

Trapoil
Unlocking
potential

Interim **Report 2012**



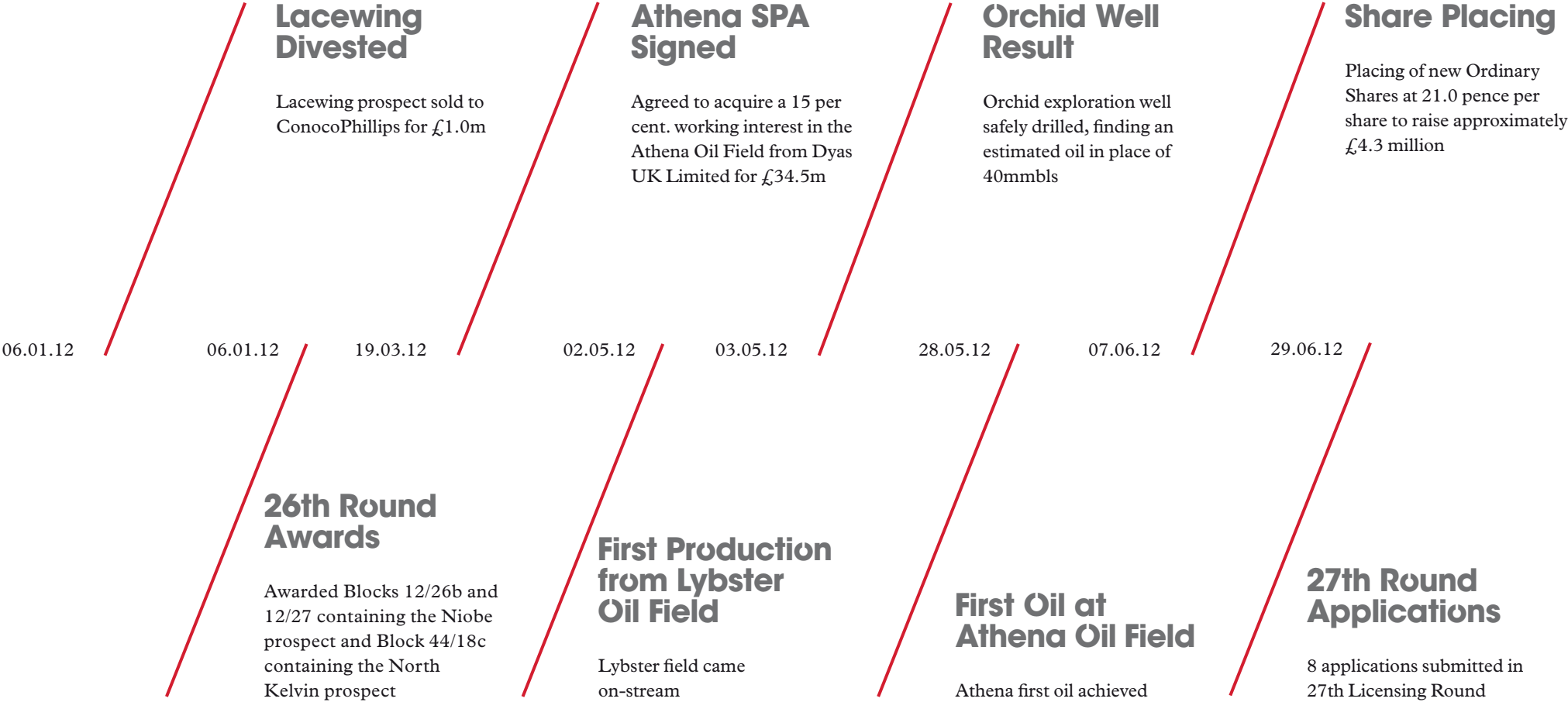


Interim Report 2012

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Company Highlights



Outlook for the next 6 months

- Moving forward in a very challenging environment
- Drilling of two high impact wells, Romeo and Scotney
- Exciting portfolio of near and longer term drilling prospects
- Portfolio of appraisal opportunities
- Complete Athena acquisition
- Sign and complete agreement to acquire Trent East from Perenco
- 8 applications made in DECC's 27th Licensing Round with results expected shortly

Chief Executive Officer's Report



A handwritten signature in dark ink, appearing to read 'Mark Groves-Gidney'.

Mark Groves-Gidney

26 September 2012

I Introduction

In a challenging global macro economic climate, Trapoil has established itself as a focused independent UK exploration and appraisal company offering investors participation in one of the more active drilling programmes on the UK Continental Shelf, with the majority of the well opportunities leveraged via carried interests. We have intentionally built a portfolio of drilling opportunities that balances lower risk/lower return prospects with commensurate near term cashflow potential, with higher risk opportunities, which, if successful, could generate significant upside and transform the Company. It is clearly impossible to predict with any certainty which of the wells will prove to be successful and commercially viable, but by pursuing a balanced and prudent portfolio management policy, we are confident that our existing assets and drill ready opportunities will ultimately provide our shareholders with a very attractive return on their investment.

Our progress to date has been achieved against a backdrop of a difficult year for UK North Sea drilling, due *inter alia* to fiscal changes announced by the UK Government and the continuing weak global economic and financing environment. Challenging equity markets in particular have made it all the more important to have a solid, low cost business model where the Company can fill a niche, working alongside its strong joint venture partners with proven track records. Trapoil remains committed to pursuing attractive investment opportunities in the increasingly mature UK North Sea region, where the size of prize for a given risk profile is decreasing over time, underpinned by strong oil and gas prices and growing spare capacity in existing pipelines and platform facilities. The tight drilling market however, caused by rigs being redeployed away from the North Sea area, has inevitably led to some delays to our anticipated drilling schedule, but we are now drilling the first of two high impact wells. We are also increasing our exposure to lower risk appraisal wells that we expect will be drilled and provide potential additional cash flow in the short to medium term.

We are close to completing our acquisition of an initial equity interest in the producing Athena Oil Field ("Athena"), as previously announced, which we believe will further build upon the solid foundation of the Company, with anticipated significant tax efficiencies. Combined with production from Lybster, we will therefore shortly have secured revenue streams to contribute to the funding for our 2013/2014 drilling programme.

Looking ahead to the remainder of 2012, we envisage several catalysts for further growth. In addition to the impending completion of the Athena acquisition and our continuing drilling programme, we look forward to the results of our applications in the Department of Energy and Climate Change's ("DECC's") 27th Licensing Round in which we have been active participants, securing the Trent East opportunity where we are seeking to become an operator, and we also look forward to additional attractive farm-in opportunities.

II Financial results

Our financial results for the first half of 2012 show revenue of £0.77m (2011: £0.80m) and a loss after taxation of £1.55m (2011: £1.80m) reflecting principally exploration and administrative expenditure. As at 30 June 2012, cash reserves were £33.47m including £3m of restricted cash. These results are in line with our expectations and do not reflect the acquisition of our equity interest in Athena, which has yet to be completed. We remain well funded to deliver our near term operations.

III Drilling schedule

Over the course of the last 15 months, we have established an exciting and well balanced portfolio of drilling opportunities, many of which are expected to come to fruition over the course of the next 18 months. Trapoil's business model, of predominantly holding carried interests in a range of exploration licences minimises the risks to the business. The carried interest model balances the lack of control Trapoil has over the timing and prioritisation of drilling opportunities with the removal of, or a significant reduction in, the downside impact of drilling or operational delays, funding exposure or shifts in the focus of its partners.

We drilled one well in H1 2012 - **Orchid (Licence P.1556, Block 29/1c)** - that resulted in the discovery of an approximate 200ft+ oil column within the primary Chalk reservoir. The well characteristics and differing partner materiality thresholds, made it unpalatable for the consortium, led by the operator Summit Petroleum Limited, to incur the cost of testing the well. Trapoil's preference was to test the well but as there was no consensus the well was, as always planned, plugged and abandoned. The partnership is currently evaluating its potential options going forward.

Drilling high impact wells in 2012

Our next wells are to be the *Suncor Energy UK Limited* ("Suncor") operated **Romeo (Licence P.1666, Block 30/11c)** and **Scotney (Licence P.1658, Block 20/5b)** prospects where we are fully carried by our partners. These wells will be drilled back to back, beginning in September 2012. Both of these wells are potentially high impact for Trapoil if our partners' projections are ultimately realised. The value accretion to Trapoil is significantly enhanced by the carry, where we will pay no costs until first production.

Later in 2012, we anticipate drilling the **Magnolia (Licence P.1610, Block 13/23a)** well, operated by *Dana Petroleum (BVUK) Limited* ("Dana"), where we are again fully carried.

Planned 2013 / 2014 drilling campaign

The drilling of the Magnolia well will be followed, using the same rig, by *Norwegian Energy Company UK Limited's* ("Noreco's") high impact **Crazy Horse (Licence P.1650, Block 14/13)** well, where we are partially carried. It is currently anticipated that the Crazy Horse well will spud in H2 2013 as we are

subject to the rig's other third party commitments and the timing of its five year inspection, early next year. We are also involved, via a small working interest, in the pending decision to appraise the *Dana Petroleum* operated **Surprise (Licence P.1267, Blocks 12/25a & 13/21b)** discovery, however there are ongoing discussions regarding the likelihood of this well being drilled.

We also have a number of appraisal opportunities that have the potential to deliver near term organic cashflow. Over the course of the last year, together with our partner Noreco, we have completed a 3D seismic programme over the **Bordeaux and Brulé (Licence P.1768, Blocks 14/14b, 18c & 19c)** discoveries. This seismic has enhanced our understanding and view of the discoveries and we continue our technical work to increase our understanding of the numerous prospects prior to drilling. At this time, it looks like a bold step out around one of the discoveries could be drilled in 2013 or early 2014 in order to establish a commercially viable volume of oil. A development in this area will lead to several more wells as tie in options are plentiful.

In 2013 we also have two wells scheduled to be drilled with *Caithness Oil Limited* ("Caithness") as operator - the **Knockinnon (Licence P.1270, Block 11/24)** appraisal well followed by the potentially large **Forse (Licence P.1286, Block 11/23)** exploration prospect. These wells were originally due to be drilled in 2012 and 2011 respectively, but have been delayed to 2013 due to various force majeure events raised by Caithness. Trapoil are working on these issues with Caithness. DECC is fully cognisant of the delays and Caithness is currently in the process of finalising the necessary licence extensions. A further update will be provided once Trapoil has clarity on the revised timetable to be proposed by Caithness.

Further drilling opportunities

There is currently a possibility that two further wells will be drilled next year, but at this stage they are more likely opportunities for 2014. We are in discussions with a number of parties, with a view to seeking a commitment to drill **Inverewe (Licence P.1864, Block 9/24d)**, formerly known as the Kew prospect but as this is a long lead High Temperature High Pressure ("HTHP") well it will take the best part of a year to plan, once an operator's commitment to drill has been gained. We understand that JX Nippon remains supportive of drilling an appraisal well, subject to the involvement of a new partner to replace Centrica. We have until the end of the year to secure an operator for this well. Finally *Suncor* has already committed to drill the **Niobe (Licence P.1889 Blocks 12/26b & 27)** prospect that has a similar time frame.

IV Portfolio enhancement and anticipated operatorship

As outlined at our AGM in May 2012, we are pursuing the acquisition of a 33.33 per cent. interest in **Trent East (Licence P.685, Block 43/24a)** that would lead to our first well as an operator and would ultimately involve a potential tie in to Perenco UK Limited's nearby Trent plat-

form. We are close to agreeing the requisite sale and purchase agreement and supporting documentation, but the proposed acquisition will be conditional on obtaining DECC's permission to act as an operator; deal completion is therefore currently targeted for the end of this year with drilling of the appraisal well planned for in 2013. At Trent East we will be targeting 40 to 60bcf (gross) of gas where we will be drilling close to an early discovery well which tested at 50mmcfcpd.

We have been very active in DECC's **27th Licensing Round** submitting eight applications in total, of which seven were made in conjunction with long standing partners, in order to potentially enhance our existing portfolio with promising new assets. Many of the applications stemmed from our team's analysis of state of the art 3D seismic data sourced from CGGVeritas Services (UK) Limited's database and, if successful, we will receive carried interests from our contracted partners. We also submitted a further application, close to Trent East, with a major utility as our partner. Awards for the 27th Licensing Round are currently anticipated in the latter part of 2012.

Approval of Trapoil as an operator is one of our stated goals and we currently expect to achieve this before the end of the year. The necessary staffing levels are close to being finalised in order to be able to operate the drilling of wells; all our HSE and Environmental policies are now in place and are currently being certified.

We also have a team constantly working on new ventures since many of the North Sea's best assets reside in acreage held by third parties. We are focused on continuing to source low cost opportunities and have a number of attractive targets under consideration at the current time.

V Production

We expect to complete the acquisition of the first 10 per cent. equity tranche in **Athena (Licence P.1293, Block 14/18b)** from Dyas UK Limited in Q4 2012. At present, Athena is achieving a production rate of approximately 11,000 bopd gross. Looking ahead, the oil price appears to be fairly robust at around or slightly above the \$100/bbl level that is the benchmark we applied when assessing our acquisition of an equity interest in Athena.

Our other source of production income is **Lybster (Licence P.1270, Block 11/24-3v2)**, which is currently producing at a rate of approximately 450 bopd gross, being slightly ahead of our expectations. This equates to 90 bopd net to Trapoil, because although we hold a nominal 35 per cent. carried interest, our economic interest is effectively 20 per cent. since the terms of the Farm In Agreement allow our partner to recover all of the development and operating costs attributable to Trapoil's interest.

VI Share Price and Recent Fund Raising

It is clearly most disappointing that our share price does not currently reflect the significant intrinsic potential value within our exploration portfolio that has been carefully assembled both prior and subsequent to our IPO in March 2011. We are fortunate to have the support of major institutional shareholders and it was particularly pleasing to note the arrival of a number of new institutions and other investors at the time of our £4.3m (gross) placing completed in June 2012. In July 2012, we were also pleased to announce the appointment of FirstEnergy Capital LLP as a joint broker alongside our existing broker, Mirabaud Securities LLP. I am confident that our imminent drilling campaign, and some of the new ventures outlined above, will deliver significant value and hope that this will be reflected in a rerating of our shares.

I would like to thank all of our shareholders for their patience and loyalty and we remain focused, as a management team, on creating meaningful shareholder returns within a sensible time frame. I would also like to thank our dedicated staff for their unwavering support and acknowledge our appreciation of the valuable assistance and guidance provided by our non executive directors.

Consolidated Interim Statements



David Kemp
Finance Director

- Loss for period of £1.55m reduced from same period in 2011 by £0.24m reflecting reduced costs and greater operational activity
- Cash balances of £33.47m held at period end
- £1m received from sale of Lacewing prospect
- Gross proceeds of £4.31m raised from share placing in June 2012
- Capital expenditure during period of £3.47m, predominately arising from drilling of Orchid prospect
- Fully carried on remaining 3 wells of 2012

Group statement of comprehensive income for the six months ended 30 June 2012

	Notes	6 months to 30/06/12 (unaudited) £	6 months to 30/06/11 (unaudited) £	Period to 31/12/11 (audited) £
CONTINUING OPERATIONS				
Revenue		770,789	804,166	807,044
Cost of sales		(953,828)	(323,650)	(786,309)
GROSS (LOSS) / PROFIT		(183,039)	480,516	20,735
Other operating income	6	174,860	—	—
Administrative expenses		(1,608,435)	(2,125,809)	(4,501,659)
OPERATING LOSS		(1,616,614)	(1,645,293)	(4,480,924)
Finance costs		(32,595)	(269,670)	(291,099)
Finance income		97,417	119,704	245,727
LOSS BEFORE TAX		(1,551,792)	(1,795,259)	(4,526,296)
Tax	4	—	—	—
LOSS FOR THE PERIOD		(1,551,792)	(1,795,259)	(4,526,296)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(1,551,792)	(1,795,259)	(4,526,296)
Total comprehensive loss attributable to: Owners of the parent		(1,551,792)	(1,795,259)	(4,526,296)
Loss per share expressed in pence per share:	5			
Basic		(0.75)	(0.99)	(2.74)
Diluted		(0.75)	(0.99)	(2.74)

Group consolidated statement of financial position as at 30 June 2012

	Notes	6 months to 30/06/12 (unaudited) £	6 months to 30/06/11 (unaudited) £	Period to 31/12/11 (audited) £
ASSETS				
NON-CURRENT ASSETS				
Intangible assets - Exploration costs	7	31,759,832	173,464	30,085,588
Intangible assets - Data licence costs	7	2,083,332	2,583,332	2,333,332
Tangible assets	8	2,049,051	21,511	23,539
		35,892,215	2,778,307	32,442,459
CURRENT ASSETS				
Trade and other receivables		967,828	1,055,741	1,102,100
Cash and cash equivalents	13	33,465,340	53,814,970	32,418,234
		34,433,168	54,870,711	33,520,334
TOTAL ASSETS		70,325,383	57,649,018	65,962,793
EQUITY				
SHAREHOLDERS' EQUITY				
Called up share capital		2,259,104	1,821,697	2,053,731
Share premium account	11	68,101,922	54,463,015	64,222,583
Share options reserve		2,057,977	1,280,124	1,774,310
Retained earnings / (deficit)		(7,675,771)	(3,392,942)	(6,123,979)
Reorganisation reserve		(382,543)	(382,543)	(382,543)
TOTAL EQUITY		64,360,689	53,789,351	61,544,102
LIABILITIES				
NON-CURRENT LIABILITIES				
Trade and other payables	9	3,321,260	3,268,412	3,291,101
Provisions for liabilities and charges	10	1,334,745	–	–
		4,656,005	3,268,412	3,291,101
CURRENT LIABILITIES				
Trade and other payables		1,308,689	591,255	1,127,590
TOTAL LIABILITIES		5,964,694	3,859,667	4,418,691
TOTAL EQUITY AND LIABILITIES		70,325,383	57,649,018	65,962,793

Group consolidated statement of changes of equity for 6 months ended 30 June 2012

For the six months ended 30 June 2012

	Called up share capital £	Retained earnings/ (deficit) £	Share premium account £	Share options reserve £	Reorganisation reserve £	Total equity £
At 1 January 2012	2,053,731	(6,123,979)	64,222,583	1,774,310	(382,543)	61,544,102
Proceeds from the issue of share capital (note 11)	205,373	–	4,107,460	–	–	4,312,833
Cost of issue of share capital	–	–	(228,121)	–	–	(228,121)
Loss for the period and total comprehensive income	–	(1,551,792)	–	–	–	(1,551,792)
Transactions with owners	–	–	–	283,667	–	283,667
At 30 June 2012	2,259,104	(7,675,771)	68,101,922	2,057,977	(382,543)	64,360,689

Group consolidated statement of cashflows for 6 months ended 30 June 2012

	Notes	6 months to 30/06/12 (unaudited) £	6 months to 30/06/11 (unaudited) £	Period to 31/12/11 (audited) £
Cash flows from operating activities				
Cash used in operations	13	(748,483)	(1,705,500)	(2,438,520)
Net cash used in operations		(748,483)	(1,705,500)	(2,438,520)
Cash flows from investing activities				
Purchase of intangible assets		(3,405,972)	(87,250)	(32,729,100)
Purchase of tangible fixed assets		(64,827)	(20,828)	(27,359)
Sale of intangible assets		1,084,259	–	2,727,600
Interest received		97,417	119,704	245,727
Net cash (used in) / provided by investing activities		(2,289,123)	11,626	(29,783,132)
Cash flows from financing activities				
Loan notes repaid		–	(992,700)	(992,700)
CGGV Loan repaid		–	–	(1,000,000)
Share issue / reorganisation		4,084,712	56,194,093	66,325,135
Net cash generated from financing activities		4,084,712	55,201,393	64,332,435
Increase/(decrease) in cash and cash equivalents		1,047,106	53,507,519	32,110,783
Cash and cash equivalents at beginning of period	13	32,418,234	307,451	307,451
Cash and cash equivalents at end of period	13	33,465,340	53,814,970	32,418,234

1 General Information

Trap Oil Group plc ('the Company') and its subsidiaries (together, 'the Group') are involved in the exploration, development and production of oil and gas reserves from the UK Continental Shelf and during the period under review production of hydrocarbons commenced from the Lybster field.

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

2. Basis of preparation

These consolidated interim financial statements have been prepared under the historic cost convention, using the accounting policies that will be applied in the Group's statutory financial information for the year ended 31 December 2012. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRS as adopted by the European Union.

The reports for the six months ended 30 June 2012 and 30 June 2011 are unaudited and do not constitute statutory accounts as defined by the Companies Act 2006. The financial statements for 31 December 2011 have been prepared and delivered to the Registrar of Companies. The auditors' report on those financial statements was unqualified, did not draw attention by way of emphasis of matter and did not contain a statement under section 498 of the Companies Act 2006.

3. Accounting policies

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

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for services supplied, stated net of discounts, returns and value added taxes. Revenue is derived from the principal activities of the Group. The Group is involved in the analysis of seismic data and information for the exploitation and development of oil and gas reserves in the UK Continental Shelf. Revenue is derived from strategic partners on the identification of opportunities for application for a licence to explore further and is recognised at the point the invoice is raised or the date a trigger event occurs if this is later.

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

Exploration and evaluation costs

Such costs are initially capitalised as Intangible Assets and include payments to acquire the legal right to explore, together with the directly related costs of technical services and studies, seismic acquisition, exploratory drilling and testing.

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

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

Production interest and fields under development

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

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

Amortisation, depletion and impairment of oil and gas assets

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

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

Decommissioning and site restoration

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

4. Taxation

Trap Oil Group plc is a trading company but no liability to UK corporation tax arose on the ordinary activities for the period ended 30 June 2012 due to the losses incurred.

5. Loss per share

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

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

	Loss £	Weighted average number of shares £	Per-share amount pence £
PERIOD ENDED 30 JUNE 2012			
Basic & Diluted EPS			
Loss attributable to ordinary shareholders	(1,551,792)	206,840,066	(0.75)

6 Other Operating Income

On 9 February 2012, the sale of the Group’s 10 per cent. working interest in its Lacewing asset (P.1181, Block 23/22b) to ConocoPhillips (U.K.) Ltd was completed for cash consideration of £1 million realising a gain on disposal which is shown in the Consolidated Statement of Comprehensive Income as Other operating income.

7 Intangible Assets

	Exploration Costs £	Data Licence Costs £	Totals £
COST			
At 1 January 2012	30,087,654	4,000,000	34,087,654
Additions	3,405,972	-	3,405,972
Disposals	(909,401)	-	(909,401)
Transfer to tangible assets (note 8)	(817,599)	-	(817,599)
At 30 June 2012	31,766,626	4,000,000	35,766,626
AMORTISATION			
At 1 January 2012	2,066	1,666,668	1,668,734
Amortisation for the period	4,728	250,000	254,728
At 30 June 2012	6,794	1,916,668	1,923,462
NET BOOK VALUE			
At 30 June 2012	31,759,832	2,083,332	33,843,164

8 Tangible Assets			
	Development and Production Assets	Office Equipment	Totals
	£	£	£
Cost			
At 1 January 2012	-	30,015	30,015
Additions	1,332,311	64,827	1,397,138
Transfer from intangible assets (note 7)	817,599		817,599
At 30 June 2012	2,149,910	94,842	2,244,752
AMORTISATION DEPLETION, IMPAIRMENT AND DEPRECIATION			
At 1 January 2012	-	6,476	6,476
Amortisation for the period	174,102	15,123	189,225
At 30 June 2012	174,102	21,599	195,701
NET BOOK VALUE			
At 30 June 2012	1,975,808	73,243	2,049,051

9 Trade and Other Payables

Included in Non-Current Liabilities - Trade and other payables of the Group is £3,000,000 and capitalised interest of £321,260 which relates to the consideration for the data licence obtained from CGGVeritas Services (UK) Ltd 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, August 2016. On each and every success fee that is acquired from using the data from the licence, £300,000 - £350,000 becomes due immediately as part of the consideration. Any balance remaining when the licence expires is due on that date and shall attract interest at LIBOR plus 1% per annum.

Trap Oil Ltd has a £2 million overdraft limit with National Westminster Bank plc which is secured by a debenture in the name of Trap Oil Ltd, a cross guarantee within the Group and on the shares of Trap Oil Ltd held by Predator Oil Ltd. The overdraft is currently undrawn. The overdraft limit currently expires on 31 May 2013.

10 Provisions for Liability and Charges

	Site Restoration Provision	Total
	£	£
PROVISION		
At 1 January 2012	-	-
New provision	1,332,311	1,332,311
Unwinding of discount	2,434	2,434
At 30 June 2012	1,334,745	1,334,745

This provision relates to the future decommissioning of producing fields.

11 Issue of Share Capital

During the period, Trap Oil Group plc issued 20,537,300 ordinary shares from which it raised £4,312,833 (gross) in additional capital. The net proceeds from the share issue were £4,084,712.

12 Share Based Payments

The Group operates several share option schemes. Options are exercisable at prices set out in the table below. Options are forfeited if the employee leaves the Group through resignation or dismissal before the options vest. Equity-settled share based payments are measured at fair value at the date of grant. The fair value determined at the date of grant of equity-settled share based payments is expensed on a straight line basis over the vesting period, based upon the Group's estimate of shares that will eventually vest.

The total expense included within the operating results in respect of equity-based share-based payments was £283,667. For the period ended 30 June 2011 the amount was £745,286 and for the period ended 31 December 2011 was £1,239,472. For the period ended 30 June 2011 and 31 December 2011 the amount included within the share premium account as part of the cost of raising capital was £534,838.

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

Pre-IPO Options

Year of Grant	Exercise price per share	Period within which options exercisable	No. of shares for which options outstanding at 1 January 2012	Options granted during the period	No. of shares for which options outstanding at 30 June 2012
2011	1p	March 2012 to March 2021	3,672,750	-	3,672,750

**Under the Trap Oil Group plc Unapproved Share Option Plan 2011
and Individual Option Agreements:**

Year of Grant	Exercise price	Date of Vesting	No. of shares for which options outstanding at 1 January 2012	Options granted during the period	No. of shares for which options outstanding at 30 June 2012
2011	43p	March 2012	1,998,062	-	1,998,062
2011	43p	March 2013	1,998,062	-	1,998,062
2011	43p	March 2014	1,998,062	-	1,998,062
2011	43p	July 2012	736,434	-	736,434
2011	43p	July 2013	736,434	-	736,434
2011	43p	July 2014	736,434	-	736,434
2011	1p	March 2013	641,975	-	641,975

This table continues on page 22

Under the Trap Oil Group plc Unapproved Share Option Plan 2011 and Individual Option Agreements (continued)

Year of Grant	Exercise price	Date of Vesting	No. of shares for which options outstanding at 1 January 2012	Options granted during the period	No. of shares for which options outstanding at 30 June 2012
2011	27.12p	December 2012	1,056,667	-	1,056,667
2011	27.12p	December 2013	1,056,667	-	1,056,667
2011	27.12p	December 2014	1,056,667	-	1,056,667
Weighted average	28.22p			Total	15,688,214

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was 28.22p per option. The significant inputs into the model were mid-market share price on the day of grant or 1p, the exercise price as shown above and an annual risk-free interest rate of 1.1%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices from the date of admission to AIM to the date of grant on an annualised basis.

13 Notes to the Consolidated Statement of Cashflows

RECONCILIATION OF LOSS BEFORE TAX TO CASH USED IN OPERATIONS

	6 months to 30/06/12 (unaudited) £	6 months to 30/06/11 (unaudited) £	Period to 31/12/11 (audited) £
Loss for the period before tax	(1,551,792)	(1,795,259)	(4,526,296)
Adjusted for:			
Depreciation charges	189,225	1,088	5,591
Amortisation charges	254,728	250,000	502,066
Profit on disposal	(174,860)	-	-
Share based payments (net)	283,667	745,286	1,239,467
Finance costs	32,595	269,670	291,099
Finance income	(97,417)	(119,704)	(245,727)
	(1,063,854)	(648,919)	(2,733,800)
Decrease/ (Increase) in trade and other receivables	134,272	(479,491)	(525,850)
Increase/ (Decrease) in trade and other payables	181,099	(577,090)	821,130
Cash used in operations	(748,483)	(1,705,500)	(2,438,520)

CASH AND CASH EQUIVALENTS

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

PERIOD ENDED 30 JUNE 2012	30/06/12 £	1/1/12 £
Cash and cash equivalents	30,465,340	32,418,234
Restricted cash (note 14)	3,000,000	-
Total	33,465,340	32,418,234

14 Post Balance Sheet Event

On 16 March 2012, Trap Oil Ltd, a wholly owned subsidiary of Trap Oil Group plc, entered into a conditional Sale and Purchase Agreement with Dyas UK Ltd to initially acquire a 10% working interest followed by a potential further 5% working interest in UK Seaward Production Licence P.1293 (Athena) for a total cash consideration of approximately £34.5 million with an effective date of 1 January 2012, subject *inter alia* to government (DECC) and joint venture partners’ approvals.

As at 30 June 2012, the only part of the overall transaction that had taken place was the payment of £3 million into a solicitor’s escrow account and this amount has been included in Current Assets, Cash and cash equivalents.

Independent Review Report to Trap Oil Group plc

I Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012, which comprises the statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

II Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the basis of preparation set out in note 2.

III Our responsibility

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

IV Scope of review

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

V Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 and the AIM Rules for Companies.

PricewaterhouseCoopers LLP
Chartered Accountants
26th September 2012
Aberdeen

The maintenance and integrity of the Trap Oil Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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