulatory authorities (including recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

7.5 Save as disclosed in this document, none of the Directors or the Exploration Manager have been interested, whether directly or indirectly, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group taken as a whole and which was effected by the Group and remains in any respect outstanding or unperformed.

7.6 Save in respect of the acquisition of the entire issued share capital of Predator Oil pursuant to the Predator Acquisition Agreement (as summarised at paragraph 14.8 of this Part 6 of the document), or as otherwise disclosed in this document, no Director has or has had any interest, direct or indirect, in any assets which have been acquired by, disposed of by, or leased to the Group or which are proposed to be acquired by, disposed of by, or leased to the Group.

7.7 Save as disclosed in paragraph 8 of this Part 6, paragraph 14.6 of this Part 6 (placing agreement), paragraph 14.7 of this Part 6 (lock-in and orderly market deeds) and 14.8 of this Part 6 (Predator Acquisition Agreement), there are no contracts, existing or proposed, between any Director and the Company.

7.8 In the case of those Directors and the Exploration Manager who have roles as directors of companies other than the Company, although there are no current conflicts of interest, it is possible that the fiduciary and statutory duties owed by those

Directors and the Exploration Manager to companies of which they are directors from time to time may give rise to conflicts of interest with the duties owed to the Company.

7.9 There are no potential conflicts of interest between the duties owed by the Directors and the Exploration Manager to the Company and their duties to third parties.

7.10 Except for the Directors and the Exploration Manager whose details are set out in paragraph 10 of Part 1 of this document, the Board does not believe that there are any other senior managers who are relevant in establishing that the Company has the appropriate expertise and experience for the management of the Company's business.

8. Directors' service agreements and letters of appointment

The following agreements have been entered into between the Directors and the Company:

8.1 **Kevin Watts**

Mr Watts' services as Non-Executive Chairman to the Company are procured by a letter of appointment dated 13 February 2011. Mr Watts' appointment is terminable in accordance with the Articles and at any time on either party giving three months' prior written notice.

The annual fee receivable under this arrangement is £60,000 per annum. The fee payable is subject to annual review by the Board.

8.2 **Mark Groves Gidney**

Mr Groves Gidney entered into a service agreement dated 14 March 2011 with the Company pursuant to which he was employed as Chief Executive Officer with an annual salary of £226,000 per annum. The agreement is terminable by either party on twelve months' written notice and in accordance with the Articles. Mr Groves Gidney will be entitled to take thirty days holiday per annum in addition to usual UK bank holidays. Mr Groves Gidney may be entitled to be paid bonuses of such amounts (if any) at such times and subject to such conditions as the Company's remuneration committee may in its absolute discretion decide. Mr Groves Gidney may be eligible to be granted share options pursuant to and in accordance with such Company share option plan(s) or share incentive scheme(s) as may be in force from time to time. Mr Groves Gidney will be subject to certain restrictive covenants during and after the term of the agreement.

8.3 **Paul Collins**

Mr Collins entered into a service agreement dated 14 March 2011 with the Company pursuant to which he was employed as Chief Operating Officer with an annual salary of £226,000 per annum. The agreement, which is conditional upon Admission, is terminable by either party on twelve months' written notice. Mr Collins will be entitled to take thirty days holiday per annum in addition to usual UK bank holidays. Mr Collins may be entitled to be paid bonuses of such amounts (if any) at such times and subject to such conditions as the Company's remuneration committee may in its absolute discretion decide. Mr Collins may be eligible to be granted share options pursuant to and in accordance with such Company share option plan(s) or share incentive scheme(s) as may be in force from time to time. Mr Collins will be subject to certain restrictive covenants during and after the term of the agreement.

8.4 **Peter Smith**

Mr Smith entered into a service agreement dated 14 March 2011 with the Company pursuant to which he was employed as Technical Director with an annual salary of £226,000 per annum for a fixed term until 26 May 2011. The agreement, which is conditional upon Admission, is terminable by either party on two weeks' statutory written notice. Mr Smith will be entitled to take 6 days holiday per annum in addition to usual UK bank holidays. Mr Smith may be entitled to be paid bonuses of such amounts (if any) at such times and subject to such conditions as the Company's remuneration committee may in its absolute discretion decide. Mr Smith may be eligible to be granted share options pursuant to and in accordance with such Company share option plan(s) or share incentive scheme(s) as may be in force from time to time. Mr Smith will be subject to certain restrictive covenants during and after the term of the agreement.

8.5 **John Church**

Mr Church entered into a service agreement dated 14 March 2011 with the Company pursuant to which he was employed as Finance Director with an annual salary of £226,000 per annum. In the event that a new Finance Director is appointed, the Board has the right to reduce Mr Church's salary to £150,000 within two months of such appointment. The agreement, which is conditional upon Admission, is terminable by either party on twelve months' written notice. Mr Church will be entitled to take thirty days holiday per annum in addition to usual UK bank holidays. Mr Church may be entitled to be paid bonuses of such amounts (if any) at such times and subject to such conditions as the Company's remuneration committee may in its absolute discretion decide. Mr Church may be eligible to be granted share options pursuant to and in accordance with such Company share option plan(s) or share incentive scheme(s) as may be in force from time to time. Mr Church will be subject to certain restrictive covenants during and after the term of the agreement.

8.6 **David Kemp**

Mr Kemp's services as Non-Executive Director to the Company are procured by a letter of appointment dated 14 March 2011. Mr Kemp's appointment, which is conditional upon Admission is terminable in accordance with the Articles and at any time on either party giving three months' prior written notice.

The annual fee receivable under this arrangement is £40,000 per annum. The fee payable is subject to annual review by the Board.

8.7 **Elwyn Jones**

Mr Jones' services as Non-Executive Director to the Company are procured by a letter of appointment dated 14 March 2011. Mr Jones' time appointment, which is conditional upon Admission, is terminable in accordance with the Articles and at any time on either party giving three months' prior written notice. The annual fee receivable under this arrangement is £40,000 per annum. The fee payable is subject to annual review by the Board.

8.8 **Marcus Stanton**

Mr Stanton's services as Non-Executive Director to the Company are procured by a letter of appointment dated 14 March 2011. Mr Stanton's appointment, which is conditional upon Admission is terminable in accordance with the Articles and at any time on either party giving three months' prior written notice. The annual fee receivable under this arrangement is £45,000 per annum. The fee payable is subject to annual review by the Board.

8.9 The aggregate estimated remuneration and benefits in kind paid or payable to the Directors and the Exploration Manager by any company in the Group for the current financial year under the arrangements that are in force and that will come into effect on Admission will amount to approximately £948,700.

8.10 Save as specified in this paragraph, there are no existing or proposed service agreements, consultancy agreements or letters of appointment between any of the Directors and any member of the Group which provide benefits upon termination of employment or otherwise.

8.11 No amount has been set aside or accrued by the Group to provide pension, retirement or other benefits to the Directors.

9. Directors' shareholdings and other interests

9.1 The interests (within the meaning of Sections 820-825 (inclusive) of the Act) of the Directors and (so far as is known to the Directors having made appropriate enquiries) persons connected with them (which expression shall be construed in accordance with the AIM Rules) (all of which are beneficial except as shown below) in the existing share capital of the Company as at 11 March 2011, being the last practicable date prior to the publication of this document, and as expected to be immediately following Admission, are as follows:

Name	*Number of Existing Ordinary Shares*	*Percentage of Company's existing issued share capital*	*Number of Ordinary Shares immediately following Admission*	*Percentage of Company's Enlarged Share Capital*
Kevin Watts	Nil	Nil	50,000	0.03%
Mark Groves Gidney	4,717,050	11.06%	4,973,347	2.73%
Paul Collins	4,717,050	11.06%	4,973,347	2.73%
Peter Smith	3,168,300	7.43%	3,338,525	1.83%
John Church	2,531,100	5.94%	2,671,343	1.47%
Elwyn Jones[1]	2,655,000	6.23%	2,804,902	1.54%
David Kemp	1,265,550	2.97%	1,564,873	0.86%
Marcus Stanton	Nil	Nil	46,511	0.03%

1 The Ordinary Shares in which Elwyn Jones has an interest are registered in the name of Mark Groves Gidney.

9.2 On Admission, the Directors and (so far as is known to the Directors having made appropriate enquiries) persons connected with them (which expression shall be construed in accordance with the AIM Rules) will have the following options over Ordinary Shares:

Name	*Date of grant*	*Type of Option*	*Number of Ordinary Shares under option*	*Exercise price per share (pence)*	*Exercise period*[1]
Kevin Watts	13 March 2011	Individual Unapproved	209,302	43p	12 March 2021
Mark Groves Gidney	13 March 2011	Share Option Scheme	1,744,186	43p	12 March 2021
	11 March 2011	Pre-IPO options	1,048,725	1p	10 March 2021
Paul Collins	13 March 2011	Share Option Scheme	1,744,186	43p	12 March 2021
	11 March 2011	Pre-IPO options	1,048,725	1p	10 March 2021
Peter Smith	13 March 2011	Share Option Scheme	116,279	43p	12 March 2021
	11 March 2011	Pre-IPO options	1,048,725	1p	10 March 2021
John Church	13 March 2011	Share Option Scheme	1,162,790	43p	12 March 2021
	11 March 2011	Pre-IPO options	420,375	1p	10 March 2021
Elwyn Jones	13 March 2011	Individual Unapproved	139,535	43p	12 March 2021
David Kemp	11 March 2011	Pre-IPO options	106,200	1p	10 March 2021
		Individual Unapproved	139,535	43p	12 March 2021
Marcus Stanton	13 March 2011	Individual Unapproved	156,977	43p	12 March 2021

1 Pursuant to the terms of grant of the Pre-IPO options, such options shall only be exercisable from the first anniversary of the date of Admission being 17 March 2012.

9.3 Save as disclosed in this document, none of the Directors has any interest, whether beneficial or non-beneficial, in the issued share capital or loan capital of any member of the Group and nor do (so far as is known to the Directors having made appropriate enquiries) persons connected with them (which expression shall be construed in accordance with the AIM Rules).

9.4 There are no outstanding loans granted by any member of the Group to any of the Directors and there are no guarantees provided by any member of the Group for the benefit of any of the Directors.

9.5 No Director nor any member of his family nor any person connected with him has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares being admitted.

9.6 Details of any restrictions agreed by the Directors with regard to the disposal of their holdings in the Company's securities are set out in paragraph 14.7 of this Part 6 of the document.

10. Employees

10.1 As at the date of this document, other than the Directors and the Exploration Manager, the Group has no employees.

10.2 Details of the Company's share incentive arrangements are set out at paragraph 16 of this Part 6 of the document.

11. Related party transactions

11.1 Save for the transactions described in the agreements referred to in paragraph 14 of this Part 6 below, during the period of two years immediately preceding the date of this document, none of the members of the Group have entered into any related party transactions.

12. Significant Shareholdings

12.1 As at 11 March 2011, the latest practicable date prior to the publication of this document, save as set out below, and for the interests of the Directors and their immediate familes and persons connected with them as set out in paragraph 9.1 of this Part 6, the Directors are not aware of any persons who, directly or indirectly, jointly or severally, have an interest of three per cent. or more in the Company's issued share capital or voting rights or exercise or could exercise control over the Company:

Name of Shareholder	*Number of Ordinary Shares*	*Percentage of Company's issued share capital*
Paul Bathurst	3,661,947	8.59%
Alan Edwards	3,428,608	8.04%
Mark Sawyers	3,428,608	8.04%
Alan Driscole	2,025,673	4.75%
Chris Cornford	1,636,273	3.84%
Bronwen Driscole	1,402,934	3.29%
Sally Cornford	1,402,934	3.29%

12.2 Immediately following Admission, save for the interests of the Directors and their immediate familes and persons connected with them as set out in paragraph 9.1 of this Part 6, the following persons will (so far as is known to the Directors having made appropriate enquiries), directly or indirectly, jointly or severally, have an interest of three per cent. or more of the Company's issued share capital or voting rights or exercise or could exercise control over the Company:

Name of Shareholder	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*
Henderson Global Investors Ltd	20,930,000	11.49%
JP Morgan Asset Management Ltd	17,441,000	9.57%
Capital Research Global Investors Ltd	11,800,000	6.48%
Elliot Advisors (UK) Ltd	11,627,000	6.38%
Blackrock Investment Management (UK) Ltd	8,372,000	4.60%
Standard Life Investments Ltd	8,139,000	4.47%
Och Ziff Management Europe Ltd	7,177,000	3.94%
Lombard Odier Asset Management Ltd	5,957,000	3.27%

12.3 Save as disclosed in paragraphs 12.1 and 12.2 of this Part 6, the Directors are not aware of any person who either at the date of this document or immediately following Admission, exercises or could exercise, directly or indirectly, jointly or severally, control over the Company.

12.4 As at 11 March 2011, the latest practicable date prior to the publication of this document, the Directors are not aware of any arrangements in place or under negotiation the operation of which may, at a subsequent date, result in a change of control of the Company.

12.5 No holder of Ordinary Shares, including those listed above, has voting rights which are different from the other holders of Ordinary Shares (issued or to be issued).

13. Principal investments

Other than as disclosed in this document, the Company does not have, nor are there in progress or under consideration by the Company, any significant investments.

14. Material contracts of the Group

The following material contracts are those contracts which have been entered into by a member of the Group (a) in the two years immediately preceding the date of this document (other than in the ordinary course of business); (b) which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document (other than those entered into in the ordinary course of business); and (c) any other material subsisting agreement which relates to the assets and liabilities of the Group (notwithstanding whether such agreements are within the ordinary course of business or were entered into outside of the two years immediately preceding the date of this document):

14.1 **Engagement letter with Strand Hanson**

An engagement letter dated 4 January 2011 was entered into by Trap Oil and Strand Hanson (and novated to the Company on 14 March 2011) pursuant to which the Company has, in relation to Admission and the Placing, appointed Strand Hanson to act as financial and nominated adviser in connection with Admission and the Placing and in accordance with the requirements of the AIM Rules.

Under the terms of the agreement, the Company agreed to pay a fee in cash of £475,000 upon Admission. Under this agreement, the Company gave certain customary undertakings and indemnities to Strand Hanson in connection with its engagement. Strand Hanson will also be granted Warrants by the Company pursuant to the warrant agreement summarised at paragraph 14.23(c) of this Part 6 of this document.

14.2 **Nominated adviser agreement with Strand Hanson**

Pursuant to a nominated adviser agreement (the ''**Nominated Adviser Agreement**'') between the Company and Strand Hanson dated 14 March 2011, the Company has appointed Strand Hanson to act as nominated adviser to the Company for the purposes of the AIM Rules, with effect from the date of the agreement, such appointment to continue until terminated by either the Company or Strand Hanson giving not less than 30 days' prior written notice any time following Admission (or if certain circumstances in relation to the Company or Strand Hanson exist unremedied for specified periods, forthwith by Strand Hanson or the Company as set out in the Nominated Adviser Agreement) provided that the Company may not terminate the Nominated Adviser Agreement before the end of an initial period of twelve months from the appointment (except where Strand Hanson is in material breach of the Nominated Adviser Agreement). The Company has agreed to pay Strand Hanson an annual retainer fee (plus VAT and expenses) quarterly in advance. The Directors are responsible under the Nominated Adviser Agreement for, *inter alia*, complying with all statements of intent made and undertakings given by the Company and for complying at all times with the AIM Rules.

14.3 Engagement letter with Mirabaud

An engagement letter dated 11 February 2011 was entered into by the Company and Mirabaud pursuant to which the Company appointed Mirabaud to act as broker to the Company in connection with the Admission and the Placing. The terms of the letter were varied by an agreement dated 11 March 2011 between the Company and Mirabaud.

Under the terms of the agreement, the Company has agreed to pay a broking commission equal to: (i) five per cent. of the aggregate value of the gross monies raised pursuant to the Placing; and (ii) the Warrants pursuant to the warrant agreement summarised at paragraph 14.23(a) of Part 6 of this document. Mirabaud has also agreed that it shall settle any fee that would be payable in connection with the Placing to Mr Penrose pursuant to his engagement letter referred to in paragraph 14.4 below.

The fee is payable upon completion of the Placing. Under this agreement, the Company has given certain customary undertakings and indemnities to Mirabaud in connection with its engagement.

14.4 Engagement letter with Duncan Penrose

An engagement letter dated 30 September 2010 was entered into by Trap Oil and Duncan Penrose wherein Mr Penrose agreed to assist Trap Oil in identifying possible sources of finance. As noted above, any fee payable to Mr Penrose under this agreement in connection with the Placing is to be settled by Mirabaud out of the above mentioned broking commission payable to Mirabaud by the Company. Mr Penrose will also be granted Warrants by the Company pursuant to the warrant agreement summarised at paragraph 14.23(b) of this Part 6 of this document.

14.5 Broker agreement

Pursuant to a broker agreement between the Company and Mirabaud dated 14 March 2011 (the ''**Mirabaud Broker Agreement**'') Mirabaud has agreed to act as the Company's broker for a minimum period of 12 months from Admission, to provide, *inter alia*, all the services specified from time to time in the AIM Rules or by any regulatory authority relating to a company trading on AIM as being the responsibility of a broker. Mirabaud is entitled to an annual fee of £50,000 plus VAT per annum payable quarterly in advance and to be reimbursed its reasonable and properly incurred out of pocket expenses. Under the Mirabaud Broker Agreement, the Company has undertaken to comply with all relevant laws and regulations for so long as the Ordinary Shares are admitted to AIM. The Mirabaud Broker Agreement may be terminated on three months' notice from either party to take effect no earlier than twelve months after Admission. The Mirabaud Broker Agreement may also be terminated by either party immediately in certain circumstances relating to breach of the Mirabaud Broker Agreement and insolvency.

14.6 Placing agreement

A placing agreement dated 14 March 2011 between the Company, the Directors, Strand Hanson and Mirabaud was entered into pursuant to which Strand Hanson has been appointed, as the Company's nominated adviser, to make an application for Admission and Mirabaud has agreed to procure (conditional on Admission taking place on or before 17 March 2011 (or such later date to be agreed by the parties, but in no event being later than 31 March 2011)) subscribers for the Placing Shares at the Placing Price. The Company has agreed to pay to Strand Hanson and Mirabaud the fees and commission respectively set out in paragraphs 14.1 and 14.3 above.

Under the terms of the Placing Agreement, the Company and the Directors have given certain customary warranties to Strand Hanson and Mirabaud and the Company has given certain customary indemnities and undertakings to Strand Hanson and Mirabaud in connection with the Placing and other matters relating to the Company and its affairs.

Strand Hanson or Mirabaud may terminate the Placing Agreement in certain specified circumstances prior to Admission, principally if any of the warranties has ceased to be true and accurate or shall have become misleading in any respect or in the event of circumstances existing which make it impracticable or inadvisable to proceed with the Placing.

14.7 **Lock-in and orderly market deeds**

Lock-in and orderly market deeds dated 14 March 2011 have been entered into by the Directors and the Company's senior management (the ''**Locked-In Management**'') with each of the Company, Strand Hanson and Mirabaud pursuant to which each of the Locked-In Management has agreed not to dispose of any of their interests in Ordinary Shares prior to the first anniversary of Admission, and thereafter for the following 12 months only to dispose of them with the prior consent of Strand Hanson and Mirabaud, such consent not to be unreasonably withheld or delayed provided that the disposal is consistent with orderly market principles.

Lock-in deeds dated 14 March 2011 have been entered into by each of the Company's other Shareholders immediately prior to Admission (the ''**Locked-In Shareholders**'') with each of the Company, Strand Hanson and Mirabaud pursuant to which each of the Locked-In Shareholders has agreed not to dispose of any of their interests in Ordinary Shares prior to the first anniversary of Admission.

The Locked-In Management and Locked-In Shareholders have agreed not to dispose of their interests in the Ordinary Shares other than through Mirabaud provided that Mirabaud's terms are no less favourable to the terms being offered by other brokers and that the sale price is at least equivalent to the price that such Locked-In Management and Locked-In Shareholders can obtain elsewhere, provided that Mirabaud has five Business Days to match any other broker's terms and/or obtain an equivalent sale price for the Ordinary Shares.

14.8 **Predator Acquisition Agreement**

An acquisition agreement dated 11 March 2011 was entered into between the Company, Predator Oil and all of the shareholders and loan note holders in Predator Oil as at the date of the agreement (the ''**Vendors**''). Pursuant to the agreement, the Vendors agreed to sell and the Company agreed to buy the loan notes summarised at paragraph 14.10 of this Part 6 of the document and the entire issued share capital of Predator Oil in consideration of the Company issuing an aggregate of 42,634,713 Ordinary Shares to the Vendors (the ''**Consideration Shares**''). The agreement was conditional upon (i) receipt by the Company and Predator Oil of written confirmation from Mirabaud that it had received binding commitments from Placees (conditional upon, *inter alia*, completion of the Placing) to subscribe for such number of Placing Shares in connection with the Placing that would result in gross proceeds receivable by the Company of not less than £50,000,000; and (ii) the product of the aggregate number of Consideration Shares issued by the Company to the Vendors multiplied by the Placing Price being not less than £17,500,000. On completion of the agreement, the Company became the legal and beneficial owner of the entire issued share capital of, and loan notes issued by, Predator Oil.

14.9 **Loan note instruments of Trap Oil**

A loan note instrument dated 2 April 2009 was entered into by Trap Oil constituting up to £693,450 fixed rate unsecured convertible loan notes. Trap Oil issued such notes to Predator Oil on the same date. No redemption of any of the notes is permitted before the seventh anniversary of the date of issue of the notes. Following such date, the notes are redeemable at Predator Oil's option in whole or in part together with accrued but unpaid interest up to but excluding the date of payment on 30 June and 31 December of each year. If no such redemption is made, the notes will be redeemed on 31 December 2016. Trap Oil will pay simple interest on the principal amount of the notes outstanding at the rate of 7 per cent. per annum. Interest accrues daily and is payable on 2 April 2016. The notes will become immediately repayable at par together with accrued interest in the event of certain events of default.

14.10 **Loan note instruments of Predator Oil**

(a) A loan note instrument dated 25 April 2008 was entered into by Predator Oil constituting up to £545,400 fixed rate unsecured loan notes (series 1). These notes were issued to various noteholders. No redemption of any of the notes is permitted before the seventh anniversary of the date of issue of the notes. Following such date, the notes held by each noteholder are redeemable at the noteholder's option in whole or in part together with accrued but unpaid interest up to but excluding the date of payment on 30 June and 31 December of each year. If no such redemption is made, the notes will be redeemed on 31 December 2015. Predator Oil will pay interest on the principal amount of the notes outstanding at the rate of 7 per cent. per annum. Interest accrues daily and is payable in arrears on each interest payment date (30 June and 31 December) in respect of the interest period immediately preceding such date. The first payment of interest on the notes is to be made on 31 December 2012 for the period from the first date of issue of any of the notes up to (but excluding) 31 December 2012. The notes will become immediately repayable at par together with accrued interest in the event of certain events of default.

(b) A loan note instrument dated 22 December 2008 was entered into by Predator Oil constituting up to £163,800 fixed rate unsecured loan notes (series 2). These notes were issued to various noteholders. No redemption of any of the notes is permitted before the seventh anniversary of the date of issue of the notes. Following such date, the notes held by each noteholder are redeemable at the noteholder's option in whole or in part together with accrued but unpaid interest up to but excluding the date of payment on 30 June and 31 December of each year. If no such redemption is made, the notes will be redeemed on 31 December 2015. Predator Oil will pay interest on the principal amount of the notes outstanding at the rate of 7 per cent. per annum. Interest accrues daily and is payable in arrears on the earlier of an exit (being defined as a sale or transfer of the whole or a substantial part of the undertaking or assets of Trap Oil, the shares of Trap Oil or the listing of the shares of Trap Oil) and 22 December 2013. The notes will become immediately repayable at par together with accrued interest in the event of certain events of default.

(c) A loan note instrument dated 25 August 2010 was entered into by Predator Oil constituting up to £350,000 fixed rate unsecured loan notes. These notes were issued to various noteholders. No redemption of any of the notes is permitted before the fifth anniversary of the date of issue of the notes. Following such date, the notes held by each noteholder are redeemable at the noteholder's option in whole or in part together with accrued but unpaid interest up to but excluding the date of payment on 30 June and 31 December of each year. If no such redemption is made, the redemption date of the notes is 31 December 2015. Predator Oil will pay interest on the principal amount of the notes outstanding at the rate of 7 per cent. per annum. Interest accrues daily and is payable in arrears on each interest payment date (30 June and 31 December) in respect of the interest period immediately preceding such date. The first payment of interest on the notes is to be made on 31 December 2012 for the period from the first date of issue of any of the notes up to (but excluding) 31 December 2012. The notes will become immediately repayable at par together with accrued interest in the event of certain events of default.

The loan notes described in paragraphs (a) to (c) above were transferred to the Company on 11 March 2011, pursuant to the Predator Acquisition Agreement summarised at paragraph 14.8 of this Part 6 of this document.

14.11 **CGGVeritas agreement**

A master geophysical data-use licence dated 16 May 2008 between Trap Oil and Veritas DGC Limited (subsequently assigned to CGGVeritas) wherein Trap Oil has acquired a non-exclusive licence to use certain geological and geophysical information (the ''**Data**'') supplied by CGGVeritas. This agreement governs the general arrangements between Trap Oil and CGGVeritas. A supplemental agreement is to be executed on each occasion that specific Data is licensed to Trap Oil.

Fees payable by Trap Oil in respect of specific Data are to be set out in the relevant supplemental agreement licensing such Data. Unless terminated, the agreement continues until 15 May 2033. Supplements will provide for licences of specific Data for a 25 year period.

14.12 **Supplement 1B to the CGGVeritas agreement**

A supplement to the CGGVeritas agreement between Trap Oil and CGGVeritas deemed to have effect from 29 August 2008 and supersedes all previous supplements (''**Supplement 1B**'').

In consideration of the licensing of the Data which is the subject of Supplement 1B, Trap Oil will pay CGGVeritas a minimum of £4 million, structured as follows: (i) £1 million on the day that shares in Trap Oil or the Company are listed on AIM or the PLUS Market; (ii) £1 million on the day on which Trap Oil or a subsidiary raises finance (in the form of loans, debentures, subscription for share capital or other similar vehicle for raising capital) of at least £10 million (or equivalent in a different currency); (iii) £350,000 (on the first two occasions, falling to £300,000 thereafter) on each occasion Trap Oil obtains equity in a Block or receives a success fee; and (iv) a balancing payment of all sums then remaining of the £4 million on the expiry of the term or the occurrence of an exit other than one under sub paragraph (i) above.

Unless previously terminated in accordance with its terms, Supplement 1B shall remain in force until 28 August 2016.

14.13 **Agreements with Petro-Canada UK**

(a) The Tripartite Opportunities Agreement

An opportunities agreement dated 8 February 2011 between Trap Oil, Petro-Canada UK and Norwegian Energy Company UK (the ''**Tripartite Opportunities Agreement**''). The Tripartite Opportunities Agreement provides for the technical evaluation and development by Trap Oil of exploration opportunities within a specific area of the UKCS (each an ''**Opportunity**''). An Opportunity which is licensed to a third party is a ''**Licensed Opportunity**''; an Opportunity which is not licensed to a third party is a ''**Core Area Opportunity**'' or a ''**Non-Core Area Opportunity**'', according to whether or not it is in the Core Area, as such term is defined with reference to a specific region of the UKCS. Pursuant to the Tripartite Opportunities Agreement, Trap Oil granted Petro-Canada UK and Norwegian Energy Company UK the Opportunities on an exclusive basis in consideration of Petro-Canada UK and Norwegian Energy Company UK each agreeing to pay Trap Oil as follows: (i) an annual fee on 1 January 2011 and on the first anniversary of the same date; and (ii) a success fee when Petro-Canada UK and/or Norwegian Energy Company UK acquires a legal interest in an Opportunity.

If the available equity in an Opportunity is 30 per cent. or more, Trap Oil is itself entitled to accept up to 10 per cent. of the available equity. Following the acquisition by Petro-Canada UK or Norwegian Energy Company UK of a legal interest in an Opportunity, Petro-Canada UK and Norwegian Energy Company UK also each agreed to assign to Trap Oil (subject to DECC consent), a carried interest equivalent to 10-16 per cent. of its percentage interest in the Opportunity, depending on the nature and location of the Opportunity.

Trap Oil is entitled to introduce a third party as an additional party to this agreement, with the same rights, obligations and liabilities as Petro-Canada UK and Norwegian Energy Company UK. Unless it is previously terminated in accordance with its terms, the Tripartite Opportunities Agreement remains in force until 30 December 2012.

The Tripartite Opportunities Agreement terminated the Petro-Canada UK Opportunities Agreement (defined below) on 31 December 2010.

(b) The Petro-Canada UK Opportunities Agreement

A general opportunities agreement dated 20 May 2008 between Trap Oil and Petro-Canada UK (the ''**Petro-Canada UK Opportunities Agreement**''). The Petro-Canada UK Opportunities Agreement provided for the technical evaluation and development by Trap Oil of exploration opportunities within a specific area of the UKCS.

The Tripartite Opportunities Agreement replaced and terminated the Petro-Canada UK Opportunities Agreement on 31 December 2010.

(c) The Block 9/10c opportunity agreement

An agreement dated 20 May 2008 between Trap Oil and Petro-Canada UK, which is supplemental to the Petro-Canada UK Opportunities Agreement, wherein it was agreed that as soon as practicable after the award of a licence to Silverstone Energy Limited (''**SEL**'') or Petro-Canada UK in relation to Block 9/10c in the 25th Seaward Licensing Round, the parties would negotiate and enter into an agreement for the acquisition by Trap Oil of a carried interest in such licence. The agreement was terminated under the terms of the acquisition agreement summarised in paragraph 14.13(e) of Part 6 of this document.

(d) The Finn opportunity agreement

An agreement dated 20 May 2008 between Trap Oil and Petro-Canada UK, which is supplemental to the Petro-Canada UK Opportunities Agreement, wherein it was agreed that as soon as is practicable after the award of a licence for Blocks 14/25b and 15/21e to Petro-Canada UK and SEL, the parties would negotiate and enter into an agreement for the acquisition by Trap Oil of a carried interest in such licence.

The agreement was terminated under the terms of an acquisition agreement which was entered into but did not complete as a decision had been taken, and notified to DECC, to relinquish the licence.

(e) Acquisition agreements relating to licensed interests

Various acquisition agreements dated 23 December 2009 between Trap Oil and Petro-Canada UK relating to the transfer to Trap Oil of the following licensed interests:

Licence	*Block*	*Percentage Interest*
P.1576	9/10c	10%
P.1651	14/25b and 15/21e	7.5%
P.1658	20/5b	6.25%
P.1666	30/11c	9.375%

Under each acquisition agreement, Petro-Canada UK agrees to transfer the applicable interests free from encumbrances, with the transfer deemed to be with effect from the date of grant of the applicable licence, and subject to DECC consent and the execution of completion documents by any applicable third parties. The consideration for the transfer is deemed to constitute certain services previously undertaken by Trap Oil for the benefit of Petro-Canada UK, including the technical evaluation and provision of Opportunities under the Petro-Canada UK Opportunities Agreement.

Completion has taken place of the transfer of the licenced interests in P.1576, P.1658 and P.1666.

On completion, the parties are required to enter into a deed of licence assignment, a working interest assignment and the carried interest agreement.

Petro-Canada UK gives certain warranties in relation to the interests to be transferred and the licence.

A formal notice of relinquishment has been served on the Secretary of State of the Board's decision to relinquish Licence P.1651.

(f) Carried interest agreements

The following carried interest agreements have been entered into between Trap Oil and Petro-Canada UK:

(i) carried interest agreement dated 10 January 2011 relating to a 10 per cent. carried interest in Licence P.1576, Block 9/10c;

(ii) carried interest agreement dated 19 January 2011 relating to a 6.25 per cent. carried interest in Licence P.1658, Block 20/5b; and

(iii) carried interest agreement dated 24 December 2010 relating to a 9.375 per cent. carried interest in Licence P.1666, Block 30/11c.

Each carried interest agreement provides that Petro-Canada UK will be responsible in respect of the carried interest for all costs associated with the initial commitment approved under any applicable joint operating agreement, whether in the nature of: exploration costs, appraisal costs or development costs in respect of any discovery made in the course of the operations under or as part of the initial commitment or operating costs relating to any such exploration, appraisal or development.

Trap Oil remains liable for all other costs, charges, expenses, liabilities, claims and obligations in respect of the carried interest. Trap Oil also remains responsible for its percentage interest share of all decommissioning liabilities.

From the date of first production, Petro-Canada UK is entitled to recover all development costs and operating costs attributable to the carried interest, plus interest at LIBOR plus 1 per cent., out of net revenue from the sale of Trap Oil's percentage interest share of natural gas (including associated liquids) and crude oil. Trap Oil appoints Petro-Canada UK as its sole agent for the sale of all petroleum attributable to the carried interest until such costs have been recovered in full by Petro-Canada UK. During this period, Petro-Canada UK is entitled to retain 80 per cent. of net revenue attributable to the carried interest and required to pay over the balance of 20 per cent. to Trap Oil.

14.14 **Agreements with Norwegian Energy Company UK**

(a) The Tripartite Opportunities Agreement

The Tripartite Opportunities Agreement dated 8 February 2011 between Trap Oil, Petro-Canada UK and Norwegian Energy Company UK, details of which are set out at paragraph 14.13(a) of this Part 6.

(b) The Noreco Opportunities Agreement

A general opportunities agreement dated 10 November 2008 between Trap Oil and Norwegian Energy Company UK (the ''**Noreco Opportunities Agreement**''). The Noreco Opportunities Agreement provides for the technical evaluation and development by Trap Oil of exploration opportunities within a specific area of the UKCS. The Core Area is the same area as that identified in the Petro-Canada UK Opportunities Agreement and, *mutatis mutandis*, it is on substantially the same terms, the principle difference being that Norwegian Energy Company UK shall only be offered an Opportunity which has not been accepted by Petro-Canada UK under the Petro-Canada UK Opportunity Agreement first or where there is excess equity in an Opportunity which has not been taken up by Trap Oil or Petro-Canada UK pursuant to the Petro-Canada UK Opportunities Agreement (and any such Opportunity is to be offered to Norwegian Energy Company UK on an exclusive basis).

The Noreco Opportunities Agreement remained in force until the date on which the awards of the UKCS 26th Round were announced, being 27 October 2010.

(c) Acquisition agreements relating to licensed interests

Various acquisition agreements dated 21 January 2010 between Trap Oil and Norwegian Energy Company UK pursuant to the Norwegian Energy Company UK Opportunities Agreement, for the transfer to Trap Oil of the following licensed interests:

Licence	*Block*	*Percentage Interest*
P.1650	14/13	5%
P.1658	20/5b	4.125%
P.1666	30/11c	3.125%

Acquisition agreement dated 18 February 2011, for the transfer to Trap Oil of the following interest:

Licence	*Block*	*Percentage Interest*
P.1658	20/5b	2.125%

Under each acquisition agreement, Norwegian Energy Company UK agrees to transfer the applicable interests free from encumbrances, with the transfer deemed to be with effect from the date of grant of the applicable licence, and subject to DECC consent and the execution of completion documents by any applicable third parties. The consideration for the transfer is deemed to constitute certain services previously undertaken by Trap Oil for the benefit of Norwegian Energy Company UK, including the technical evaluation and provision of Opportunities under the Noreco Opportunities Agreement.

Completion has taken place of the transfer of the licenced interests in P.1650, P.1658 and P.1666.

On completion, the parties are required to enter into a deed of licence assignment, a working interest assignment and the carried interest agreement.

Norwegian Energy Company UK gives certain warranties in relation to the interests to be transferred and the licence.

(d) Carried interest agreements

The following carried interest agreements have been entered into between Trap Oil and Norwegian Energy Company UK:

(i) carried interest agreement dated 31 January 2011 relating to a 5 per cent. carried interest in Licence P.1650, Block 14/13.

(ii) carried interest agreement dated 19 January 2011 (as amended) relating to an aggregate 6.25 per cent. carried interest in Licence P.1658, Block 20/5b.

(iii) carried interest agreement dated 24 December 2010 relating to a 3.125 per cent. carried interest in Licence P.1666, Block 30/11c.

Each carried interest agreement provides that Norwegian Energy Company UK will be responsible in respect of the carried interest for all costs associated with the initial commitment approved under any applicable joint operating agreement, whether in the nature of exploration costs, appraisal costs or development costs in respect of any discovery made in the course of the operations under or as part of the initial commitment or operating costs relating to any such exploration, appraisal or development.

Trap Oil remains liable for all other costs, charges, expenses, liabilities, claims and obligations in respect of the carried interest. Trap Oil also remains responsible for its percentage interest share of all decommissioning liabilities.

From the date of first production, Norwegian Energy Company UK is entitled to recover all development costs and operating costs attributable to the carried interest, plus interest at LIBOR plus 1 per cent. out of net revenue from the sale of Trap Oil's percentage interest share of natural gas (including associated liquids) and crude oil. Trap Oil appoints Norwegian Energy Company UK as its sole agent for the sale of all petroleum attributable to the carried interest until such costs have been recovered in full by Norwegian Energy Company UK. During this period Norwegian Energy Company UK is entitled to retain 80 per cent. of net revenue attributable to the carried interest and required to pay over the balance of 20 per cent. to Trap Oil.

(e) Option agreement over Licence P.1650

An option agreement dated 10 February 2011 between Trap Oil and Norwegian Energy Company UK deemed to be effective from 7 May 2009, wherein Norwegian Energy Company UK granted to Trap Oil an option to acquire a 17% interest in Licence P.1650 and any related joint operating agreement which may be exercised at Trap Oil's sole discretion by giving notice in writing to Norwegian Energy Company UK on or before 1 April 2011.

The option interest is subject to a ''Deed of Grant of Overriding Royalty Interest'' whereby Norwegian Energy Company UK has agreed to pay a gross overriding royalty to Exploration Geosciences in respect of petroleum production from the block to which Licence P.1650 relates. In consideration, Trap Oil agreed to pay and indemnify Norwegian Energy Company UK for the costs, expenses, liabilities and obligations attributable to the option interest. Following exercise of the option, the transfer of the option interest to Trap Oil is subject to DECC approval and any necessary third party approvals (which both parties shall use reasonable endeavours to obtain). The royalty derives from technical work carried out by Exploration Geosciences on behalf of Norwegian Energy Company UK (and others) for the 25th Round.

(f) 26th Round – option in respect of Blocks 14/14b, 14/18c and 14/19c

Deed of Grant dated 15 February 2011 between Norwegian Energy Company UK and Trap Oil (the ''**Deed of Grant**'').

The Deed of Grant records that Norwegian Energy Company UK has been notified by DECC of the award of a Licence in the 26th Round for Blocks 14/14b, 14/18c and 14/19c, and that the Licence was awarded on the basis that Norwegian Energy Company UK would accept a 90 per cent. working interest and ensure that a 10 per cent. interest is either granted or assigned to Trap Oil.

Under the Deed of Grant, Norwegian Energy Company UK grants to Trap Oil an option to accept up to a 40 per cent. beneficial interest in the Licence. If Trap Oil exercises the option, the 10 per cent. interest referred to above will reduce proportionately to the percentage interest that Norwegian Energy Company UK retains having assigned the percentage option interest specified by Trap Oil in its option notice to Trap Oil (''**Carried Interest**''), so that (for example) if Trap Oil accepts a 40 per cent. option interest, the Carried Interest would reduce from 10 per cent. to 6 per cent.

The option may be exercised by Trap Oil at its discretion at any time before 31 March 2011 (or, if later, within 7 days after receiving notice of the grant of the Licence).

Upon exercising the option, Trap Oil is required to pay to Norwegian Energy Company UK a share, proportionate to the option interest acquired, of Norwegian Energy Company UK's costs from the date of execution of the Licence until the date of exercise of the option.

If Trap Oil does not exercise the option, it nevertheless remains entitled to its 10 per cent. carried interest.

14.15 **Joint operating agreement in respect of Licence P.1650**

A joint operating agreement has been entered into between Trap Oil and the parties listed below, on the following terms:

Licence	*Date*	*Parties*	*Trap Oil interest*	*Operator*
P.1650	1 March 2011	Norwegian Energy Company UK Bridge Energy	5%	Bridge Energy

The joint operating agreement is deemed to have commenced on the Licence date and continues for so long as the Licence remains in force, all joint property has been disposed of, decommissioning has been completed and a final settlement has been made between the parties.

The agreement designates Bridge (who consents to act) as the Operator and provides for an Operating Committee on which each participant has one representative with a voting interest equal to its percentage interest. All decisions are to be taken with the affirmative vote or at least two parties together holding a percentage interest of at least 70 per cent.

The agreement provides that prior to submission of a development plan in respect of a discovery, each party shall enter into a decommissioning security agreement.

14.16 **Challenger Minerals prospect acquisition agreement**

A prospect acquisition agreement dated 30 June 2009 between Trap Oil and Challenger Minerals (as amended by a side letter on 24 July 2009) relating to E&P opportunities.

Trap Oil has agreed to offer to Challenger Minerals all opportunities to the extent remaining after Trap Oil and/or Petro-Canada UK and/or Norwegian Energy Company UK has, or have, declined to accept those opportunities. An ''opportunity'' for the purposes of the agreement is an option to acquire an equity interest in particular named opportunity types indentified by Trap Oil in the contract area, including by way of farm-in, acquisition of assets, trades or licence application and including the option to acquire available Petro-Canada UK excess (being the amount by which the percentage interest available in an opportunity exceeds 40 per cent.) but not including other opportunities within the contract area received from a third party which Trap Oil did not generate or identify to Challenger Minerals or which Challenger Minerals elects not to review.

The remuneration payable by Challenger Minerals to Trap Oil pursuant to the agreement comprises: (i) success fees for each opportunity in which Challenger Minerals acquires a legal interest, calculated as a fee per percentage point (or pro-rated part) acquired by it (but disregarding those interests where carried interest is paid); (ii) as soon as practicable following the relevant acquisition date, Challenger Minerals is to assign to Trap Oil a carried interest calculated as the following percentage of the interest acquired by Challenger Minerals: deal area opportunity – 10 per cent.; data area opportunity – 12.5 per cent.; farm-in opportunity – 16 per cent.; other opportunity – such percentage as is agreed prior to Challenger Minerals electing to participate; and where the legal interest is acquired from Trap Oil rather than from a third party – a percentage equivalent to that which the interest acquired by Challenger Minerals bears to all or part of the interest which Trap Oil retains after that assignment.

The agreement is due to continue until at least 29 June 2011 but as an initial tie-in period has now ended, Challenger Minerals may terminate on 30 days' written notice without cause.

14.17 **Exploration Geosciences agreement**

A consulting agreement dated 14 April 2008 between Trap Oil and Exploration Geosciences relating to the provision of certain services by Exploration Geosciences relating to the evaluation of oil and gas prospects for exploration and approval purposes (but not petroleum producing assets) on the UKCS for the purposes of applying for licences in UK licensing rounds or acquiring interests in existing licence blocks. The agreement has subsequently been amended by a side letter dated 15 April 2008 and an agreement for waiver of royalty dated 5 March 2008 (itself amended by deed on 12 February 2011) (the ''**Royalty Waiver**'').

The services to be supplied by Exploration Geosciences include the provision of office space, geological and geophysical assistance and the use of certain commercial databases. In addition, Exploration Geosciences is to bring to Trap Oil all prospects which it identifies on the UKCS during the term of the agreement. Trap Oil is not required to use Exploration Geosciences exclusively for the provision of these services.

In the majority of cases, Trap Oil is to pay to Exploration Geosciences (i) an annual fee of £260,000 (£21,666 per month) (plus VAT) to cover all costs of the provision of the services; (ii) Exploration Geosciences' travel and overnight accommodation costs and related outlays; and (iii) support costs of £2,700 (plus VAT) per month, monthly in advance.

However, where an equity interest is acquired by Petro-Canada UK or Norwegian Energy Company UK, Exploration Geosciences has agreed in the Royalty Waiver to waive its entitlement to a royalty from Petro-Canada UK or Norwegian Energy Company UK (as applicable), in lieu of the following payments by Trap Oil: (i) £85,000 as a first payment in respect of those areas known as Finn, Romeo, Crazy Horse, Scotney and Michael (such payment having already been made by 5 March 2005); (ii) a second payment in respect of each prospect within seven days of the first well being spudded (up to a maximum of £171,000 if all five prospects are spudded); and (iii) a third payment in respect of each prospect in which a second well is spudded or (if none) on commencement of production of crude oil or natural gas from each prospect in which Trap Oil acquired a carried interest (up to a maximum of £342,000 if all five reach that stage).

The agreement contains certain reciprocal indemnities, including against (i) loss or damage to the property of the other and personal injury to staff members arising out of or in connection with the contract; and (ii) defined consequential losses, in each case whether or not such loss was due to the negligence, breach of duty (statutory or otherwise) of the other party.

The agreement continues in effect until 7 March 2011 unless extended or terminated.

14.18 **Engagement letter with Beer & Partners**

An engagement letter dated 27 August 2010 was entered into by Trap Oil and Beer & Partners Limited (''**Beer**'') in relation to the provision of services by Beer to assist Trap Oil in raising third party finance through private investors, institutional investors or other corporate entities.

The letter provides that a success fee is payable to Beer immediately if a third party introduced by Beer or by another party introduced to Trap Oil via Beer's introduction provides Trap Oil with finance.

No finance has been raised pursuant to the engagement letter, nor do the Directors intend to do so, and so no fees are payable to Beer.

14.19 **Fee agreement with 4knowledgestreams Inc**

A fee agreement dated 27 July 2010 was entered into by Trap Oil and 4knowledgestreams Inc (''**4KS**''), wherein 4KS agreed to introduce Trap Oil to parties who may invest in Trap Oil or enter into a partnership with it. Where there is no pre-existing documented relationship between Trap Oil and an investor, in the event such party chooses to invest in Trap Oil or any of its related entities within 24 months, certain success fees will be payable by Trap Oil to 4KS in the amount of 4 per cent. of equity of all monies raised. No services have been performed under the agreement and therefore no fees are payable to 4KS.

14.20 **WesternGeco Seismic Holdings Limited licence agreement**

A master licence agreement dated 12 October 2009 between Trap Oil and WesternGeco Seismic Holdings Limited (''**WesternGeco**'') granting Trap Oil a non-exclusive licence to use specified portions of proprietary geophysical and geological data, reports and interpretations of data owned by WesternGeco (or for which WesternGeco is the owner's authorised agent). This agreement governs the general arrangements between Trap Oil and WesternGeco. Supplemental agreements are executed on each occasion specific data is licensed to Trap Oil. Two such supplemental agreements were entered into on 12 October 2009 commissioning the production of 5 surveys in quadrant 15.

Unless previously terminated in accordance with its terms, the agreement continues until 11 October 2059.

14.21 **Seismic data release master agreement with Endeavour Energy UK Limited**

An agreement dated 4 March 2010 between Trap Oil and Endeavour Energy UK Limited (''**Endeavour**'') wherein Endeavour granted to Trap Oil a non-exclusive, non-transferrable and irrevocable right to use archived field data from Endeavour's original acquisition of interests in the Inner Moray Firth field and the final product from the original phase of data processing. Trap Oil is permitted to create products from such data and license or sell those new products to third parties, subject to certain requirements.

Pursuant to the agreement, if Trap Oil is or becomes an owner of seismic data on the UKCS, it is required, at Endeavour's request, to supply that data to Endeavour in accordance with industry guidelines and on terms no less favourable from those found in the agreement.

The parties agree to enter into a separate agreement each time Trap Oil intends to use specific data which will set out the payment terms in respect of such data. Trap Oil will bear the costs of copying and delivering the data.

Unless previously terminated in accordance with its terms, the agreement shall remain in force for as long as Trap Oil wishes to continue using the data which is the subject of the agreement.

14.22 **Engagement letter with OPES International**

An engagement letter dated 26 November 2009 between Trap Oil and OPES International regarding the provision by OPES International of geology, geophysics and petroleum engineering services to evaluate, certify and prepare preliminary development plans for Trap Oil's assets.

In consideration of the services provided by OPES International, Trap Oil agrees to pay OPES International a total fee in accordance with a schedule of hourly charge out rates. Half of the fee is to be paid in cash, the other half to be satisfied by the issue of equity in Trap Oil.

Under the terms of the engagement letter, OPES International agrees to enter into a more formal agreement with Trap Oil if required.

14.23 **Warrants**

(a) A warrant instrument dated 14 March 2011 and executed by the Company creating, conditional on Admission, warrants which give Mirabaud the right to subscribe for 3,673,864 Ordinary Shares at the Placing Price at any time between the date of issue and the date falling on the fifth anniversary of Admission.

(b) A warrant instrument dated 14 March 2011 and executed by the Company creating, conditional on Admission, warrants which give Duncan Penrose the right to subscribe for 465,116 Ordinary Shares at the Placing Price at any time between the date of issue and the date falling on the fifth anniversary of Admission.

(c) A warrant instrument dated 14 March 2011 and executed by the Company creating, conditional on Admission, warrants that give Strand Hanson the right to subscribe for 47,070 Ordinary Shares at the Placing Price at any time between the date of issue and the date falling on the fifth anniversary of Admission.

15. Litigation

No member of the Group is or has been engaged in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which have had or may have a significant effect on the Group's financial position or profitability during the twelve months preceding the date of this document and so far as the Directors are aware, there are no such proceedings pending or threatened by or against any member of the Group.

16. Share Option arrangements

The Company has adopted the Share Option Scheme. The Share Option Scheme will be administered by the remuneration committee of the Board (the ''**Committee**''). A summary of the main rules of the Share Option Scheme is set out below.

The Share Option Scheme operates in two parts: Part A will be approved in due course by HMRC pursuant to Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 and Part B is unapproved. Both Part A and Part B of the Share Option Scheme are on substantially similar terms.

(i) Eligibility

Persons eligible to participate in the Share Option Scheme are employees (including executive directors) of the Company or any member of the Group.

(ii) Grant of options

Options are granted at the discretion of the Committee. No option may be granted after the tenth anniversary of the adoption date of the Share Option Scheme.

Options may not be granted when the Company is in a close period.

(iii) Exercise price

The exercise price of an option will be determined by the Committee, however, while Ordinary Shares remain quoted on AIM, the intention is that the exercise price of an option will not be less than the higher of nominal value and market value of an Ordinary Share at the date of grant. Market value will normally be based on a closing quoted price for an Ordinary Share on the trading day immediately before the date an option is granted.

(iv) Performance and vesting conditions

The Committee may grant an option subject to performance or vesting conditions, or any other condition which must be satisfied before an option can be exercised. These conditions must be objective and once satisfied, not subject to the discretion of any person. The conditions may be amended or waived by the Committee if it considers that events have happened which would make this fair and reasonable and provided that any amendment or variation would not make the conditions more difficult to satisfy.

Options will normally be granted subject to vesting in three equal tranches over three years.

(v) Exercise and lapse of options

Options may be exercised as soon as any conditions to their exercise have been satisfied (or to the extent waived or amended by the Committee in accordance with the rules of the Share Option Scheme).

If an option holder ceases employment with the Group as a result of dismissal in circumstances constituting fraud or gross misconduct, or is declared bankrupt, all options (whether vested or unvested) will lapse immediately and cease to be exercisable.

If employment with the Group ceases due to any other reason, those options that have vested at the date employment ceases shall continue to be exercisable in accordance with the rules of the Share Option Scheme.

Options may also become exercisable during limited periods if the Company is taken over, wound up or if there is a scheme of reconstruction. In such circumstances the Committee retains a discretion to allow any unvested options to vest in full.

(vi) Variation of share capital

On a variation of the Company's share capital the exercise price and the number of Ordinary Shares under option can be varied at the discretion of the Committee.

(vii) Termination

The Committee can suspend or terminate the Share Option Scheme at any time but this will not affect the subsisting rights of any option holder.

(viii) Amending the Scheme

The Committee will have the power to administer, interpret and amend the Share Option Scheme. No amendment may be made which materially adversely affects a participant except with the consent in writing of those participants.

(ix) Tax indemnity

Option holders shall indemnify their employer (being either the Company or a member of the Group) in respect of any income tax and national insurance contributions in connection with an option together with an agreement to enter into a joint election to transfer the employer's national insurance liability to the option holder if so required. The option holder also authorises the Company to sell sufficient Ordinary Shares on his behalf to meet these liabilities (if any).

(x) General

Ordinary Shares issued or transferred to option holders on the exercise of options will rank equally with other Ordinary Shares then in issue.

The Company must ensure that it has sufficient available unissued Ordinary Share capital to meet the exercise of any outstanding options under the Share Option Scheme.

While the Ordinary Shares remain admitted to trading on AIM, the Company will use its best endeavours to seek admission of Ordinary Shares issued on the exercise of Options to trading on AIM in accordance with the AIM Rules.

Options are personal to the option holder and may not be transferred or assigned or be used as security in any way.

Participating in the Share Option Scheme does not form part of any contractual entitlement of the option holder in connection with his employment by the Company or Group. If an option holder ceases employment with the Group for any reason, he will not be entitled to compensation for the loss of his options or any loss of a tax advantage in connection with the grant, exercise, release or lapse of such option.

Benefits provided under the Share Option Scheme are not pensionable.

17. Working capital

The Directors are of the opinion, having made due and careful enquiry and taking into account the net proceeds of the Placing, that the working capital available to the Group will be sufficient for its present requirements, that is, for at least twelve months from the date of Admission.

18. United Kingdom taxation

The following summary, which is intended as a general guide only, outlines certain aspects of current UK tax legislation, and what is understood to be the current practice of HMRC in the United Kingdom regarding the ownership and disposal of ordinary shares.

Trap is at the date of this document resident for tax purposes in the United Kingdom and the following is based on that status.

This summary is not a complete and exhaustive analysis of all the potential UK tax consequences for holders of Ordinary Shares of the Company. It addresses certain limited aspects of the UK taxation position of UK resident, ordinarily resident and domiciled Shareholders who are absolute beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment. This summary does not address the position of certain classes of Shareholders who (together with associates) have a 10 per cent. or greater interest in the Company, or, such as dealers in securities, market makers, brokers, intermediaries, collective investment schemes, pension funds or UK insurance companies or whose shares are held under a personal equity plan or an individual savings account or are ''employment related securities'' as defined in Section 421B of the Income Tax (Earnings and Pensions) Act 2003. Any person who is in any doubt as to his tax position or who is subject to taxation in a jurisdiction other than the UK should consult his professional advisers immediately as to the taxation

consequences of their purchase, ownership and disposition of Ordinary Shares. This summary is based on current United Kingdom tax legislation. Shareholders should be aware that future legislative, administrative and judicial changes could affect the taxation consequences described below.

18.1 **The Company**

The profits of the Company will be subject to UK corporation tax to the extent that it does not consist of the dividends received from UK companies or overseas companies subject to a number of conditions. Income arising from overseas investments may be subject to overseas taxes, subject to relief which may be available under any relevant double taxation agreement with the UK or UK domestic law.

18.2 **The Shareholders**

18.2.1 Withholding tax

Under current UK taxation legislation, no tax will be withheld at source from dividend payments by the Company.

18.2.2 Taxation of dividends

(a) United Kingdom resident shareholders

Individuals

UK resident individual Shareholders who receive a dividend from the Company will generally be entitled to a tax credit, which can be set off against the individual's income tax liability on the dividend payment. The rate of tax credit on dividends paid by the company will be 10 per cent. of the total of the dividend payment and the tax credit (the ''**gross dividend**''), or one-ninth of the dividend payment. UK resident individual Shareholders will generally be taxable on the gross dividend, which will be regarded as the top slice of the Shareholder's income. UK resident individual Shareholders who are not liable to income tax in respect of the gross dividend will generally not be entitled to reclaim any part of the tax credit. In the case of a UK resident individual Shareholder who is not liable to income tax at the higher rates (taking account of the gross dividend he or she receives), the tax credit will satisfy in full such Shareholder's liability to income tax. To the extent that a UK resident individual Shareholder's income (including the gross dividend) is subject to 40 per cent. income tax, such Shareholders will be subject to income tax on the gross dividend at the distribution income upper rate of 32.5 per cent. but will be able to set the tax credit against this liability. This results in an effective tax rate of 25 per cent. on the net dividend. UK shareholders receiving dividends within the 50 per cent. band will be subject to an income tax rate of 42.5 per cent. on the gross dividend and an effective tax rate of approximately 36 per cent. of the net dividend.

Companies

A corporate Shareholder resident in the UK (for tax purposes) should generally not be subject to corporation tax or income tax on dividend payments received from the Company. Corporate Shareholders will not, however, be able to claim repayment of tax credits attaching to the dividend payment.

(b) Non-residents

Non-UK resident shareholders holding their shares directly should not be liable to UK income tax on dividends received from the Company. In general, the right of non-UK resident Shareholders to reclaim tax credits attaching to dividend payments by the Company will depend upon the existence and the terms of an applicable double tax treaty between their jurisdiction of residence and the UK. In most cases, the amount of tax credit that can be claimed by non-UK resident Shareholders from HMRC will be nil. They may also be liable to tax on the dividend income under the tax law of their jurisdiction of residence. Non-UK resident Shareholders should consult their own tax advisers in respect of their liabilities on dividend payments, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so.

18.3 **Chargeable gains**

A disposal of Ordinary Shares by a Shareholder who is resident or, in the case of an individual, ordinarily resident for tax purposes in the UK, will in general be subject to UK taxation on capital gains on a disposal of Ordinary Shares.

A Shareholder who is neither resident nor ordinarily resident in the UK for tax purposes, but who carries on a trade, profession or vocation in the UK through a permanent establishment (where the Shareholder is a company) or through a branch or agency (where the Shareholder is not a company) and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such permanent establishment, branch or agency (as appropriate) will be subject to UK tax on capital gains on the disposal of Ordinary Shares.

In addition, any holders of Ordinary Shares who are individuals and who dispose of shares while they are temporarily non resident may be treated as disposing of them in the tax year in which they again become resident in the UK.

For UK individuals and trustees, capital gains are chargeable at a flat rate of 18 per cent. and 28 per cent. depending on the individual's total taxable income and gains subject to certain reliefs and exemptions. For UK corporates any gain would be taxable at a maximum rate of 28 per cent. Indexation may apply to reduce any such gain (though indexation is no longer available to individuals and trustees).

18.4 **Stamp duty and Stamp Duty Reserve Tax (*''SDRT''*)**

No UK stamp duty will be payable on the issue by the Company of Ordinary Shares. Transfers of Ordinary Shares for value will generally give rise to a liability to pay UK *ad valorem* stamp duty, or stamp duty reserve tax, at the rate in each case of 50 pence per £100 of the amount or value of the consideration (rounded up in the case of stamp duty to the nearest £5).

18.5 **Inheritance and gift taxes**

Ordinary Shares beneficially owned by an individual Shareholder will be subject to UK inheritance tax on the death of the Shareholder (even if the Shareholder is not domiciled or deemed domiciled in the UK), although the availability of exemptions and reliefs may mean that in some circumstances there is no actual tax liability. A lifetime transfer of assets to another individual or trust may also be subject to UK inheritance tax based on the loss of value to the donor, although again exemptions and reliefs may be relevant. Particular rules apply to gifts where the donor reserves or retains some benefit. Special rules also apply to close companies and to trustees of settlements who hold shares, which could bring them within the charge to UK inheritance tax.

Shareholders should consult an appropriate professional adviser if they intend to make a gift of any kind or intend to hold any Ordinary Shares through trust arrangements. They should also seek professional advice in a situation where there is a potential for a double charge to UK inheritance tax and an equivalent tax in another country.

The comments set out above are intended only as a general guide to the current tax position in the UK at the date of this document. The rates and basis of taxation can change and will be dependent on a Shareholder's personal circumstances.

Neither the Company nor its advisers warrant in any way the tax position outlined above which, in any event, is subject to changes in the relevant legislation and its interpretation and application.

19. Premises

19.1 No member of the Group owns any premises.

19.2 The Company's principal place of business is at 4 Park Place, St. James's, Mayfair, London SW1A 1LP.

20. Consents and other information

20.1 Strand Hanson has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.

20.2 Mirabaud has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.

20.3 BDO LLP have given and not withdrawn its written consent to the inclusion in this document of their reports contained in Parts 3 and 4 in the form and context in which they appear.

20.4 Challenge Energy has given and not withdrawn its written consent to the inclusion in Part 5 of this document of its report, the references thereto and to its name in the form and context in which they appear.

20.5 The financial information relating to the Predator Oil Group contained in this document does not comprise statutory accounts for the purposes of sections 434-435 of the Act. This financial information has been prepared in accordance with the law and the Directors accept responsibility for it.

20.6 Save as disclosed in this document, the Directors are not aware of any exceptional factors which have influenced the Group's activities. There has been no public takeover bid or squeeze out for the whole or any part of the share capital of the Company or any member of the Group prior to the date of this document.

20.7 There has been no significant change in the financial or trading position of the Predator Oil Group since 31 December 2010, the date to which the last published financial information set out in Part 3 of this document was prepared. In the period since that date to the date of this document, there have been no significant recent trends in production, sales and inventory and the costs and selling prices of the Group.

20.8 Except as disclosed in this document, there are no patents or other intellectual property rights, licences or particular industrial, commercial or financial contracts or new manufacturing processes which are of fundamental importance to the Group's business or profitability.

20.9 Except as disclosed in this document, there have been no significant authorised or contracted capital commitments of the Group at the date of publication of this document.

20.10 The gross proceeds of the Placing are expected to be approximately £60.0 million. The total costs and expenses payable by the Company in connection with Admission (including professional fees, commissions, the costs of printing and the fees payable to the registrars) are estimated to amount to approximately £4.6 million excluding VAT. The Company will finance the expenses incurred in connection with the application for Admission out of the proceeds of the Placing.

20.11 Save as disclosed in this document, the Company is not aware of any material environmental issues or risks affecting the utilisation of the Group's tangible fixed assets or its operations.

20.12 Except as stated in paragraph 14 of this Part 6 of this document and for the advisers named on page 16 of this document and trade suppliers, no person has received, directly or indirectly, from the Company within the twelve months preceding the date of this document or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more or any other benefit with a value of £10,000 or more at the date of Admission.

20.13 Where information contained in this document has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

20.14 The Ordinary Shares are issued and allotted in registered form under the laws of England and Wales and their currency is pounds sterling. No admission to listing or trading of the Ordinary Shares is being sought on any stock exchange other than AIM.

20.15 It is expected that CREST accounts will be credited as applicable on the date of Admission. The ISIN of the Ordinary Shares is GB00B3Q57427. Share certificates (where applicable) will be despatched by first class post within 14 days of the date of Admission.

20.16 Temporary documents of title will not be issued in relation to Ordinary Shares.

20.17 There are no arrangements in existence under which future dividends are to be waived or agreed to be waived.

20.18 Pursuant to Chapter 5 of the Disclosure and Transparency Rules a person must notify the Company of the percentage of its voting rights he holds as shareholder or through his direct or indirect holding of certain financial instruments (or a combination of such holdings) if the percentage of those voting rights (a) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. as a result of an acquisition or disposal of shares or such financial instruments; or (b) reaches, exceeds or falls below an applicable threshold in (a) as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the Company in accordance with the Disclosure and Transparency Rules. Certain voting rights held by investment managers, unit trusts, OEICS and market makers can be disregarded except at the thresholds of 5 per cent. and 10 per cent. and above.

20.19 The Directors intend to comply with Rule 21 of the AIM Rules for Companies relating to Directors' and applicable employees' dealings in Ordinary Shares and to this end, the Company has adopted an appropriate Share Dealing Code.

20.20 Save as disclosed in paragraph 14 of this Part 6 of this document, no commission is payable by the Company to any person in consideration of his agreeing to subscribe for securities to which this document relates or of his procuring or agreeing to procure subscriptions for such securities.

20.21 Save as disclosed in this document, no payment (including commissions) or other benefit has been or is to be paid or given to any promoter of the Company.

20.22 No agreement, arrangement or undertaking (including any compensation arrangement) exists between any Director, recent director of the Company, Shareholder or recent shareholder of the Company in relation to the Placing and Admission.

21. Documents available for inspection

21.1 Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted), at the offices of Field Fisher Waterhouse LLP, 35 Vine Street, London EC3N 2PX for a period of one month from the date of this document:

(a) the Articles;

(b) the financial information on the Predator Oil Group set out in Part 3 of this document;

(c) the Directors' service contracts and letters of appointment referred to in paragraph 8 of this Part 6 of the document;

(d) the written consents of Strand Hanson, Mirabaud, BDO LLP and Challenge Energy referred to in paragraphs 20.1, 20.2, 20.3 and 20.4 above;

(e) the CPR from Challenge Energy set out in Part 5 of this document;

(f) the report from BDO LLP on the financial information on the Predator Oil Group set out in Part 3 of this document; and

(g) the report from BDO LLP on the unaudited pro forma statement of net assets of the Group set out in Part 4 of this document.

22. Copies of this document

22.1 Copies of this document will be available to the public free of charge at the offices of Field Fisher Waterhouse LLP, 35 Vine Street, London EC3N 2PX during normal business hours on any weekday (other than Saturdays, Sundays and public holidays), for a period of at least one month from the date of Admission. This document will also be available for download from the Company's website at www.trapoil.com.

14 March 2011

APPENDIX I

SUMMARY OF THE RELEVANT PETROLEUM LAWS AND REGULATIONS IN THE UNITED KINGDOM

The following information is a brief summary of the legal regime (including the fiscal regime) established in the United Kingdom for the exploration for, and exploitation of, petroleum (oil and gas) on the UKCS. It has been sourced, without material amendment, from the DECC website or from the relevant UK statutory instruments:

LICENSING: OVERVIEW

The Petroleum Act 1998 vests all rights to the nation's petroleum resources in the Crown, but the Secretary of State (for Trade and Industry – i.e. the Government) can grant licences that confer exclusive rights to ''search and bore for and get'' petroleum. Each of these licences confers such rights over a limited area and for a limited period**.**

Licences can be held by a single company or by several working together, but in legal terms there is only ever a single Licensee, however many companies it may include. All the companies on a Licence share joint and several liability for operations conducted under it. Each licence takes the form of a Deed, which binds the Licensee to obey the licence conditions regardless of whether or not she/he is using the Licence at any given moment.

When several companies are party to a Licence, they usually make an agreement among themselves governing future operations. Such an agreement is commonly called a Joint Operating Agreement (JOA). Creating or amending a JOA typically entails the apportionment of at least some of the rights granted by a Petroleum Act licence. As such, it requires the consent of the Secretary of State.

DECC's Licensing system covers oil and gas within Great Britain, its territorial sea and on the UK Continental Shelf (UKCS). Northern Ireland's offshore waters are subject to the same licensing system as the rest of the United Kingdom Continental Shelf.

DECC issues licences through competitive Licensing Rounds. DECC believes that this method yields better-quality bids than other methods. Unlike auctions, for instance, it does not divert significant sums of money away from exploration work, and it gives a much better expectation that a Licence will be awarded to the bid that promises to optimise the exploitation of the UK's petroleum resources.

The vast majority of Seaward Production Licences or Petroleum Exploration and Development Licences are issued in Licensing Rounds, but particular cases may present compelling reasons to issue a Licence outside a Round. It rests with the company seeking an Out-of-Round Licence to make a case to DECC that DECC should invite Out-Of-Round Applications.

The Hydrocarbons Licensing Directive Regulations, 1995, set out the criteria which the Secretary of State (through DECC) must take into account when awarding licences.

Each licence carries an annual charge, called a rental. Rentals fall due each year on the licence anniversary. They are charged at an escalating rate on each square kilometre that the Licence covers at that date.

Types

All modern Production Licences run for three successive periods, or terms:

- The Initial Term; after which, if the agreed Work Programme has been completed and if a minimum amount of acreage has been relinquished, the licence may continue into a Second Term;
- The Second Term; after which, if a development plan has been approved and if all of the acreage outside that development has been relinquished, the licence may continue into a Third Term; and
- The Third Term; which runs for an extended period to allow production.

The terms are of different lengths according to the licence type, and there is an escalating annual rental.

While each term is commonly associated with a particular phase of a field's life cycle, the licence gives the same rights from beginning to end; so nothing in the licence would bar production during the Initial Term, for example, if the licensee were to move that fast.

Traditional Licence

This is the familiar Seaward Production Licence that has been in use since offshore licensing began. Most of the c. 1,700 licences issued since seaward licensing began have been Traditional Licences.

An applicant must prove technical/environmental competence and financial capacity before being offered a Traditional Licence.

- The Initial Term lasts for four years.
- The Second Term lasts for four years.
- The Third Term lasts for 18 years.
- The mandatory relinquishment at the end of the Initial Term is of 50%.

Promote Licence

This is a variant of the Seaward Production Licence that is designed to allow small and start-up companies to obtain a Production Licence first and attract the necessary operating and financial capacity later. The difference shows itself more in the application process than in the licence itself, except that the annual rental rate on a Promote Licence is reduced by 90% for two years. The licence will be drafted so as to require financial technical and environmental capacity to be in place, and a firm drilling (or agreed equivalent equally substantive activity) commitment to have been made, by the end of the second year, or the licence will expire at that time.

Applicants need not prove technical/environmental competence or financial capacity before award but they must do so within two years of the licence's start date if they are to keep the licence, and they will not be permitted to operate until they have done so.

- The Initial Term lasts for four years.
- The Second Term lasts for four years.
- The Third Term lasts for 18 years.
- The mandatory relinquishment at the end of the Initial Term is of 50%.

The Six Year Frontier Licence

This is another variant of the Seaward Production Licence. It has a six-year exploration phase and is designed to allow companies to evaluate large areas with greater materiality for a period so they can look for a wider range of prospects.

An applicant must prove technical/environmental competence and financial capacity before being offered a Six-Year Frontier Licence.

- The Initial Term lasts for six years.
- The Second Term lasts for six years.
- The Third Term lasts for 18 years.
- There's a special mandatory relinquishment of 75% after three years with a mandatory relinquishment at the end of the Initial Term of 50% of the remainder (making seven eighths in total).

The Nine Year Frontier Licence

This is the newest variant of the Seaward Production Licence. It's designed for the particularly harsh environment West of Scotland. It is similar to the existing Frontier Licence but with an Initial Term of nine years.

DECC will only consider Work Programmes of the Drill-or-Drop type with the decision to be made by the end of the sixth year and (if the Licensee chooses to drill) drilling to be completed within the remaining three years of the Initial Term. Because geophysical data is especially sparse West of Scotland, work programmes are expected to include significant new seismic acquisition.

An applicant must prove technical/environmental competence and financial capacity before being offered a Nine-Year Frontier Licence.

- The Initial Term lasts for nine years.
- The Second Term lasts for six years.
- The Third Term lasts for 18 years.
- There's a special mandatory relinquishment of 75% after three years with a mandatory relinquishment at the end of the Initial Term of 50% of the remainder (making seven eighths in total).

Licensing Rounds

The first UK offshore licensing round was held in 1964 when a total of 348 blocks were awarded to 31 applicants comprising 53 licenses. By the end of the 25th Round, a total of 1,739 licenses had been awarded. The results of the 26th Round are still not finalised.

Licence Terms (periods)

Seaward Production Licences and Petroleum Exploration and Development Licences are valid for a sequence of periods, called Terms. These Terms are designed to follow the typical lifecycle of a field: exploration, appraisal, production. Each Licence expires automatically at the end of each Term, unless the Licensee has made enough progress to earn the chance to move into the next Term.

The Initial Term is usually an exploration period. For Seaward Production Licences it's normally set at four years, although it can be longer for 'frontier' Licences. For Petroleum Exploration and Development Licences it's set at six years. The Initial Term carries a Work Programme of exploration activity that DECC and the Licensee will have agreed as part of the application process. The Licence expires at the end of the Initial Term unless the Licensee has completed the Work Programme by then. At that time the Licensee must also relinquish a fixed amount of acreage (usually 50%), which is another attempt to ensure that the Licensee has explored the whole acreage by then.

The Second Term is intended for appraisal and development. It lasts for four years for Seaward Production Licences and five for Petroleum Exploration and Development Licences. The Licence expires at the end of the Second Term unless the Secretary of State has approved a Development Plan by then.

The Third Term is intended for production. It lasts for 18 years for Seaward Production Licences and 20 for Petroleum Exploration and Development Licences. The Secretary of State has the discretion to extend it if production is continuing, but DECC reserves the right to reconsider the provisions of the Licence before doing so, especially the acreage and rentals.

The qualifying criteria to continue into the next Term are of course minimal. DECC sets no maximum rate of progress, and all other things being equal would be more than happy to see a Licensee progress through exploration and appraisal to production before the end of the Initial Term, if it were possible. It would not shorten the Licence's overall life.

Licence Assignments

A company that is party to a Licence may wish to sell an interest to another (a ''Licence Assignment'').

Licence Assignments are prohibited except with the consent of the Secretary of State. An assignment made without prior consent would be viewed very seriously by DECC. It constitutes grounds for immediate revocation of the licence under the terms of the Model Clauses attached to every licence. This restriction applies just as much to assignments between sister companies within a single company group as to assignments between unrelated companies. It also applies to the withdrawal of a company from a Licence, which entails the assignment of its rights to the remaining companies.

There is a type of transaction in which two or more companies already on a licence adjust the proportions of their shares of the licence interests/liabilities, and nobody enters or leaves the licence. These transactions are made by adjusting a Joint Operating Agreement (or similar agreement among the companies), and do not qualify for these purposes as Licence Assignments.

Licence Surrender and Determinations (Relinquishments)

There are two ways in which a licensee can give up acreage. He can give up (or ''surrender'') part of the Licensed Area while the licence continues over the remainder, or he can give up (or ''determine'') the entire licence. The licensee can do either one at any time, subject to a few conditions.

To surrender acreage or determine a licence, a licence determination form must be submitted to the DECC.

There are two restrictions to the licensee's right to surrender or determine:

- ''Non-Standard'' surrenders are surrenders of irregular shapes defined by very short lines, or which leave a very small licensed area. The exact definition is in the Clause headed ''Areas surrendered'' on each licence (see for example the 2004 Model Clauses Regulations). Non-Standard determinations require DECC assent.
- A licensee may not make a surrender or determination if it would prevent fulfilment of a licence obligation. For example, where a Licence carries a Work Programme with a Firm Well Commitment, the Licensee cannot determine the licence without drilling the well (nor surrender acreage if it includes a location specified in the Commitment as the place where the well is to be drilled).

Change of Control of a Licensee

The Model Clauses do not impose any requirement for the Secretary of State's approval of a change of control of a Licensee (e.g. on a corporate takeover), but they do specify it as grounds for revocation (if the Licensee has failed to comply with an instruction from DECC to make a further change of control).

Licence Extensions

After nearly 50 years of offshore licensing, the oldest offshore licences reached their expiry dates in September 2010. These 1st-Round licences alone cover almost 100 producing fields. DECC started to develop its extensions policy in 2007, and by late 2009 had consulted licensees thoroughly about both a policy and a mechanism in good time to be applied to that first batch of licences.

It's become clear that many North Sea fields are capable of much longer productive lifetimes than anyone foresaw in 1964, when the first Seaward Production Licences were given 46-year lifespans. The Government issues Production Licences precisely to accommodate production from oil and gas fields, and if a field is well-managed and still producing when a licence expires, it makes sense to take steps to let the field carry on producing.

The cessation of production on a field is not necessarily the end of its life. In a few cases, to date the field will have been exploited by means of old and inefficient infrastructure, leaving a lot of hydrocarbons in the ground; and even if the current licensee has no interest in redeveloping the field with new techniques and equipment, somebody else might. So DECC will not write fields off as being of no further interest when they cease production, but is instead keen to see them all released for relicensing.

DECOMMISSIONING ON THE UKCS

Introduction

The decommissioning of offshore oil and gas installations and pipelines on the United Kingdom Continental Shelf (UKCS) is controlled through the Petroleum Act 1998, as amended by the Energy Act 2008.

The UK's international obligations on decommissioning are governed principally by the 1992 Convention for the Protection of the Marine Environment of the North East Atlantic (OSPAR Convention). Agreement on the regime to be applied to the decommissioning of offshore installations in the Convention area was reached at a meeting of the OSPAR Commission in July 1998.

The responsibility for ensuring that the requirements of the Petroleum Act 1998 are complied with rests with the Department of Energy and Climate Change (DECC). DECC is the competent authority on decommissioning in the UK for OSPAR purposes.

DECC has produced Guidelines for Decommissioning which are updated from time to time. The latest revision is Version 5 dated January 2010.

International Obligations

The UK's international obligations on the decommissioning of offshore installations have their origins in the United Nations Convention on the Law of the Sea of 1982. The Convention entered into force in 1994 and the UK acceded to it in 1997. Article 60(3) includes the following:

''*Any installations or structures which are abandoned or disused shall be removed to ensure safety of navigation, taking into account any generally accepted international standards established in this regard by the competent international organisation. Such removal shall also have due regard to fishing, the protection of the marine environment and the rights and duties of other States. Appropriate publicity shall be given to the depth, position and dimensions of any installations or structures not entirely removed*''.

The competent international organisation for this purpose is the International Maritime Organisation which in 1989 adopted the IMO Guidelines and Standards setting out the minimum global standards for the removal of offshore installations.

In 1992 a new convention, the Convention on the Protection of the Marine Environment of the North East Atlantic (''the OSPAR Convention''), was agreed. This regional convention, which applies to specific sea areas of the North East Atlantic, including the North Sea and parts of the Arctic Ocean, replaced and updated the 1972 Oslo Convention on the Protection of the Marine Environment by Dumping from Ships and Aircraft and the 1974 Paris Convention on the Prevention of Marine Pollution from Land-Based Sources. The OSPAR Convention came into force on 25 March 1998.

In July 1998 at the First Ministerial meeting of the OSPAR Commission, a new regime for the decommissioning of disused offshore installations was established under the new Convention. Ministers adopted a binding Decision (*OSPAR Decision 98/3*) to ban the disposal of offshore installations at sea.

Pipelines are not covered by OSPAR Decision 98/3. There are no international guidelines on the decommissioning of disused pipelines.

The Main Features of OSPAR Decision 98/3

Under the terms of Decision 98/3, which entered into force on 9 February 1999, there is a prohibition on the dumping and leaving wholly or partly in place of offshore installations. The topsides of all installations must be returned to shore. All installations with a jacket weight less than 10,000 tonnes must be completely removed for re-use, recycling or final disposal on land.

The Decision recognises that there may be difficulty in removing the 'footings' of large steel jackets weighing more than 10,000 tonnes and in removing concrete installations. As a result there is a facility for derogation from the main rule for such installations. It has been agreed that these cases should be considered individually to see whether it may be appropriate to leave the footings of large steel installations or concrete structures in place. Nevertheless, there is a presumption that they will all be removed entirely and exceptions to that rule will be granted only if the assessment and consultation procedure, which forms part of the OSPAR Decision, shows that there are significant reasons why an alternative disposal option is preferable to re-use or recycling or final disposal on land.

Decommissioning Obligations under the Petroleum Act

The principal legislation is the Petroleum Act 1998 (the 1998 Act) which is administered by DECC.

Part IV of the 1998 Act provides a framework for the orderly decommissioning of disused installations and pipelines on the UKCS.

The principal provisions of Part IV of the 1998 Act:

- enable the Secretary of State, by written notice, to require the submission of a costed decommissioning programme for each offshore installation and submarine pipeline. Those persons given notices are jointly liable to submit a programme;
- where a decommissioning programme is approved by the Secretary of State, make it the (joint and several) duty of the persons who submitted it to secure that it is carried out;
- provide the Secretary of State with means to satisfy himself that any person who has a duty to secure that an approved decommissioning programme is carried out will be capable of discharging that duty and, where he is not so satisfied, require that person, by notice, to take such action as may be specified;
- in the event of failure by those given notice to submit a programme or secure that it is carried out, enable the Secretary of State to do the work and recover the cost from those given notice;
- provide penalties for failure to comply with notices; and
- enable the Secretary of State to make regulations relating to decommissioning.

Energy Act 2008: Oil and Gas Decommissioning

Chapter 3 of Part 3 of the Energy Act 2008 (''the 2008 Act'') amends Part IV of the Petroleum Act 1998. The 1998 Act consolidated provisions from the Petroleum Act 1987. Since the regime was originally established in 1987 there have been changes in business practices in the oil and gas industry, such as increased participation by smaller companies which have fewer assets and as such bring increased risks that they might not be able to meet their decommissioning liabilities. Moreover, experience has shown that it has not always been possible to share liabilities equitably between parties responsible for any installation or pipeline.

In summary, the 2008 Act amends the regime by:

- Enabling the Secretary of State to make all the relevant parties liable for the decommissioning of an installation or pipeline and, where a licence covers multiple sub-areas, clarifying which licensees will be liable.
- Giving the Secretary of State power to require decommissioning security at any time during the life of an oil or gas field if the risks to the taxpayer are assessed as unacceptable.
- Protecting the funds put aside for decommissioning, so in the event of insolvency of the relevant party, the funds remain available to pay for decommissioning and the taxpayers' exposure is minimised.

Pipelines

The Petroleum Act 1998 provides a framework for the orderly decommissioning of both offshore installations and offshore pipelines. The Pipeline Safety Regulations 1996, administered by the HSE, provide requirements for the safe decommissioning of pipelines. This chapter provides guidance on the approach to the decommissioning of pipelines on the UKCS. The provisions of OSPAR Decision 98/3 do not apply to pipelines. There are no international guidelines on the decommissioning of disused pipelines. Decommissioning proposals for pipelines should be contained within a separate programme from that for installations. However, programmes for both pipelines and installations in the same field may be submitted in one document.

The following approach will be taken in considering the decommissioning of pipelines on the UKCS:

- decisions will be taken in the light of individual circumstances;
- the potential for reuse of the pipeline in connection with further hydrocarbon developments should be considered before decommissioning together with other existing projects (such as hydrocarbon storage and carbon capture and storage). If reuse is considered viable, suitable and sufficient maintenance of the pipeline must be detailed.

- all feasible decommissioning options should be considered and a comparative assessment made;
- any removal or partial removal of a pipeline should be performed in such a way as to cause no significant adverse effects upon the marine environment;
- any decision that a pipeline may be left in place should have regard to the likely deterioration of the material involved and its present and possible future effect on the marine environment; and
- account should be taken of other uses of the sea.

Residual Liability

The persons who own an installation or pipeline at the time of its decommissioning will remain the owners of any residues. Any residual liability remains with the owners in perpetuity. In addition, those with a duty to secure the decommissioning programme is carried out will remain responsible for complying with any conditions attached to the Secretary of State's approval of the decommissioning programme. In cases of potential default where the Secretary of State is concerned that the current parties may no longer be able to carry out the approved programme he will consider whether to utilise section 34 of the Petroleum Act 1998 to give additional companies an obligation to carry out the work.

Determination of Decommissioning Timing

The Government aims to ensure the orderly decommissioning of offshore infrastructure in a timely and efficient manner, in line with the UK's international obligations and domestic legislation. DECC's expectation is that the removal of redundant installations, including subsea equipment, will be carried out as soon as reasonably practicable. At the same time we recognise that disused facilities including pipelines may represent important UKCS infrastructure and provide the means for the further development of hydrocarbon reserves, the storage of carbon dioxide or hydrocarbon gas. Where a specific opportunity has been identified deferral of decommissioning can be considered. The timing of decommissioning will also be influenced by market factors and vessel availability and there may be benefits from coordinating offshore work with other projects being undertaken in a similar timescale. This may involve agreeing that decommissioning work can be conducted during a window of opportunity, possibly spread across two or three seasons. In general, though, in view of the UK's obligations under OSPAR, DECC expects the removal of disused installations not to be delayed unless a robust case demonstrates there is a specific reuse opportunity or other justifiable reasons for deferring decommissioning.

UNITED KINGDOM ENVIRONMENTAL REGULATIONS

All companies entering the UKCS as a potential new operator, either as a licence applicant or following the purchase or reassignment of an existing asset, must demonstrate to the Department of Energy and Climate Change (DECC) that they would be acceptable as a UKCS Production Operator.

The Department of Energy and Climate Change (DECC) has undertaken a Strategic Environmental Assessment of a draft plan/programme to enable further rounds of offshore wind leasing and offshore oil and gas licensing in UK waters, including the underground storage of combustible gas in partially depleted oil/gas reservoirs.

The following legislation and regulations apply to the disposal and discharge of substances into the UK environment:

- Coast Protection Act 1949
- The Energy Act 2008 – Consequential Order
The Energy Act 2008 (Consequential Modifications) (Offshore Environmental Protection) Order
- Offshore Petroleum Production and Pipe-lines (Assessment of Environmental Effects) Regulations 1999
- The Offshore Installations (Emergency Pollution Control) Regulations 2002
- Greenhouse Gases Emissions Trading Scheme Regulations 2005

- Food and Environmental Protection Act 1985 Part II Deposits in the Sea
- Deposits in the Sea (Exemptions) Order 1985
- Offshore Petroleum Activities (Conservation of Habitats) Regulations 2001
- Offshore Chemicals Regulations 2002
- The REACH Enforcement Regulations
- The Merchant Shipping (Oil Pollution Preparedness, Response Co-operation Convention) Regulations 1998
- Offshore Combustion Installations (Prevention and Control of Pollution) Regulations 2005
- Offshore Petroleum Activities (Oil Pollution Prevention and Control) Regulations
- The Environmental Protection (Controls on Ozone-Depleting Substances) Regulations 2002
- The Fluorinated Greenhouse Gases Regulations 2009
- The Mercury Export and Data (Enforcement) Regulations
- Onshore environmental regulations
- Energy Act 1976

TAX REGULATIONS

The fiscal regime which currently applies to oil and gas exploration and extraction from the UK and the UK Continental Shelf (UKCS) consists of three elements:

Ring Fence Corporation Tax

This is calculated in the same way as the standard corporation tax applicable to all companies but with the addition of a ''ring fence'' and the availability of 100% first year allowances for virtually all capital expenditure. The ring fence prevents taxable profits from oil and gas extraction in the UK and UKCS being reduced by losses from other activities or by excessive interest payments. The current rate of tax on ring fence profits is **30%**.

Supplementary Charge

This is an additional charge of **20%** on a company's ring fence profits (but with no deduction for finance costs). A ''field allowance'' removes from the charge to supplementary charge a slice of production income from qualifying small or technically challenging new fields.

Petroleum Revenue Tax (PRT)

This is a field-based tax charged on profits arising from oil and gas production from individual oil fields which were given development consent before 16 March 1993. The current rate of PRT is **50%**; PRT is deductible as an expense in computing profits chargeable to ring fence corporation tax and supplementary charge.

The **marginal tax rate** is 75% on income from fields paying PRT, 30% on production income from new fields benefitting from a field allowance and 50% otherwise.

A **Ring Fence Expenditure Supplement,** (RFES) assists companies that do not yet have sufficient taxable income for ring fence corporation tax or supplementary charge purposes against which fully to set their exploration, appraisal and development costs and capital allowances. The RFES increases the value of unused expenditure carried forward from one period to the next by a compound 6% a year for a maximum of 6 years.

A **New Field Allowance** was introduced in the 2009 Budget (April 2009), which is specifically targeted at the following categories of fields in order to ''maximise the economic recovery of the UK's oil and gas reserves'', by providing fiscal incentives to those looking to develop commercially marginal fields:

i) small fields of less than 25 million boe in size; Allowance of up to £75m for fields with oil reserves of 2.75 million tonnes (20 mmboe) or less, reducing to nil for fields over 3.5 million tonnes (26 mmboe). Maximum allowance of £15m per annum.

ii) certain types of heavy oil fields; Allowance of up to £800m for fields with gravity $<18^{o}$ and viscosity >50 centipoise. Maximum allowance of £160m per annum.

iii) very high pressure high temperature fields; Allowance of £800m for fields with temperature $>176.67^{o}C$ and pressure $>1{,}034$ bar. Maximum allowance of £160m per annum; and

iv) gas developments in the West of Shetland (deepwater, subsequently announced in January 2010); Allowance of up to £800m for remote fields with $>75\%$ total reserves being gas, in water of depth 300m. Fields over 120km away from relevant infrastructure qualify for the full £800m, with the allowance tapering to nil at 60km.

imprima — C104185

Trapoil Office
4 Park Place
St James, Mayfair
London
SW1A 1LP

t: +44 (0) 203 170 5586
f: +44 (0) 203 170 5587

www.trapoil.com