ANNUAL REPORT 2013

For the year ended
31 March 2013

SIRIUS
MINERALS PLC

WELCOME TO THE SIRIUS MINERALS 2013 ANNUAL REPORT

SIRIUS MINERALS PLC IS A POTASH DEVELOPMENT COMPANY LISTED ON THE LONDON STOCK EXCHANGE'S AIM MARKET.

SIRIUS MINERALS IS PRIMARILY FOCUSED ON THE DEVELOPMENT OF THE WORLD'S LARGEST AND HIGHEST GRADE POLYHALITE DEPOSIT IN THE UNITED KINGDOM, THE YORK POTASH PROJECT. POLYHALITE IS A UNIQUE MULTI-NUTRIENT AND MULTI-PRODUCT ORE WHICH WILL BE USED TO INCREASE BALANCED FERTILIZATION AROUND THE WORLD.

THE COMPANY IS ALSO COMMITTED TO DEVELOPING A PORTFOLIO OF PROJECTS AND CONTINUES TO REVIEW OPPORTUNITIES AROUND THE GLOBE THAT FIT THE COMPANY'S LONG TERM STRATEGY TO BECOME A LEADING GLOBAL POTASH PRODUCER.

This Annual Report contains forward looking statements. These forward looking statements are not guarantees of future performance. Rather they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ from any future results or developments expressed or implied from the forward looking statements. Each forward looking statement speaks only as of the date of the particular statement.

Many thanks to Kane Cunningham for providing many of the images used in this report.

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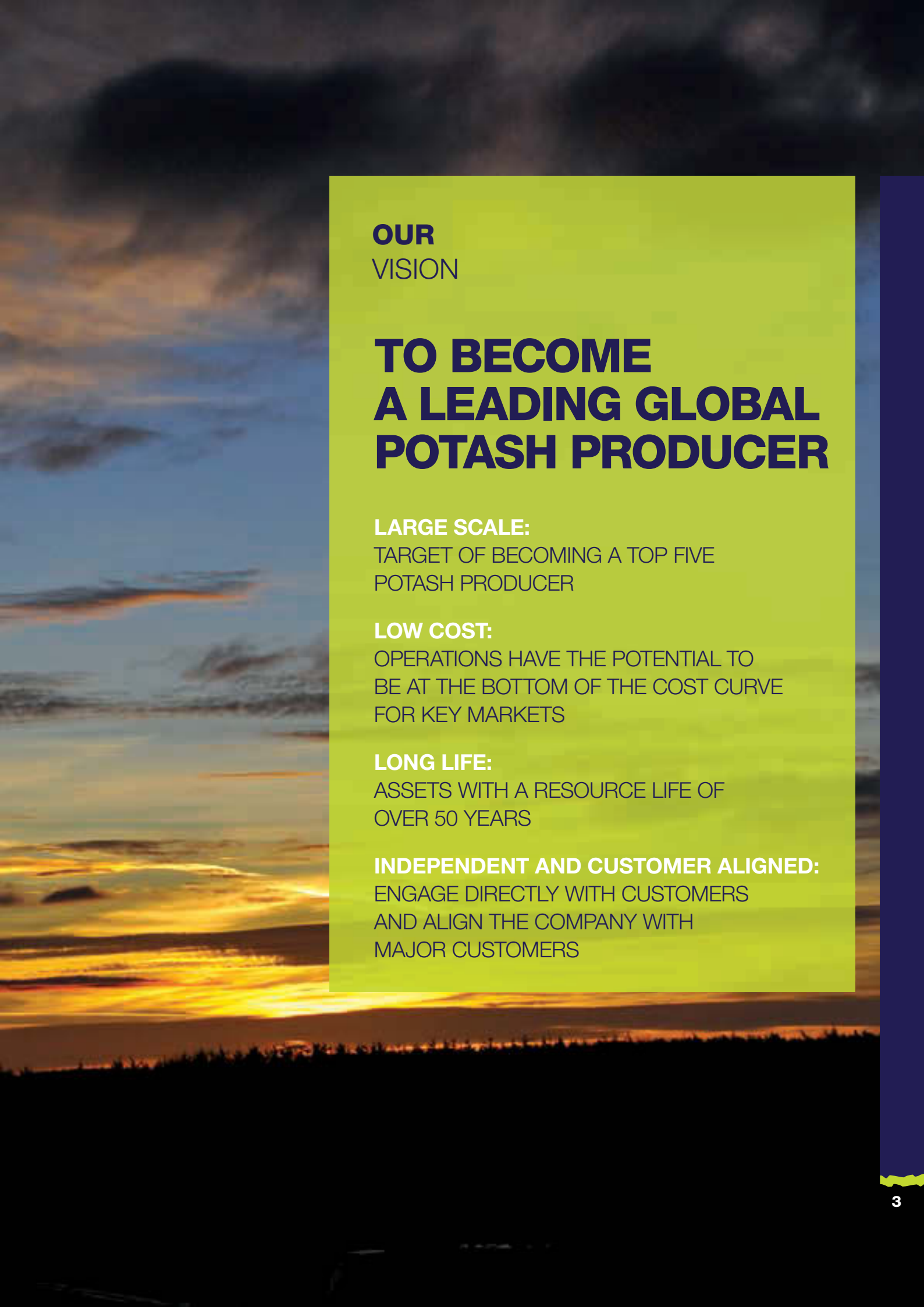
SIRIUS MINERALS PLC



OUR
VISION

TO BECOME A LEADING GLOBAL POTASH PRODUCER

LARGE SCALE:
TARGET OF BECOMING A TOP FIVE POTASH PRODUCER

LOW COST:
OPERATIONS HAVE THE POTENTIAL TO BE AT THE BOTTOM OF THE COST CURVE FOR KEY MARKETS

LONG LIFE:
ASSETS WITH A RESOURCE LIFE OF OVER 50 YEARS

INDEPENDENT AND CUSTOMER ALIGNED:
ENGAGE DIRECTLY WITH CUSTOMERS AND ALIGN THE COMPANY WITH MAJOR CUSTOMERS

CHAIRMAN'S STATEMENT

SIRIUS MINERALS REMAINS ONE OF THE MOST EXCITING RESOURCE DEVELOPMENT COMPANIES GLOBALLY. THE RAPID PROGRESS OF OUR FLAGSHIP PROJECT AT YORK POTASH, TOGETHER WITH THE MULTI-NUTRIENT QUALITIES OF POLYHALITE WILL HELP TO PLACE THE COMPANY AT THE HEART OF THE GLOBAL FERTILIZER INDUSTRY.

Dear Shareholders,

I am pleased to submit to you my second annual Chairman's Statement for Sirius Minerals Plc after a year of significant accomplishments for the Group.

Over the past year a large proportion of our effort has focused on preparing our submission for the onshore mining approval required for the York Potash Project (the "Project"). A huge amount of work has been undertaken to deliver a vast array of technical studies and designs for our world leading proposals. Whilst the planning decision for the mine was targeted for the middle of this calendar year which is outside of the financial year for this report, it would be wrong not to comment on this critical objective for the York Potash Project. Requesting a delay to the most recent targeted approval date was not an easy decision to make and is very frustrating for all, most especially our loyal shareholders and staff. However, it is absolutely right that the Company properly, and in appropriate detail, address all outstanding concerns brought to our attention by the various interested parties. Our final submission must and will be robust, and as complete and professional as possible, in order to achieve the positive planning decision on the application.

Recently Uralkali, the world's largest potash producer, made certain statements that have created uncertainty in the global potash industry. These statements related to an intention to end its joint marketing arrangement with Belarus Potash Company and to increase its production levels from its operations towards capacity. Should these statements be followed through with actions then it would be contrary to past behaviour by Uralkali where it has managed production volumes to the benefit of better pricing. Whilst it is too early to foresee the ultimate longer term effect on the industry of this single producer's actions, it is my view that our shareholders should remain confident that the York Potash Project will be at, or near, the bottom end of the cost curve for potassium based materials. Our polyhalite product is positioned advantageously in the market compared to traditional potassium chloride, it is absolutely saleable and, critically, the expected returns on the Project, even at potentially reduced long-term prices, remain very attractive.

It is true that for very large ground-breaking projects of this nature the path to success is not always smooth – and we have experienced several bumps in the road in recent times. However, the essence of the outcomes we are setting out to achieve remain exactly the same; a world-class, large scale, potassium based fertilizer business that will deliver huge economic and social benefits for the UK, our global customers, our employees, partners and, very importantly, our shareholders.

Russell Scrimshaw
Chairman

It will be an exciting year ahead for the Group as we move towards approval of the onshore mining plan and the infrastructure elements of the York Potash Project and ultimately construction.

This last year has also seen the world witness a heightened awareness of the critical issue and strategic importance of food security, with a particular focus on the use of fertilizers to improve agricultural productivity. This has recently been highlighted within China with a specific forum held at the very important 2013 Boao Conference on the subject of food security. Around a dozen world leaders were present at the conference including the recently elected Chinese President Xi Jinping. Both Chris Fraser and I were invited to participate in key panel forums and it is a testimony to the credibility of the Company in Asia that I participated in a 'Future Food Security' panel with such eminent panellists as the Chinese Agricultural Minister, the Deputy Prime Minister of Thailand and the CEO's of major global food companies such as Pepsico and Mars. In addition, at the People's Congress in China earlier this year, strong priority was given to boosting agricultural productivity and yields to increase food production in the Plan for National Economic and Social Development.

Globally, the Food and Agriculture Organisation ("FAO") released a report predicting that more than twice as much meat, fruit and vegetables will be required by 2050, compared to today, to meet the demand of a growing population. Earlier this year, prominent business figure Bill Gates noted that "innovations that are guided by smallholder farms, adapted to local circumstances, and sustainable for the economy and environment will be necessary to ensure food security in the future". These issues are at the heart of the strategy in place for the Company moving forward with development of the York Potash Project.

In late 2012, the Company announced a simplified development approach for the York Potash Project publishing a Pre-Feasibility Study for the phase 1 development that focused on producing 5 million tonnes per annum ("mtpa") of granulated polyhalite. This followed from positive market engagement with customers and a realisation of the benefits of balanced fertilization to address nutrient deficiencies in soils around the world.

Our global crop study programme has made significant progress over the past year to commercially validate the benefits of polyhalite in addressing these deficiencies through multi-nutrient solutions. The Board's decision to revise the strategy has lowered risk and enhanced value for the Company and created further flexibility to expand the product portfolio at a later date.

The Group has also witnessed acceptance of our polyhalite product as highlighted by the marketing agreement signed with global fertilizer trader KEYTRADE AG for up to 1.75mtpa and the signing of initial framework sales agreements in Europe and the UK for around 310,000 tonnes per annum ("tpa") and a further 700,000tpa of framework sales agreements and letters of intent in various countries. This provided a strong prelude to the signing of the major offtake agreement in China for 1mtpa of polyhalite for ten years from 2017. This offtake agreement, signed in June 2013 with TCT from Yunnan Province in China, is a major milestone for the Company and further demonstrates the demand for polyhalite and the outstanding potential of the York Potash Project.

Since announcing the revised product strategy, the Company has made good progress in the feasibility studies which will guide the construction of the York Potash Project. We were pleased to announce the appointment of Gordon Cowe as Development Director, who has more than 25 years' experience of developing major resource projects, to lead these efforts. Gordon is now well ensconced in North Yorkshire and, besides his project development work, is also leading our approvals work.

The achievements made by the Company this year could not have been achieved without the dedication of our Managing Director and CEO, Chris Fraser. Chris and his team have worked tirelessly to develop world-class designs and strategies for the Project. Following the announcement of the revised development strategy and the appointment of Gordon Cowe, I am pleased to confirm that we now have all key management team members in place to oversee the transition from planning and development to construction and production. I would also like to thank members of the Board of Directors for their diligence alongside the management team in reaching critical milestones over the past financial year.

The share price performance of Sirius for the year ended 31 March 2013 resulted in a high of over 46% relative to the start of the year. This reflected the positive support for our evolution in strategy and significant progress made on the York Potash Project. Unfortunately, the delay in a planning decision and more significantly the recent statements by Uralkali (noted above) has seen the share price come under downward pressure. We are continuing to advance the Project with recent agreements with customers, suppliers and financiers. It is no comfort but the large majority of existing potash producers and other potash developers have also seen a substantial loss in market value. I have personally increased my shareholding in Sirius over the past year, reflecting the continued confidence I have in the Company and the highly skilled management team.

The consolidated financial statements for the year ended 31 March 2013 have been prepared under the going concern assumption however the Directors recognise that there are a number of material uncertainties inherent in the York Potash Project specifically the final results of feasibility studies, obtaining appropriate planning permissions and securing long term project finance. The impact of these on the Directors' consideration of the going concern assumption is set out in note 1 to these financial statements.

Although beyond the financial year, the securing of a £25 million convertible security financing in August 2013 was an important step forward. This financing demonstrated confidence in the ongoing development of the York Potash Project at a time when there was increased volatility in the potash sector. The funds will enable the Company to continue the work needed to secure the required approvals, in addition to other development initiatives including global crop trials which we expect will further demonstrate the unique value of polyhalite and further de-risk the Project.

More broadly I would like to thank all who have supported us through the ongoing planning approval process including landowners, local councils, members of the community and government, industry experts, business people, and shareholders. The overwhelmingly positive response received towards the development of the York Potash Project has been very gratifying.

It will be an exciting year ahead for the Group as we move towards approval of the onshore mining plan and the infrastructure elements of the York Potash Project and ultimately construction. The Board and management team have already demonstrated outstanding dedication to development of the Project that will need to be sustained as we continue to face challenges moving forward. Once we have worked through the current set of challenges, we expect to see a substantial increase in activity and employment in the local area that will provide a much needed boost to the regional economy. I continue to strongly believe that the York Potash Project will provide a multi-generational, environmentally friendly, economic and social stimulus to North Yorkshire and the UK as well as a sustainable positive contribution to the issue of global food security.

THANK YOU FOR YOUR INTEREST AND SUPPORT.

RUSSELL SCRIMSHAW
Chairman

YORK POTASH PROJECT
RAPID PROGRESS

THE YORK POTASH PROJECT HAS MADE RAPID PROGRESS SINCE BEING ACQUIRED BY THE COMPANY IN 2011

Jul–13:
Additional framework sales agreements and letters of intent in South East Asia and Latin America for 700,000tpa

Jun–13:
Impressive preliminary crop study results

May–13:
Resource increase – 2.66bn and upgrade of 820m tonnes to Indicated category

Feb–13:
KEYTRADE AG marketing agreement

Jan–13:
Offshore mining license received

Nov–12:
Resource increase – 2.2bn tonnes of polyhalite

Jun–12:
Maiden Resource Statement – 1.35bn tonnes of polyhalite

Jul–11:
Drilling commences

Jan–11:
Acquisition of York Potash

YORKPOTASH
A Sirius Minerals Project

Jul–13:
Completion of drilling programme

Jun–13:
Major polyhalite offtake contract for 1mpta for 10 years with Yunnan TCT

May–13:
Initial UK and European framework sales agreements equating to 310,000tpa

Jan–13:
Onshore mining application submitted

Dec–12:
Pre-Feasability Study published

Public consultation results

91% – Support
8% - Undecided
1% – Against

Sept–12:
Mine location announced and extensive public consultation

Apr–12:
Detailed Scoping Study published

CHIEF EXECUTIVE OFFICER'S STATEMENT

THIS YEAR HAS SEEN SIGNIFICANT PROGRESS AND ACHIEVEMENT OF KEY MILESTONES FOR OUR FLAGSHIP YORK POTASH PROJECT AS THE GROUP MOVES CLOSER TO BECOMING A LEADER IN THE FERTILIZER INDUSTRY

Chris Fraser
Managing Director and CEO

On behalf of the entire Sirius team, I am pleased to provide the following update on the progress of the Group over the past year in refining and implementing our strategic goal to become a future leader in the fertilizer industry and, in doing so, making a significant contribution towards the solution for the global issue of food security.

SAFETY

Two years ago the Group committed to a safety goal of Zero Harm, representing the highest standard under which a mining company should operate. This effort will only increase as our operations increase in scale and present a higher level of physical risk. We have established a system to ensure appropriate training, monitoring and corrective actions are taken to facilitate us achieving our goal of Zero Harm. As the Company progresses towards its goals there will be a requirement for more people in the safety team and we look forward to welcoming them at the appropriate time.

As we move towards the approval and then construction phase for the York Potash Project (the "Project"), we continue to increase our team's awareness on the importance of safety through detailed planning and implementation of specific policies for both employees and contractors. There can be no compromise on safety and our team is dedicated to achieving our target of Zero Harm as we move forward into this critical stage of development.

MILESTONES

Over the past 12 months, the Group has successfully refined the development strategy for its flagship York Potash Project, confirming its world-class potential through major accomplishments that demonstrate our goal to deliver financing, construction and production as quickly as possible.

PEOPLE

The past year has seen continued development of the management team at Sirius with a simplified organisational structure implemented alongside the formation of an Executive Committee ("ExCo") to enhance cross team coordination and communication. Within the ExCo, heads of each team report directly to me and meet at least weekly. Moving forward as we continue to rapidly develop the York Potash Project this simplified structure will guarantee effective and efficient coordination between teams.

Luke Jarvis joined us in November 2012 from Agrium and has taken on the role of International Sales General Manager. Luke was Managing Director at Agrium for UK and Ireland for nearly five years. Agrium is a global producer, marketer and distributor of crop nutrients and a leading retail supplier of agricultural products and services. Luke has specialised in the fertilizer business for almost 20 years having been involved in the sales, marketing and distribution of various fertilizer products. Prior to joining Agrium, he was the UK and Ireland Managing Director at Helm Fertilizer for seven years, having worked in commercial roles at Cleveland Potash Limited, the UK's only operating potash mine, for eight years.

In February 2013 we announced the appointment of Gordon Cowe as Development Director following the confirmation of Engineering Procurement Construction ("EPC") / Engineering Procurement Construction Management ("EPCM") methodologies as the most likely approach to develop the York Potash Project. Gordon will be responsible for leading the development of the Project through approvals, Definitive Feasibility Study ("DFS"),

construction and into production. Gordon is one of the world's leading EPC and EPCM contractor managers and brings unparalleled skills in these project development methodologies. Gordon has over 25 years of experience in managing business units and major projects in the resources industry across the globe.

We now employ over 50 people spread across our base in North Yorkshire, and offices in London and Sydney. In addition to the five office-based apprentices already in place, we hope to take on another 20 engineering apprentices in September 2014. Five young people have already been signed on to the York Potash undergraduate programme which is designed to result in a job upon graduation. We hope to take on another five in September 2014.

DRILLING PROGRAMME

Over the last year we have successfully completed our drilling programme which further defined our polyhalite resource and resulted in an increase of nearly 100% from 1.35 to 2.66 billion metric tonnes. The total resource of 2.66 billion metric tonnes of 85.7% grade polyhalite is located within an area representing just 7% of the York Potash Project area of interest, highlighting the significant scale of our flagship asset. During the year we also upgraded 820 million metric tonnes of 87.3% grade polyhalite into the important Indicated Resource category, which will provide the basis for a move to a reserve estimate. Defining an economic reserve is a critical milestone for completion of the DFS and for financing of the Project.

Following announcement of the selected mine location in September last year, we undertook the drilling of two shaft pilot holes to gather detailed technical information for the construction of the shafts. Results to date from these holes have been very positive and support selection of the mine site at the optimal location.

PRE-FEASIBILITY STUDY

As announced in November last year, our engagement in the major fertilizer markets around the world has led us to focus the initial development of the York Potash Project on polyhalite, a unique and sustainable potash product containing potassium, sulphur, magnesium and calcium. Industry-wide recognition and scientific support for the value of balanced fertilization have highlighted the outstanding potential of polyhalite. Sirius is targeting multiple routes to market for polyhalite from the initial development as either a direct application multi-nutrient fertilizer or as a cost-effective blending agent to create nitrogen, phosphorus and potassium ("NPK") fertilizers containing all six macro-nutrients essential for balanced fertilization.

The simplified development approach, analysed in the Pre-Feasibility Study ("PFS"), delivered a significantly lower capital cost to achieve first production and materially reduced our initial financing requirements. The revised strategy will enable us to maximise value for the Company and its shareholders by reducing capital costs to first production by approximately US$1 billion and lowering risk by simplifying the initial production

THIS YEAR HAS BEEN ONE OF SIGNIFICANT PROGRESS:

DRILLING results increased our polyhalite resource to 2.66 billion metric tonnes and achieved the important Indicated Mineral Resource upgrade to 820 million metric tonnes of 87.3% grade polyhalite

LOCATION of the mine announced and extensive public consultation showed overwhelming support for the York Potash Project

KEY APPROVAL to mine offshore received from the Marine Management Organisation

GLOBAL agronomic research results validate that polyhalite is an effective and valuable fertilizer

OFFTAKE signed for 1mtpa of polyhalite for ten years in addition to over 1mtpa of framework sales agreements and letters of intent

ADDED a depth of experience, leadership and knowledge to our management with the appointment of Gordon Cowe as Development Director

process. In addition to the PFS, we also published a NPK Concept Study that confirmed the viability of producing a variety of NPK fertilizers using polyhalite as the primary source of potassium (the "K").

The initial development of the Project will focus on producing 5 million tonnes per annum ("mtpa") of granulated polyhalite product. This approach will deliver a simplified start-up to reduce the external financing requirements and moves the Project into positive cash flow as early as possible. The initial estimate was engineered to a level of accuracy of +/– 25% with key findings as follows:

- Estimated capital cost to first production of US$1.7 billion[1];
- Construction timetable of 3 years to first production with ramp up to 5mtpa rate within 3 years;
- Estimated Teesside FOB cash operating cost of US$37/tonne[1]; and
- Positive free cash flow in the second year of production.

On completion of construction, the infrastructure in the Project will have embedded capacity of 12–15mtpa. This allows us to have lower cost expansion options into increased polyhalite production or product expansion into NPK and/or SOP production once the Project is generating positive cash flow.

Work is already progressing on refining the PFS estimates in the DFS and we will target completion of the estimates when greater clarity on the planning timeframe is available. The DFS will provide estimates to a level of accuracy of +/– 15% and will represent a critical document for the Project and not only in support of financing, but also to provide the basis for key construction elements as we transition to the next phase of development.

APPROVALS AND ENVIRONMENT

The Company has made significant progress over the past year towards receiving the approvals required for development of the York Potash Project but has also suffered some delays and setbacks.

In August 2012 we formally submitted an application to the Marine Management Organisation ("MMO") for an offshore mining license, which was subsequently granted in January 2013. This represents an important license that we will require in the long-term for extraction of polyhalite beneath the seabed, which represents the largest single landownership within the York Potash Project area.

In September 2012 we submitted the Environmental Impact Assessment ("EIA") Screening and Scoping Request to the North York Moors National Park Planning Authority ("NYMNPA", "National Park" or "the Authority") to formally launch the planning process for onshore mining approval. Following this submission, we undertook a comprehensive six week pre-application local consultation programme that highlighted strong support for the Project with over 90 per cent in favour and less than one per cent against.

In late January 2013 the Group submitted an application to the NYMNPA for an onshore mining license and was advised of an expected determination date outside of the financial year in May 2013. Following evaluation of the application and a comprehensive public consultation process the NYMNPA requested additional information to assist in the approvals process. The determination date was subsequently moved to 29 July 2013 and then subsequently deferred at the request of the Company to enable additional information to be provided and to clarify certain remaining issues.

Whilst frustrating, it is important that a decision to approve the onshore mining is made correctly and there were some issues relating to European Habitats Regulations in particular that we needed to address. Importantly, this deferral also allows the Group to address the remaining environmental issues that have been raised by the NYMNPA, its consultants and other external stakeholders. The Company does not believe there are any fundamental environmental issues that deliver unacceptable impacts that cannot either be addressed or mitigated, so is confident that its revised EIA will be both legally robust and provide a high level of assurance over the likely impact of the plans.

The team has worked diligently to address issues raised throughout the process and whilst there have previously been some differences in opinion with the Authority as to the level of detail required, our re-submissions will present a robust set of updated documents. Many of the issues

1. Figures exclude contingency, costs +/– 25% accuracy, operating costs exclude royalties and sustaining capital expenditure.

previously raised relate to construction impact and as a result we have asked Gordon Cowe to lead the work to provide the additional information to the Authority. The Company's discussions with the Authority will continue and a number of new or additional specialist consultants are being employed to assist with this process.

In addition to the offshore and onshore mining licenses, we must obtain three additional approvals covering the pipeline, the materials handling and port facilities at Teesside. For the pipeline, a draft application has been submitted to the Planning Inspectorate with a full application due to be submitted in late 2013. For the port facilities, applications are currently being prepared in anticipation of EIA works with a targeted submission date in 2014.

Signing of the Yunnan TCT Offtake Agreement

AGRONOMY

In June 2013 we released a detailed overview of the global crop study programme that had been underway during the year to underpin the value of polyhalite as a fertilizer. Studies already underway have provided results which validate polyhalite to be an effective, valuable fertilizer that in certain circumstances outperformed the traditional potash product potassium chloride (or "MOP") on seed germination, early growth, yield and quality. The positive seed germination and early growth results have demonstrated the significant potential for polyhalite as an excellent starter fertilizer.

The global programme designed by our consultant, the leading agronomist Dr Fran Pierce, has been developed to provide unbiased global agronomic research in cooperation with leading universities. Studies have included major crops of global importance such as corn, wheat, cotton, oil seeds, and fruit and vegetables such as potatoes, onions and peppers. The studies are being undertaken in key markets to enhance the understanding of the performance of polyhalite-based fertilizers in local growing conditions. We currently have ongoing programmes in the UK, Brazil, Malaysia, China and the USA, and we are looking to implement studies in India and Africa.

The results received to date are further validation of the market-changing potential of polyhalite as a unique multi-nutrient fertilizer. The wide ranging crop trial programme has been designed to deliver relevant and valuable information for the customers with whom we are in ongoing discussions.

SALES AND MARKETING

In February 2013 we signed a marketing agreement with KEYTRADE AG, one of the world's leading fertilizer trading, distribution and marketing companies, for up to 1.75mtpa of polyhalite produced by the York Potash Project. KEYTRADE AG is 50% owned by CF Industries, a US based global leader in fertilizer manufacturing and distribution. CF Industries is the second largest nitrogen fertilizer producer in the world and the third largest phosphate fertilizer producer among public companies, and has a market capitalization of over US$10 billion. As at June 2013, letters of intent for 400,000 tonnes per annum ("tpa") have been signed between various potential customers and KEYTRADE, as a result of the marketing agreement. A total of 300,000tpa of this volume is targeted for sales in Latin America.

KEYTRADE AG is marketing our polyhalite product in the key regions of Central and South America (excluding Brazil), South East Asia, as well as specific countries in Europe and Africa. The agreement provides an outstanding global platform to reach customers and countries with substantial growth potential and is a significant endorsement of polyhalite.

Separate to this we also announced in May 2013 that the Group has entered into a number of framework sales agreements with fertilizer distributors and manufacturers in the UK and Europe for supply of 310,000tpa of polyhalite, including 60,000 within the UK. In July 2013 further commitments for 300,000 tonnes (framework sales agreements) were made with fertilizer distributors and manufacturers operating in various countries including Mexico, Chile, Ecuador, Thailand and Indonesia. This was a result of much hard work during the financial year and is a further customer endorsement of polyhalite. It has demonstrated a clear and strong demand for our sustainable multi-nutrient form of potash.

In June 2013 we announced the signing of a significant offtake contract with Chinese based Yunnan TCT Yong-Zhe Company Limited ("TCT") for the sale of 1mtpa of polyhalite for ten years from 2017. The initial price under the offtake contract is in line with what we used in our base case NPV

modelling, supporting the outstanding economics behind the Project. TCT is one of the fastest growing domestic agricultural product companies in China, integrating production and distribution of agricultural products along with import and export trade and agrochemical services. TCT was particularly attracted to the organic and multi-nutrient nature of our polyhalite product and have agreements to supply both government and private entities within China. The offtake agreement is the latest endorsement of the global demand for polyhalite and the role that balanced fertilization can play in the largest fertilizer market in the world. This agreement is a major milestone for the Group that will ultimately help to give confidence in the financing for construction of the Project.

Discussions for further polyhalite supply agreements in various forms remain ongoing with a range of customers including major distributors and fertilizer blenders around the world. Supported by the outstanding results of our ongoing crop study programme, customers are seeing the significant agronomic value in our polyhalite products and are encouraging us to reach production as fast as possible.

FINANCE

Over the past year we have further developed rigorous internal cost controls and procedures to ensure efficient use of capital as the Company continues to grow with the progression of the York Potash Project. Furthermore, in October 2012 we appointed PricewaterhouseCoopers LLP as auditors for the Group.

The finance team, led by Jason Murray, has made considerable progress on multiple pathways for financing the York Potash Project. A number of funding options for short and long-term requirements have been progressed throughout the year and the Group remains confident that it will be able to obtain capital as it is required with the goal of minimising dilution and maximising value for shareholders. An example of this is securing a £25 million convertible security financing in August 2013 to help continue the work needed to secure the required approvals and progress other development initiatives such as global crop trials.

The consolidated financial statements for the year ended 31 March 2013 have been prepared under the going concern assumption however the Directors recognise that there are a number of material uncertainties inherent in the York Potash Project. Further details are set out in note 1 to these financial statements.

The loss for the Group for the year was £8,588,000 (2012: £60,104,000). The loss for the Company for the year was £10,901,000 (2012: £50,552,000).

Due to the focus on the York Potash Project, no further work is planned in the near future in North Dakota and the Company has discontinued studies on the Adavale and Canning Basins due to lack of prospectivity and the high carrying costs of the tenements.

INTO THE FUTURE

Sirius has made significant progress over the past year. That progress is a reflection of the dedication and hard work put in by all members of the Group. Good progress has been made that will ultimately enable us to move forward in the year ahead into the next phase of development of the York Potash Project.

The year ahead will be dominated by the approval process for the York Potash Project. Although delays of several months are frustrating, we should not lose sight of the fact that we are building a business that could potentially last for hundreds of years. Building strong foundations for such an undertaking takes time and everyone is working as hard as possible to do this right.

I am very confident that the York Potash Project will be approved and developed. The Project is too important to the local, regional and national economies. More importantly it delivers perhaps the most important need for humanity – food security through sustainable development. The support for the Project is very strong throughout the community and all levels of government, from the local boroughs to senior government ministries.

I am confident that Sirius has the team in place with all the necessary skills, determination and energy required to achieve our goals for the coming year in progressing the York Potash Project into the next key phase of development. I would like to thank the entire team and our shareholders for all the support and hard work to date, which has brought us closer to the delivery of Sirius as the **FUTURE OF FERTILIZER**.

CHRIS FRASER
Managing Director and CEO

INDUSTRY
OVERVIEW

THE FUTURE OF FERTILIZER

BALANCED FERTILIZATION, PARTICULARLY OF THE SIX MACRO-NUTRIENTS (NITROGEN, PHOSPHORUS, POTASSIUM, SULPHUR, MAGNESIUM AND CALCIUM), IS ESSENTIAL TO OBTAIN OPTIMAL CROP YIELDS. WITH MOST REGIONS EXPERIENCING THE CHALLENGES OF MULTIPLE NUTRIENT DEFICIENCIES, BALANCED FERTILIZATION WILL HAVE TO BE AT THE CENTRE OF ACHIEVING SUSTAINABLE GROWTH TO FEED THE WORLD.

IN THIS RESPECT, POLYHALITE-BASED FERTILIZERS WILL BE A KEY COMPONENT OF ANY BALANCED NUTRIENT PROGRAMME THAT AIMS TO MAXIMISE CROP YIELDS AND QUALITY IN A SUSTAINABLE WAY.

INDUSTRY OVERVIEW

FOOD SECURITY CHALLENGE

Achieving food security has become one of the biggest challenges for the world and focus on this topic has continued to increase. The unprecedented high levels of basic food prices, even higher than during the 2008 food crisis, have brought price volatility to the forefront of the international debate (see **Chart 1**). It has been generally accepted that the extraordinary rise of global food prices since 2002 are posing a major threat to global food and nutrition security and may have a host of humanitarian, socio-economic, environmental, developmental, political and security-related consequences.

According to a 2012 study by the United Nation's Food and Agriculture Organization ("FAO"), crop production will need to rise 60% by 2050 to feed the world's population, which is expected to reach 9.1 billion people by 2050, from today's 7 billion people. Next to a growing global population, soaring food demand stems from the cumulative effects of dietary changes from rising incomes, and the growing use of biofuels. There is no sign that these food demand drivers are slowing down. Rather, they are expected to strengthen over the coming decade and drive future fertilizer demand to unprecedented levels.

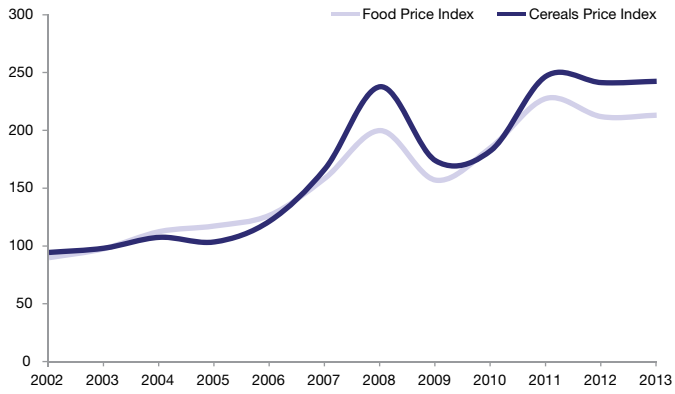
This food security challenge needs to be addressed and in the context of four key daunting issues:

1. **Land scarcity -** There is a growing gap between the demand for food and the amount of available farmland. Less farmland per capita will be available as the world's population increases, which implies that each unit of farmland will need to feed more mouths (see **Chart 2**).

2. **Water scarcity –** In many parts of the world there is increased competition for water for agriculture, domestic consumption, and industry. In most major food producing areas, human water use already exceeds

CHART 1

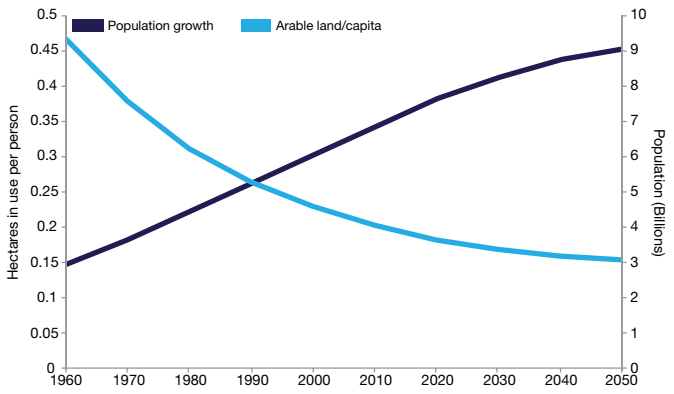
FAO FOOD AND CEREALS PRICE INDEX



Source: FAO

CHART 2

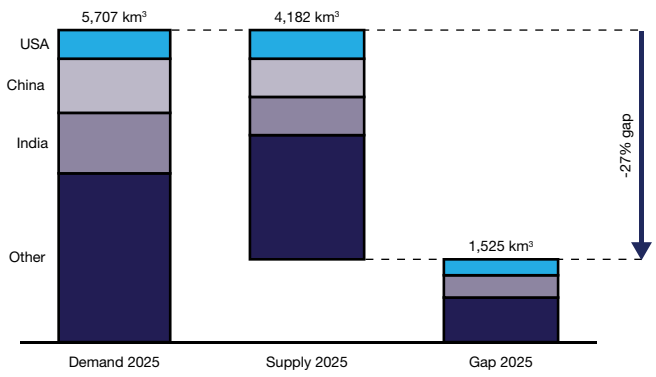
DECREASING ARABLE LAND 1960-2050



Source: FAO Statistic division

CHART 3

WATER DEMAND AND SUPPLY 2025 (CUBIC KILOMETRES)



Source: FAO; ASTI; Sirius Minerals

the rate of replenishment. By 2025 the gap between water demand and supply is forecasted to be 27% (see **Chart 3**).

3. **Climate change and the environment –** Global warming, increasing floods and droughts are forecast to result in a 6–16% yield decrease by 2080[2]. It will be of vital importance to increase food production in the face of climate change, particularly global warming. The main solution is to reduce emissions of greenhouse gases, and with agriculture responsible for 25–30% of emissions, the sector has a big responsibility[3]. An additional environmental challenge resulting from fertilizer use in agriculture is leakage of nitrogen and phosphorus to waterways, which has the potential to cause nutrient overloads and soil and water pollution.

4. **Nutrient deficient soils –** All major agricultural markets are increasingly facing multiple nutrient soil deficiencies. One of the main reasons for this is poor, unbalanced fertilization and agricultural management practices. Replenishment of these deficient soils is essential if the world is to achieve food security.

Achieving food security requires improved agricultural productivity while using less water, land, and energy. Enhancing and accelerating productivity in a sustainable manner is a key prerequisite.

BALANCED FERTILIZATION TO ACHIEVE SUSTAINABLE FOOD SECURITY

Crop nutrition

In order to grow, plants require a range of non-substitutable nutrients. Mineral fertilizers are a major source of these nutrients and therefore essential to food security. There are 13 nutrient minerals that are divided into two groups: macro- and micro-nutrients. The six macro-nutrients are the most important to plant growth; they are consumed in large amounts. **Table 1** outlines the specific value of each of the six macro-nutrients: nitrogen (N), phosphorus (P), potassium (K), sulphur (S), magnesium (Mg), and calcium (Ca).

TABLE 1

NUTRIENT	VALUE FOR PLANT
Nitrogen (N)	• Promotes protein formation, growth and yield • Primarily responsible for vegetative growth. Nitrogen assimilation into amino acids is the building block for protein in the plant • Component of chlorophyll and is required for several enzyme reactions
Phosphorus (P)	• Phosphorus is a major component in plant DNA and RNA • Critical in root development, photosynthesis, drought resistance, crop maturity and seed production
Potassium (K)	• Improves take-up of nitrogen and phosphorus • Facilitates photosynthesis and building of protein • Increases resistance against disease, drought, frost and insects
Sulphur (S)	• Increases the efficiency of nitrogen and phosphorus • Involved in the development of protein and chlorophyll • Enhances plant root growth
Magnesium (Mg)	• Central atom of chlorophyll and thus essential for photosynthesis • Helps activate more plant enzymes than any other nutrient • Key for transport and storage of carbohydrates, proteins and fat
Calcium (Ca)	• Required for root growth and strength in the plant • Counteracts the effect of alkali salts and organic acids in a plant • Strengthens plant resistance

2. UNEP (United Nations Environmental Program) 2009, "The Environmental Food Crisis" (pg 46). The United Nations Environment Programme (UNEP) is an international institution (a programme, rather than an agency of the UN) that coordinates United Nations environmental activities.
3. WorldWatch Institute (Reynolds & Nierenberg) 2012, "Innovations in Sustainable Agriculture" (pg 8). WorldWatch Institute is a globally focused environmental research institute based in Washington D.C.

Balanced fertilization – "law of the minimum"

Every crop requires a complementary mix of nutrients. Nutrients are complementary to each other and a deficiency in any single nutrient is enough to limit yield, just as the shortest stave will limit capacity of the barrel: the "law of the minimum". Sustainable agriculture is best served with balanced fertilization. This is widely recognised by major stakeholders in the agricultural sectors from governments to producers, scientists and farmers alike.

Balanced supply of nutrients will result in less fertilizer required to achieve the same yields as there will be a synergistic interplay between nutrients. This leads to improved nutrient use efficiency ("NUE"), which eventually translates into a significant increase in yield and farmer profits (see **Chart 4**).

POLYHALITE AT THE HEART OF BALANCED FERTILIZATION

Polyhalite is a unique fertilizer product

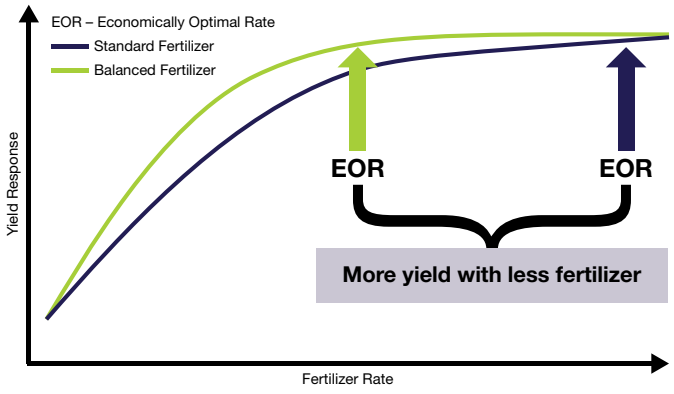
Sirius aims to deliver balanced fertilizer solutions for sustainable food security. Polyhalite fertilizers help increase agricultural productivity to produce the food required for the growing global population. Polyhalite is a unique natural and organic multi-nutrient mineral containing four macro-nutrients that are known to be important for crops and soils and an ideal foundation for balanced fertilization. The nutrient breakdown of polyhalite – $K_2SO_4.MgSO_4.2CaSO_4.2H_2O$ – is shown in **Chart 5** below.

Polyhalite has unique and compelling benefits over other potassium based fertilizer products, including:

- **Balanced nutrient provider that enhances NUE:** Polyhalite provides a supply of K, S, Mg, and Ca that are all naturally consumed by the major global crops. Balanced fertilization through polyhalite enhances NUE and, subsequently, increases farmer yields and profits.
- **Essentially chloride-free:** Polyhalite's maximum chloride content is less than 2%, minimising the potential for fertilizer "burn". Chloride-free fertilizers are widely used on chloride-sensitive crops like most fruit and vegetables.
- **Certified for organic use:** Polyhalite is registered for organic use in the UK and Europe, underscoring the sustainable nature of the mineral.
- **Does not change soil pH:** Polyhalite is a neutral salt which has no effect on soil pH regardless of the application rate.
- **Sustainable:** Polyhalite has a low carbon footprint compared to the same tonnage of other fertilizer products. This will significantly reduce carbon emissions and improve air quality. In addition, the enhanced NUE of both nitrogen and phosphorus implies less leaching and therefore soil and water pollution of these two nutrients.
- **Diverse application uses:** Polyhalite can be applied directly to the soil or seamlessly blended with nitrogen and phosphorus to create unique NPK blends that contain all six macro-nutrients.

CHART 4

NUTRIENT USE EFFICIENCY



Source: Heady et al, Iowa State University

CHART 5

POLYHALITE NUTRIENT COMPOSITION (90% POLYHALITE PRODUCT GRADE)

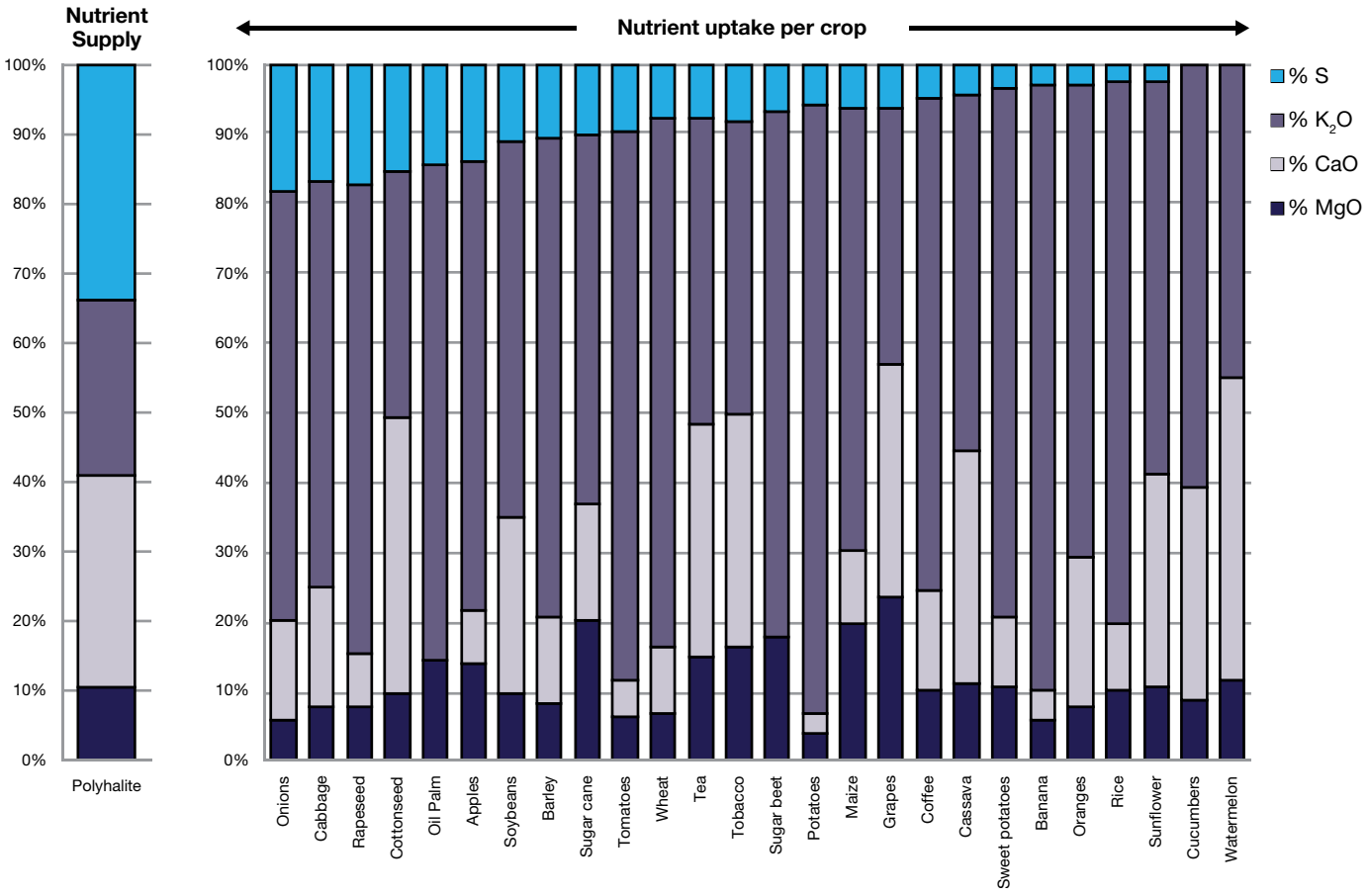
Polyhalite fits with nutrient needs of the world's major crops

Each crop type has its specific natural uptake of all the four nutrients that are part of polyhalite. **Chart 6** matches polyhalite's nutrient make-up with natural nutrient needs of the major crops in the world. The overarching conclusion is that all major crops need the four macro-nutrients provided by polyhalite to meet their nutritional needs and achieve optimal crop performance. Theoretically, subject to soil conditions, the closer the match between polyhalite's nutrient make-up and crop nutrient uptake, the more effective polyhalite will be for that crop.

To further underline the importance of polyhalite as the "Future of Fertilizer", global crops have been benchmarked against three important criteria; chloride sensitivity, sulphur and magnesium uptake fit (see **Chart 7** overleaf). The main insight from this analysis is that polyhalite's unique characteristics of low chloride content and the additional supply of sulphur and magnesium can provide superior value to crops than Muriate of Potash ("MOP"). MOP is the biggest potassium fertilizer but contains over 46% chloride and does not provide any other macro-nutrients. To validate these findings in practice, Sirius has embarked on a global crop study programme.

CHART 6

POLYHALITE COMPOSITION AND HIGH-VOLUME CROP NUTRITION REQUIREMENTS (IN %)



Source: Sirius Minerals global estimated nutrient uptake database based on Roland Berger; FAO; IFA; various scientific studies

LARGE MARKET FOR POLYHALITE

Polyhalite routes to market

Polyhalite offers a compelling value proposition both as a direct application fertilizer and as a component of NPK fertilizers. Each application use has a specific set of benefits to the customer and end-user (see **Chart 8**).

Direct application fertilizer market

As a direct application fertilizer, polyhalite is a viable value proposition in different product markets:

1. **Potassium market:** Opportunity for polyhalite to replace MOP and SOP as a low-cost direct application fertilizer in the 60mtpa product market (based on 2012 data). In particular, for the 20% of the global crops which are sensitive to chloride fertilization and crops that require significant amounts of S, Mg, and/or Ca in addition to K. The chloride free markets of SOP and SOP-M represent an equivalent market of approximately 20mtpa of polyhalite.

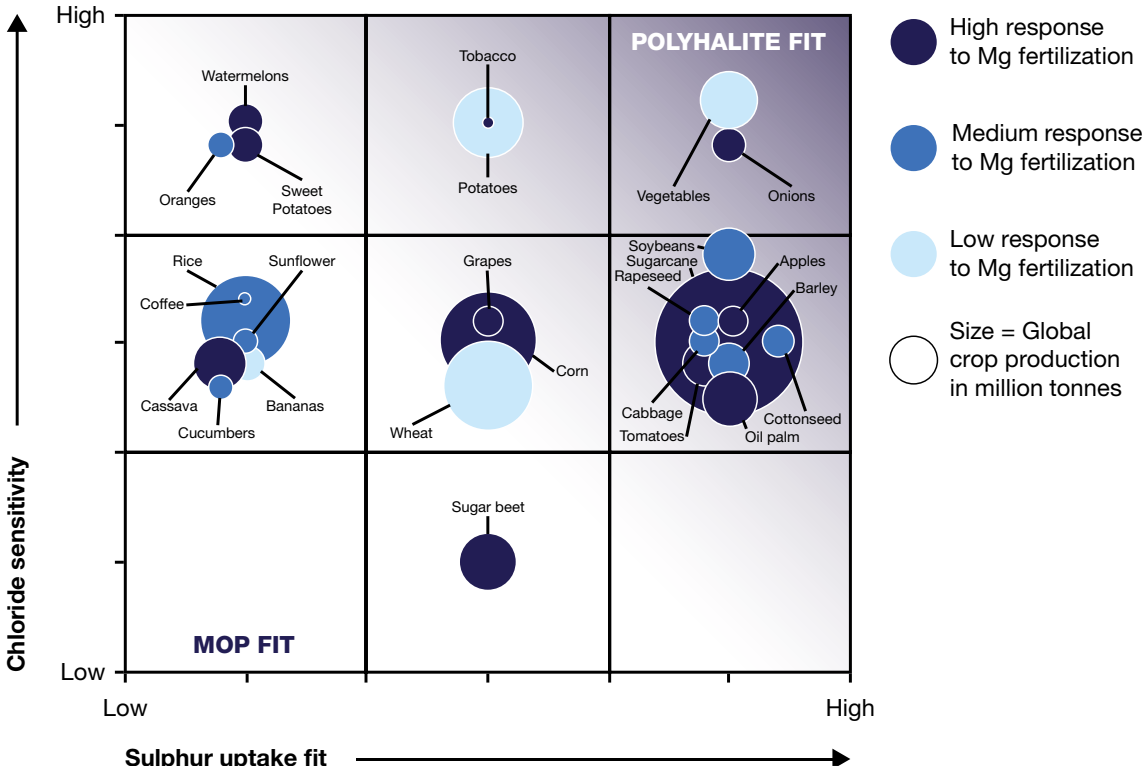
2. **Sulphur market:** With a sulphur content of 19% and the addition of three other macro-nutrients, polyhalite is a viable product to capitalize on the fast-growing sulphur fertilizer market which is forecasted to be 12.5mtpa by 2015 (or 66mtpa of polyhalite equivalent).

3. **Multi-nutrient market:** Opportunity for polyhalite to capitalize on the surging need for balanced fertilization products. For instance, as a viable alternative to balanced fertilizers such as potassium-magnesium-sulphate "SOP-M". Polyhalite nutrient make-up shows close similarities to SOP-M which 2012 consumption was 1.2mtpa product (see **Chart 9**).

During the financial year, the average price for Trio (product produced by Intrepid Potash) was US$362/metric tonne. This implies on a K_2O adjusted basis, a value of US$232/metric tonne for polyhalite. Although the market for these products is relatively small and is supply constrained, the nutrient similarities provide a very relevant value and agronomic benchmark for polyhalite in the market.

CHART 7

COMPARISON OF POLYHALITE AND MOP FIT WITH CROPS



Source: Sirius Minerals global estimated nutrient uptake database based on Roland Berger; FAO; IFA; various scientific studies

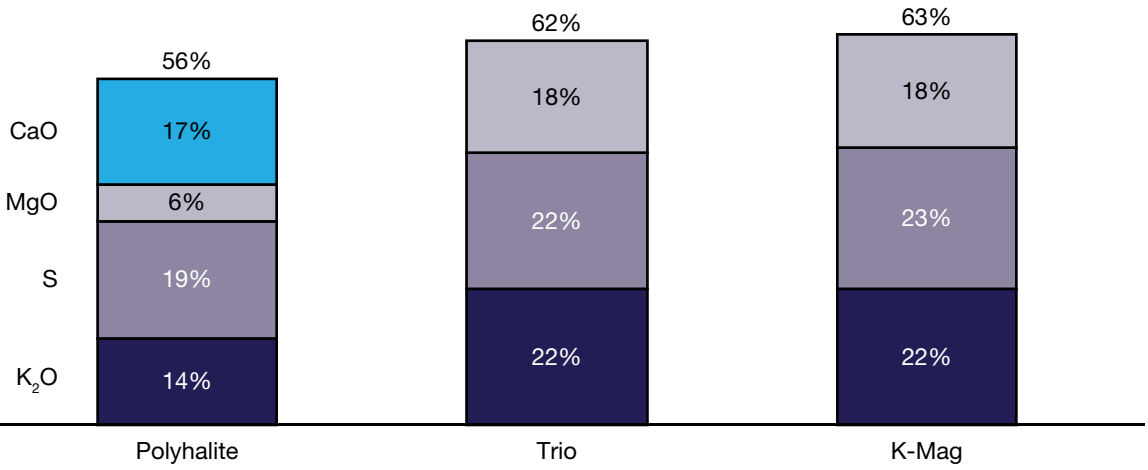
CHART 8

VALUE PROPOSITION

	Granulated polyhalite	
	Direct application	**NPK blend component**
Value Proposition	• Unique balanced fertilizer product that supplies four essential macro-nutrients in one granule	• Comprehensive NPK blends that provide all six essential nutrients in one value-packed fertilizer product
Target market	• Viable proposition to the existing markets of potash, sulphur and straight multi-nutrient fertilizers	• Viable proposition in the global NPK compounds market with annual consumption of 100+mtpa
Key customer benefits	• Seamless fit with key farmer needs and agricultural market growth trends • Multiple routes to market • Excellent margin potential	• Easily blendable with N and P • Unique product that aligns with increased farmer needs for S, Mg &Ca • Excellent margin potential
Key farmer benefits	• Comprehensive nutrient supply that is effective during entire crop growth cycle • Enhances land and water usage • Increases yields and profit potential	• Complete macro-nutrient supply rapidly available for uptake by plants • Enhances land and water usage • Optimizes yields and profit potential

CHART 9

POLYHALITE NUTRIENT MAKE-UP COMPARED TO TWO SOP-M FERTILIZERS



Source: CRU; The Mosaic Company; Intrepid potash; Sirius Minerals

NPK blend fertilizer market

Polyhalite can be easily blended with nitrogen and phosphorus to create unique, complete fertilizer products that contains all the six macro-nutrients. Polyhalite as a full or part substitute for MOP as the K-source in NPK blends offers three key benefits:

- Lower chloride content than traditional NPK blends
- Higher nutrient content than MOP-based NPK blends
- More diverse, complete nutrient make-up than MOP-based NPK blends

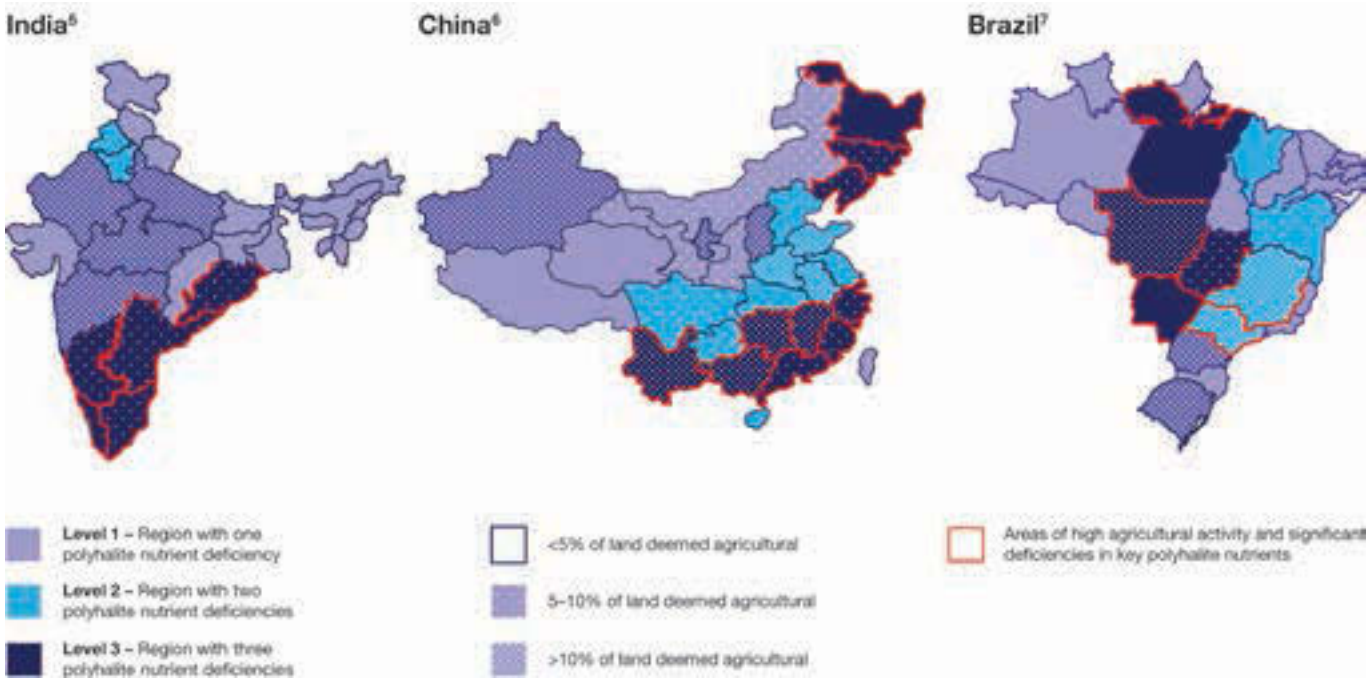
The NPK market is a key potential route-to-market for Sirius. The 2011 global NPK market is estimated to be 104mtpa product and is forecasted to grow to 124mtpa by 2017, a 3% CAGR[4].

KEY GEOGRAPHIC MARKETS

It is widely-acknowledged that balanced fertilization should be a key part of any agricultural strategy aimed at addressing increasingly nutrient deficient soils. Global analysis of areas deficient in K, S, Mg, and Ca combined with the intensity of agricultural activity in those areas, shows that all major agricultural markets in the world have multiple nutrient deficiencies (see **Chart 10**). Balanced fertilization with products like polyhalite has become necessity.

CHART 10

KEY MARKETS



4. FAO, Deutsche Bank and Roland Berger
5. Potassium Status and Crop Response to Potassium on the Soils Agroecological Regions of India, IPI 2011, Motsara, 2002 & Tewaita, 2006, TSI, Potassium Sulphates & Potassium Nitrate Market Outlook, 2012, CRU, Fertilizer Sulphur and Food Production Kanwar & Mudahar, Indian MoA
6. Potassium Sulphates & Potassium Nitrate Market Outlook, 2012, CRU, The Sulphur Institute, RISM Sulphur Corporation. Ming Xian Fan & D L Messick USDA
7. Fertilizer Use in Brazil 2003, FAO, Potassium Sulphates & Potassium Nitrate Market Outlook, 2012, CRU, – USTIC (United States International Trade Commission) - Brazilian Agriculture Outlook April 2012

OPERATIONS
REPORT

HIGHLIGHTS FROM THE YORK POTASH PROJECT

EXPLORATION DRILLING PROGRAMME COMPLETED

THE LARGEST AND HIGHEST GRADE POLYHALITE DEPOSIT IN THE WORLD

MINERAL RIGHTS SECURED OVER 95% OF THE PROJECT AREA

ONE OF THE FOUR KEY PERMITTING APPROVALS RECEIVED

PRE-FEASIBILITY STUDY COMPLETED

OFFTAKE CONTRACT FOR THE SALE OF 1MTPA OF POLYHALITE FOR 10 YEARS WITH YUNNAN TCT YONG-ZHE COMPANY LIMITED

FRAMEWORK SALES AGREEMENTS AND LETTERS OF INTENT FOR OVER 1MTPA OF POLYHALITE

GLOBAL CROP STUDY PROGRAMME UNDERWAY

THE YORK POTASH PROJECT

OVERVIEW

In January 2011 Sirius acquired York Potash Limited ("YPL"), a private company registered in England and Wales with a significant onshore and offshore mineral rights position relating to all evaporites including potash (sylvite), polyhalite, rock salt and intermingled minerals. Since the acquisition of YPL, Sirius has focused primarily on exploration and evaluation of the York Potash Project (the "Project"). The Project is based in North Yorkshire, within the United Kingdom, and is the Company's flagship development asset.

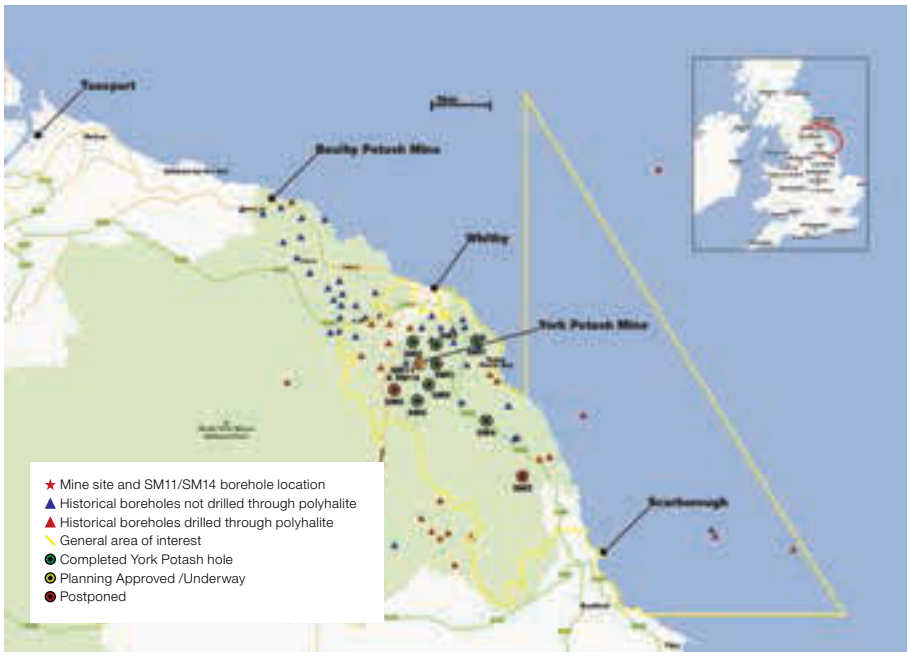
The Project area of interest ("AOI") comprises approximately 799km^2 (274km^2 onshore and 525km^2 offshore) within North Yorkshire, between Scarborough and Whitby, extending approximately 16.5km inland west from the coast and up to 14km offshore.

The region is home to the Boulby potash mine operated by Cleveland Potash Limited (owned by Israel Chemicals Limited) which has been producing potash since 1973 and was known to host deposits of both sylvite and polyhalite.

The immediate focus of the Project is to develop and extract the polyhalite resource, a multi-nutrient mineral containing four of the six macro-nutrients required for plant growth (potassium, sulphur, magnesium and calcium). The initial development for the Project will target multiple routes to market through the production of large-scale polyhalite as a direct application fertilizer and as a main source of potassium for the production of nitrogen, phosphorus and potassium fertilizers ("NPK").

CHART 11

YORK POTASH PROJECT LOCATION



DEVELOPMENT PROGRESS

Over the past 12 months, the Company has successfully refined the development strategy for the Project to initially focus on producing granulated polyhalite rather than SOP as outlined in the Detailed Scoping Study ("DSS") in April 2012. In December 2012, under the new polyhalite development strategy, the Company announced the key findings of its Pre-feasibility Study ("PFS") which highlighted that the Project has the potential to be one of the largest low cost multi-nutrient producers globally.

This revised strategy enables Sirius to maximize value for the Company and its shareholders by reducing capital costs to first production by approximately US$1 billion and lower risk by simplifying the production process. In addition to the PFS, York Potash also published a NPK Concept Study that confirmed the viability of producing NPK fertilizers using polyhalite as the primary source of potassium (the "K").

The initial development of the Project will focus on producing 5mtpa of polyhalite product. This approach will deliver a simplified start-up project to reduce the external financing requirements and move the Project into positive cash flow as early as possible. The PFS for the initial development was an estimate to a level of accuracy of +/– 25% with key findings as follows:

- Estimated capital cost to first production of US$1.7 billion[8];
- Construction timetable of 3 years to first production with ramp up to full production within 5 years;
- Estimated Teesside FOB operating cost of US$37/tonne[8]; and
- Positive free cash flow in the second year of production.

Work is already progressing on refining the PFS estimates in the Definitive Feasibility Study ("DFS") and we will target completion of the estimates when greater clarity on the approvals timeframe is available. The DFS will provide estimates to a level of accuracy of +/– 15% and will represent a critical

8. Figures exclude contingency, costs +/– 25% accuracy, operating costs exclude royalties and sustaining capital expenditure.

document for the Project and not only in support of financing, but also to provide the basis for key construction elements as the Project transitions to the next phase of development.

The proposed location for mine access and related surface infrastructure was selected in September 2012 approximately four kilometres south of the outskirts of Whitby on the B1416. The site's current use comprises farming and commercial forestry and already benefits from extensive woodland screening and good access to the main A171 road. The selection of the site has allowed Sirius to further minimise the visual impact of the mine, as part of a long standing commitment to the local community and investors. Ongoing engineering design work has resulted in the Company replacing the twin drift tunnel design considered in the DSS, with more traditional twin vertical shafts sunk from surface. This resulted in greatly reduced volumes of excavated material during mine construction and further reduced the surface area footprint.

The appointment of Gordon Cowe as Development Director in February this year follows the confirmation of Engineering Procurement Construction Management ("EPCM") / Engineering Procurement Construction ("EPC") methodologies as the most likely approach. Gordon will be responsible for leading the development of the Project through DFS to construction and into production.

The York Potash Project represents a large-scale, nationally significant development and is a unique opportunity to transform the local and national economy through multi-generational employment and wealth creation for both residents and the government. This opportunity comes at a time of stagnant economic growth throughout the UK and particularly in the North East.

RESOURCE UPGRADES

In May 2013, the JORC compliant Mineral Resource was upgraded to 2.66 billion tonnes at an average grade of 85.7% polyhalite within an area representing 7% of the York Potash Area of Interest. This is an increase of nearly 100% from the maiden resource estimate of 1.35 billion tonnes of 88.7% grade polyhalite in June 2012. The updated York Potash Mineral Resource includes an Indicated Mineral Resource of 820 million tonnes of polyhalite at an average grade of 87.3%.

The upgrading of a substantial part of the Resource to the Indicated category is based on the updating of the geological model following the successful completion of SM11 which helped to demonstrate the extent, quality and importantly the continuity of the polyhalite mineralisation over mineable distances. Defining an economic reserve is a critical milestone for completion of the DFS and for financing of the Project.

MINERAL RIGHTS

Minerals in the UK, other than hydrocarbons and gold (which belong to the government), are generally owned by the freehold owner of the surface land unless a previous owner excluded them from a sale of the land.

In order to extract the minerals, Sirius has had to gain the agreement of the mineral rights owner for extraction of potash and other evaporate minerals. The offshore mineral rights over an area of 525km^2 are owned by The Crown Estate with whom Sirius has agreed an option to lease. An onshore agreement has now been reached with the majority of large owners and small local owners for at least 70 years.

TABLE 2

YORK POTASH PROJECT ECONOMICS

	TYPICAL SASKATCHEWAN GREENFIELDS MINE MOP (KCl)[9]	YORK POTASH INITIAL DEVELOPMENT POLYHALITE (K_2SO_4•$MGSO_4$•$2CASO_4$•$2H_2O$)[10]
TONNES OF POTASH PRODUCTS	2mtpa MOP	5mtpa polyhalite
CAPEX PER TONNE OF CAPACITY	~US$2,100/t MOP	US$389/t polyhalite
YEARS TO PRODUCTION	2–6 years	~ 3 years
FOB OPEX/TONNE	US$155/t MOP	US$37/t polyhalite
ANNUAL EBITDA		
LOW PRICE	US$290 million @ US$300/t	US$316 million @ US$100/t
MID PRICE	US$490 million @ US$400/t	US$691 million @ US$175/t
HIGH PRICE	US$690 million @ US$500/t	US$1,066 million @ US$250/t

9. Capex (Saskatchewan Greenfield) sourced from PCS presentation 15 May 2012. Opex based on K+S Legacy estimate of US$155/t FOB cost.
10. Capex for 5mtpa for granulated polyhalite and opex +/– 25%.

TABLE 3

INFERRED MINERAL RESOURCE

SEAM	CATEGORY	MEAN THICKNESS (m)	TONNAGE (mt)	AVERAGE POLYHALITE GRADE (%)	EQV. 100% POLYHALITE CONTENT (mt)
SHELF	Indicated	12.8	820	87.3	710
SHELF	Inferred	12.8	840	85.7	720
BASIN	Inferred	14.8	1,000	84.7	850
TOTAL			**2,660**	**85.7**	**2,280**

With mineral rights secured for over 95% of the AOI of 799km^2, the Company has all the required agreements in place for a viable and long term operation.

APPROVALS

The key planning consents the Company needs to obtain in order to undertake the development of the Project are summarised as follows.

Offshore mineral extraction

The Marine Management Organisation ("MMO") is the determining authority for a Marine Licence for offshore mineral extraction. In August 2012 the Company submitted the application for a Marine Licence for the extraction of potash minerals beneath the seabed within its 525 km^2 offshore project area. In January 2013, the Company was granted the offshore licence, subject to appropriate conditions. The extraction of these minerals pursuant to this licence represents the first of the four key approvals required for the Project, but is conditional on approval being obtained for the onshore mining and surface infrastructure.

Onshore underground extraction

The onshore underground extraction and mine head location will be in The North York Moors National Park and therefore the North York Moors National Park Authority ("NYMNPA" or "the Authority") will be the determining authority. The proposal must meet requirements of the National Planning Policy Framework ("NPPF"), including satisfaction of the "Major Development Test" which assess whether there are exceptional circumstances and if the development is in the public interest. In late January 2013, the Company submitted the application documents for the onshore mining and mine access infrastructure to the NYMNPA. In April 2013, the Company submitted additional information requested by the NYMNPA in support of the application. The determination date was subsequently moved to 29 July 2013 and then subsequently deferred at the request of the Company. This deferral was granted to enable the Company to provide additional information to address a number of outstanding issues.

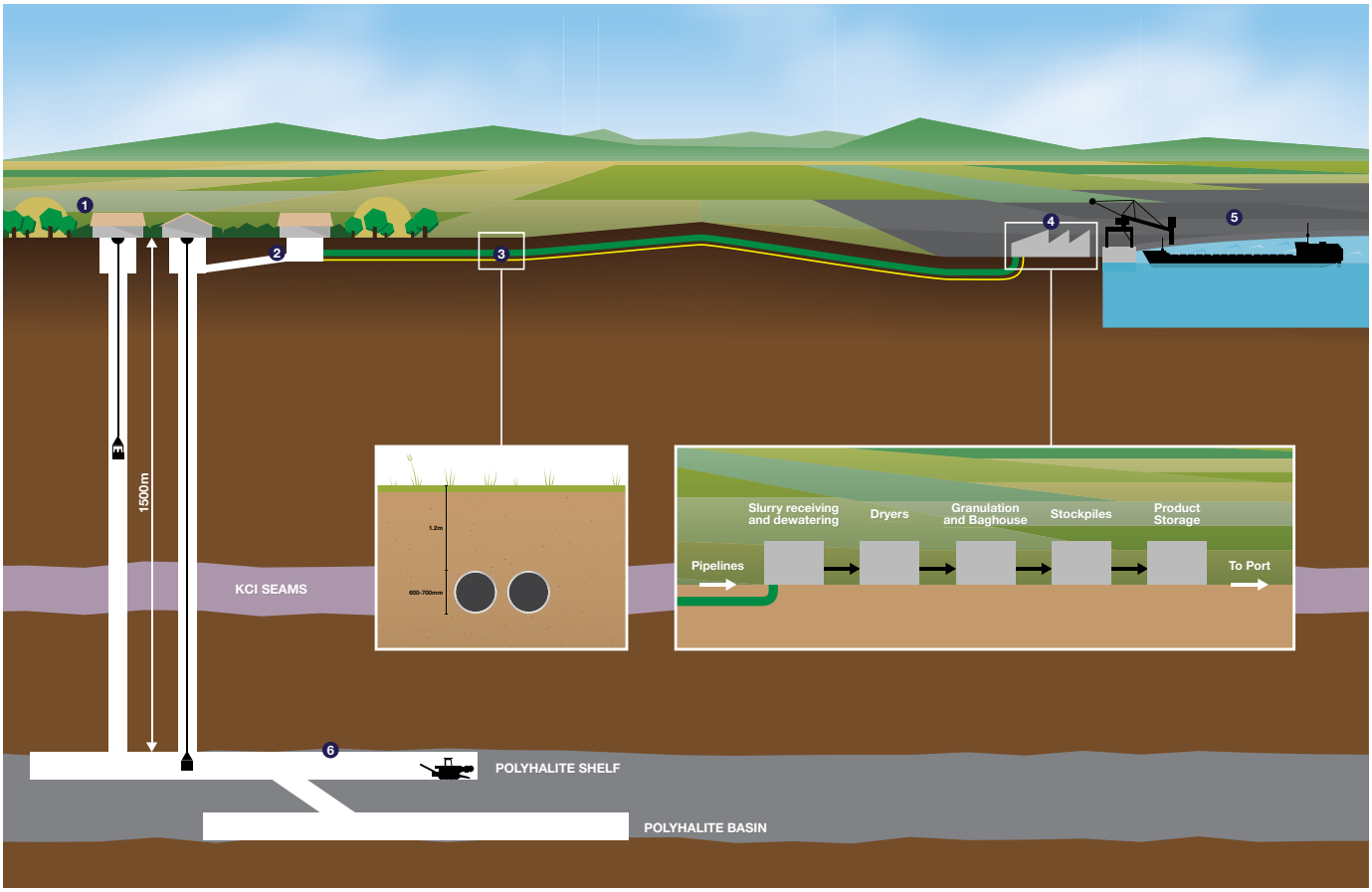
Onshore buried pipeline

A Development Consent Order under the Planning Act 2008 is required from the National Infrastructure Directorate ("NID") of the Planning Inspectorate ("PINS"). As part of the formal pre-application process for the development consent order for the pipeline, drafts of relevant reports and supporting statements were provided in March 2013 to PINS. This is a standard process ahead of a full submission to ensure that the procedural requirements are understood by the applicants. PINS has already reviewed the documentation and provided feedback to the Company. Discussions with owners on the selected pipeline route are nearing completion.

The decision making process under the NID route allows for a six month period of consideration by the NID after a 28 day acceptance period. Once the NID has made a recommendation, the Secretary of State has three months in which to make the final decision. This time period applies to all projects that come under the jurisdiction of the NID.

CHART 12

YORK POTASH PROJECT DESIGN



1 MINE SITE
Agricultural Style Buildings

2 PIPELINE LOADING AREA
Crushed & Milled to 0.2mm

3 SLURRY PIPELINES: 44.5km
2 × 600–700mm pipelines buried 1.2m (20 MTPA Capacity)

4 TEESSIDE PORT PROCESSING
Slurry dried and granulated to 2–4mm

5 PORT INFRASTRUCTURE
Exported in up to 150,000DWT vessels

6 MINING
Conventional underground room and pillar mining

Materials handling facility and port infrastructure

Planning permission will be required from NID at PINS for the port infrastructure. An application is currently being prepared, including relevant environmental information. A decision is then expected within 15 months of submission of the application. Teesside site negotiations to complement and facilitate operations are also nearing completion. The materials handling facility at the port of Teesside is likely to require the approval of a planning application to Redcar and Cleveland Borough Council.

GLOBAL CROP STUDY PROGRAMME

Sirius has a strong commitment to research that will endorse the scientific basis for its polyhalite fertilizers and their application recommendations. Sirius is partnering with an international team of scientists and also has in place an extensive commercial and university-based research programme, with a goal to generate data on crop response to polyhalite and various polyhalite-based NPK blends.

Efforts are focusing on field crop studies for numerous crops in a range of growing regions in the target countries. Initially the focus will be on the major crops produced in the important agricultural production regions of China, the United States and Europe where polyhalite fertilizers will be of critical importance to food and nutrition security. Expansion of this research network to additional growing regions in the world is part of the long term vision. **Chart 13** overleaf overviews the current crop study programme.

The programme has been developed to provide unbiased global agronomic research in cooperation with leading universities. Studies have included major crops of global importance such as corn, wheat, cotton, oil seeds, and fruit and vegetables such as potatoes, onions and peppers. The studies are

being undertaken in key markets to enhance the understanding of the performance of polyhalite based fertilizers in local growing conditions, including the United Kingdom, the United States and China.

In June 2013, the Company released a detailed overview of the global crop study programme being carried out to underpin the value of polyhalite as a fertilizer. Studies to date validate polyhalite to be an effective, valuable fertilizer that in certain circumstances outperforms the traditional potash product potassium chloride (or "MOP") on both yield and quality. In addition, positive seed germination and early growth results have demonstrated the significant potential for polyhalite as an excellent starter fertilizer.

Initial greenhouse and field study results unanimously confirm the unique value of polyhalite. Overall findings demonstrate:

- The excellent potential of polyhalite as an effective fertilizer on both a direct application and NPK blend basis;
- That polyhalite has a positive effect on overall performance of both staple crops and high value crops;
- That polyhalite has promising yield increase potential both on high and low fertility soils; and
- The value of balanced multi-nutrient fertilization.

The results received to date are further validation of the market-changing potential of polyhalite as a unique multi-nutrient fertilizer. The wide ranging crop trial programme has been designed to deliver relevant and valuable information for the customers that Sirius is in ongoing discussions with.

MARKETING

In February 2013, the Company signed a marketing agreement with KEYTRADE AG, one of the world's leading fertilizer trading, distribution and marketing companies, for up to 1.75mtpa of polyhalite. KEYTRADE AG is marketing our polyhalite product in the key regions of Central and South America (excluding Brazil), South East Asia, as well as specific countries in Europe and Africa. The agreement with KEYTRADE AG provides an outstanding global platform to reach customers and countries with substantial growth potential, and is a significant endorsement of the potential market for polyhalite. As at June, letters of intent for 400,000 tonnes per annum ("tpa") have been signed between the customers and KEYTRADE as contemplated by the marketing agreement. A total of 300,000tpa of this volume is targeted for sales in Latin America.

Separate to the KEYTRADE AG agreement, the Company has also entered into a number of framework sales agreements with fertilizer distributors and manufacturers in the UK, Europe and South America for supply of 710,000 tpa of polyhalite, including 60,000 targeted for within the UK.

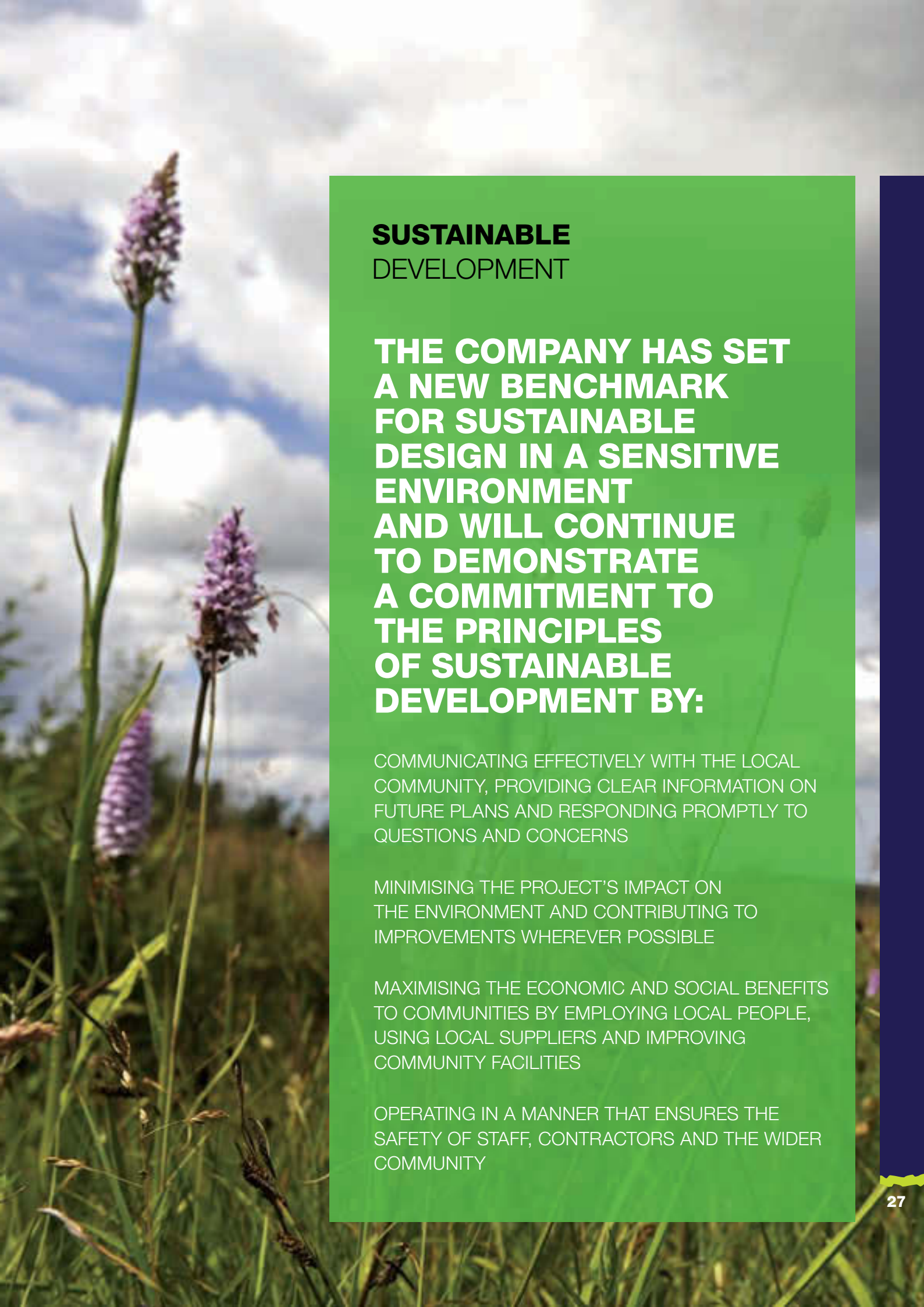
In June 2013, the Company announced the signing of our maiden offtake contract with Chinese based Yunnan TCT Yong-Zhe Company Limited ("TCT") for the sale of 1mtpa of polyhalite for 10 years from 2017. TCT is one of the fastest growing domestic agricultural products companies in China, integrating production and distribution of agricultural products along with import and export trade and agrochemical services. TCT will target supply of polyhalite to both government and private entities in important agricultural provinces of Yunnan, Sichuan and Guizhou in China.

Discussions for further polyhalite supply agreements in various forms remain ongoing with a range of customers including major distributors and fertilizer blenders around the world. The results we have achieved so far in sales and offtake agreement with customers endorses the global demand for polyhalite and the role that balanced fertilization can play globally. Supported by the outstanding results of our ongoing crop study programme, customers are seeing the significant agronomic value in our polyhalite products and are encouraging us to reach production as fast as possible.

CHART 13

SIRIUS MINERALS CURRENT CROP STUDY PROGRAMME

UNIVERSITY	STUDY TYPE	CROPS IN SCOPE
Texas A&M University	Greenhouse and field	• Soybean • Potatoes • Sorghum-wheat • Peppers • Onions
Durham University	Greenhouse	• Wheat • Cotton • Oilseed rape • Soybean • Potatoes
University of Florida	Greenhouse and field	• Sugarcane • Soybean • Corn
Shandong Agricultural University	Greenhouse and field	• Corn • Peanuts • Tomatoes • Watermelons • Apples
Advanced Agriecological Research	Field	• Oil palm



SUSTAINABLE DEVELOPMENT

THE COMPANY HAS SET A NEW BENCHMARK FOR SUSTAINABLE DESIGN IN A SENSITIVE ENVIRONMENT AND WILL CONTINUE TO DEMONSTRATE A COMMITMENT TO THE PRINCIPLES OF SUSTAINABLE DEVELOPMENT BY:

COMMUNICATING EFFECTIVELY WITH THE LOCAL COMMUNITY, PROVIDING CLEAR INFORMATION ON FUTURE PLANS AND RESPONDING PROMPTLY TO QUESTIONS AND CONCERNS

MINIMISING THE PROJECT'S IMPACT ON THE ENVIRONMENT AND CONTRIBUTING TO IMPROVEMENTS WHEREVER POSSIBLE

MAXIMISING THE ECONOMIC AND SOCIAL BENEFITS TO COMMUNITIES BY EMPLOYING LOCAL PEOPLE, USING LOCAL SUPPLIERS AND IMPROVING COMMUNITY FACILITIES

OPERATING IN A MANNER THAT ENSURES THE SAFETY OF STAFF, CONTRACTORS AND THE WIDER COMMUNITY

OVERVIEW

OVERVIEW

The Company is committed to sustainable development and has adopted the ten principles set out by the International Council of Metals and Mining (see **Chart 14**). These provide a framework that continues to guide the Company in its operations and decision making.

The principles of sustainable development have been put into practice throughout the development of the York Potash Project, accompanied by a pro-active approach to Corporate Social Responsibility ("CSR"). The Company has a firm belief in a positive engagement with the local community and recognises a responsibility for protecting, and if possible improving, the environment wherever it operates.

The York Potash Project designs have set a new benchmark for sustainable design in a sensitive environment, and will continue to demonstrate a commitment to the principles of sustainable development by:

- Communicating effectively with the local community, providing clear information on future plans and responding promptly to questions and concerns;
- Minimising the Project's impact on the environment and contributing to improvements wherever possible;
- Maximising the economic and social benefits to communities by employing local people, using local suppliers and improving community facilities, and;
- Operating in a manner that ensures the safety of staff, contractors and the wider community.

ZERO HARM

Health and Safety is an integral element of the business, and Zero Harm is at the heart of the Company's safety culture. The principle of Zero Harm is embedded into the Company's management systems and processes, and influences everything that it does. The Company's safety performance over the last year was good and work is ongoing to continually improve.

The vision of Zero Harm extends to staff, assets and the environment. With York Potash, the Company has ensured that contractors also share the goal of Zero Harm. To support this pro-active approach a Safety First programme has been developed and will continue to be implemented moving forward.

The implementation of the health and safety management system has commenced, the framework and expectations are fully developed and the supporting policies, standards and processes for day to day operations are currently being finalised. The framework will provide a leadership, governance and reporting structure that will enable the Company to create a culture and behaviours that align with the achievement of Zero Harm.

CHART 14

INTERNATIONAL COUNCIL ON MINING & METALS SUSTAINABLE DEVELOPMENT PRINCIPLES

PRINCIPLE 1
Implement and maintain ethical business practices and sound systems of corporate governance

PRINCIPLE 2
Integrate sustainable development considerations within the corporate decision-making process

PRINCIPLE 3
Uphold fundamental human rights and respect cultures, customs and values in dealing with employees and others who are affected by our activities

PRINCIPLE 4
Implement risk management strategies based on valid data and sound science

PRINCIPLE 5
Seek continual improvement of our health and safety performance

PRINCIPLE 6
Seek continual improvement of our environmental performance

PRINCIPLE 7
Contribute to conservation of biodiversity and integrated approaches to land use planning

PRINCIPLE 8
Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products

PRINCIPLE 9
Contribute to the social, economic and institutional development of the communities in which we operate

PRINCIPLE 10
Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders

STAFF TRAINING

A comprehensive training package for staff and contractors has been developed over the last year, which includes:

- Induction training for all workers
- Confined space training for all those engaged in specific activities
- Working at height
- Manual handling training
- Fire awareness and extinguisher training
- Control of substances hazardous to health
- First aid at work
- Risk assessment

POLYHALITE: A SUSTAINABLE FERTILIZER

Balanced fertilization is regarded as a key solution to global food security. The discovery of the world's largest and highest grade polyhalite resource at the York Potash Project, places the Company at the forefront of developing a sustainable fertilizer of the future.

Polyhalite, which uniquely contains four of the six macro-nutrients that plants needs to grow, will be a key component of any balanced, sustainable nutrient programme to boost crop yields. The focus is on marketing polyhalite as a component of a blended NPK product or as a direct application natural multi-nutrient fertilizer. By not separating the ore into its distinct nutrient components (SOP, Magnesium Sulphate and Gypsum) through an energy intensive process, the Project is able to become one of the most sustainable sources of vital large scale nutrients for food production globally.

Polyhalite is a certified organic product and together with its low carbon footprint, provides a sustainable fertilizer solution.

POLYHALITE CHARACTERISTICS

- Certified for organic use and sustainable product in the UK and Europe with no chemical processing required

ORGANIC FARMERS & GROWERS

SOIL ASSOCIATION APPROVED

- Low carbon footprint compared to the same tonnage of other fertilizer products
- Essentially chloride free, ideal for chloride sensitive crops
- Has no effect on soil pH

Higher nutrient use efficiency delivered by the synergy of the nutrients within polyhalite, together with nitrogen can increase yields and quality of crops for the same unit application of fertilizer. A net reduction or improved efficiency of use of the fossil fuel based nitrogen fertilizers can have a positive environmental impact globally.

SITE RESTORATION

The Company's most visible presence in the local community has been through its temporary drilling operations. The drilling sites were selected in areas that would not damage sensitive or protected environments, and where they would not cause disturbance for local communities. In addition only those sites which could be restored to their original condition, or even improved, were considered.

All temporary drilling operations required for the successful resource upgrade have been undertaken, with a further

SM2 with coring rig on site – Autumn 2011.

SM2 fully restored and returned back to agricultural use – June 2013.

five sites completed throughout the last financial year. All temporary drilling sites, with the exception of the proposed mine site, have been carefully restored. Boreholes have been filled with cement and capped, the concrete platforms removed and the sub and top soils replaced. The land has been replanted, fences and gates either installed or replaced and any damage to local roads or verges has been repaired.

A SCREENED AND CONCEALED MINE

The Company has developed an extremely sensitive mine design and a method of operating for the Project, which will have the lowest possible visual and environmental impact on the National Park. The site currently comprises a farm and commercial forestry block. The proposed mine buildings will be screened and disguised within the landscape of the National Park.

The proposals reflect the latest thinking in sustainable design principles and also take into consideration extensive and ongoing consultation with the local community, stakeholders and other third parties. The two shaft head frames and pipeline loading equipment will be sunk below ground level and accessed by a tunnel from close to the mine support buildings. They will be covered with buildings designed in an agricultural style.

SUSTAINABLE MINERAL TRANSPORT SYSTEM

Technical analysis has concluded that the most sustainable way to transport the mined ore from the site to a processing facility in Teesside is to use buried pipelines. The most efficient route, with the lowest impact on both the environment and the neighbouring communities, has been selected.

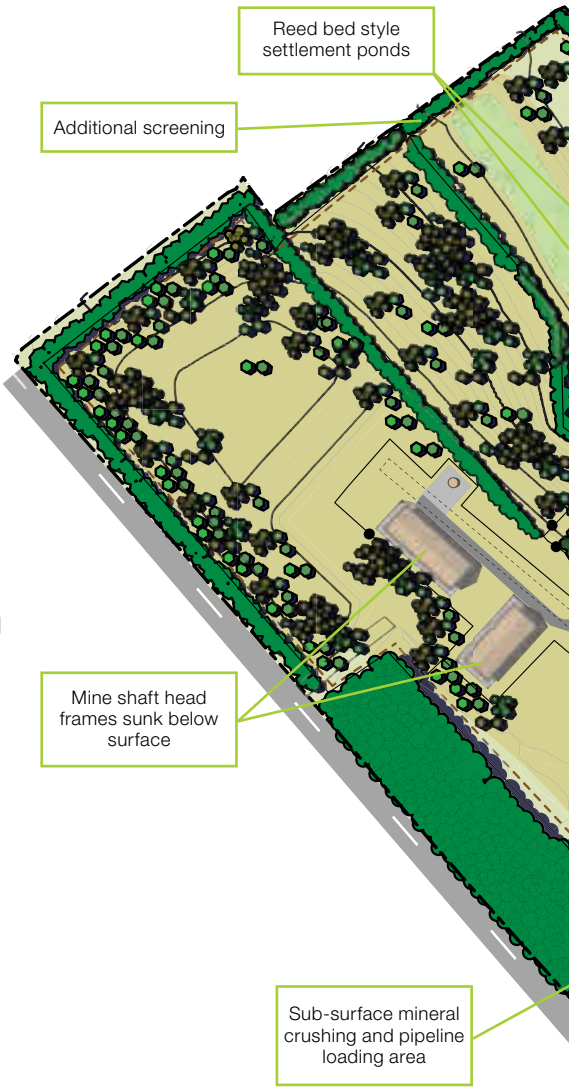
COMMUNITY ENGAGEMENT

The Company has continued to engage proactively with the local community in the last year, particularly through consultations for the mine and pipeline planning applications. This included thirteen public exhibitions, attended by 1,246 members of the public, who provided overwhelmingly supportive feedback with 91% in favour of the proposals.

Throughout the year the Company has attended over 50 parish council meetings, engaged pro-actively with local landowners, and ensured that the local residents who live nearby the proposed mine site have been kept up to date as the Project develops.

Two York Potash newsletters have been distributed widely throughout the area and the Project website includes news updates, access to consultation material and the opportunity for businesses and individuals to express an interest in working for the Company. Any queries from the public are dealt with via the community helpline or email.

The Company also endeavours to support community causes as much as possible, including the sponsorship for community organisations and Company staff participating in fund raising events.



THE BURIED PIPELINE HAS SEVERAL MAJOR ADVANTAGES:

- It is unnoticeable at the surface
- Its visual and environmental impact is far lower than alternative transport methods such as road or rail
- It is the most efficient mode of transport in the world for minerals of this type
- It is proven technology that operates successfully outside the UK

Site view from prominent location on A171.

MINE SUPPORT BUILDING

The mine support building will be hidden in an existing commercial forestry block and will provide essential facilities such as:

- Staff welfare areas
- Mine rescue facilities
- Security office
- Lamproom
- Laboratory
- Survey offices
- Control room
- Workshop
- Laydown area

Site view: Current view from “Red Gate” showing existing screening (to be retained).

York Potash sponsors Scarborough Engineering Week

EDUCATION AND SKILLS

The Company is committed to maximising the employment of local people at the Project, and work is ongoing to ensure that the right skills are available in the local area.

Promoting engineering and technical careers

A new careers guide, 'Potash Prospects', has been published that highlights the types of jobs available and the qualifications and other qualities required. The Company continues to encourage more young people to become engineers and technicians, and has worked with local schools and colleges over the last year to enrich relevant curriculum areas, given numerous careers presentations, and supported industry led events such as Scarborough Engineering Week.

York Potash Undergraduates

Apprenticeships

The Company has taken on five apprentices at the Scarborough office and will create 20 engineering apprenticeships in the coming years in preparation for mining operations.

Graduates

The Company is supporting five young students from the local area who are studying for engineering or geology degrees by providing work placements and bursaries. The York Potash Undergraduate Programme will support another five young people from 2014.

Programmes for the unemployed

Supporting people that are currently out of work is a relevant part of the Company's approach to CSR. A pre-employment programme to prepare people for construction opportunities is under development with the local council. Around 150 construction workers will then be trained to become mineworkers.

YORK POTASH FOUNDATION

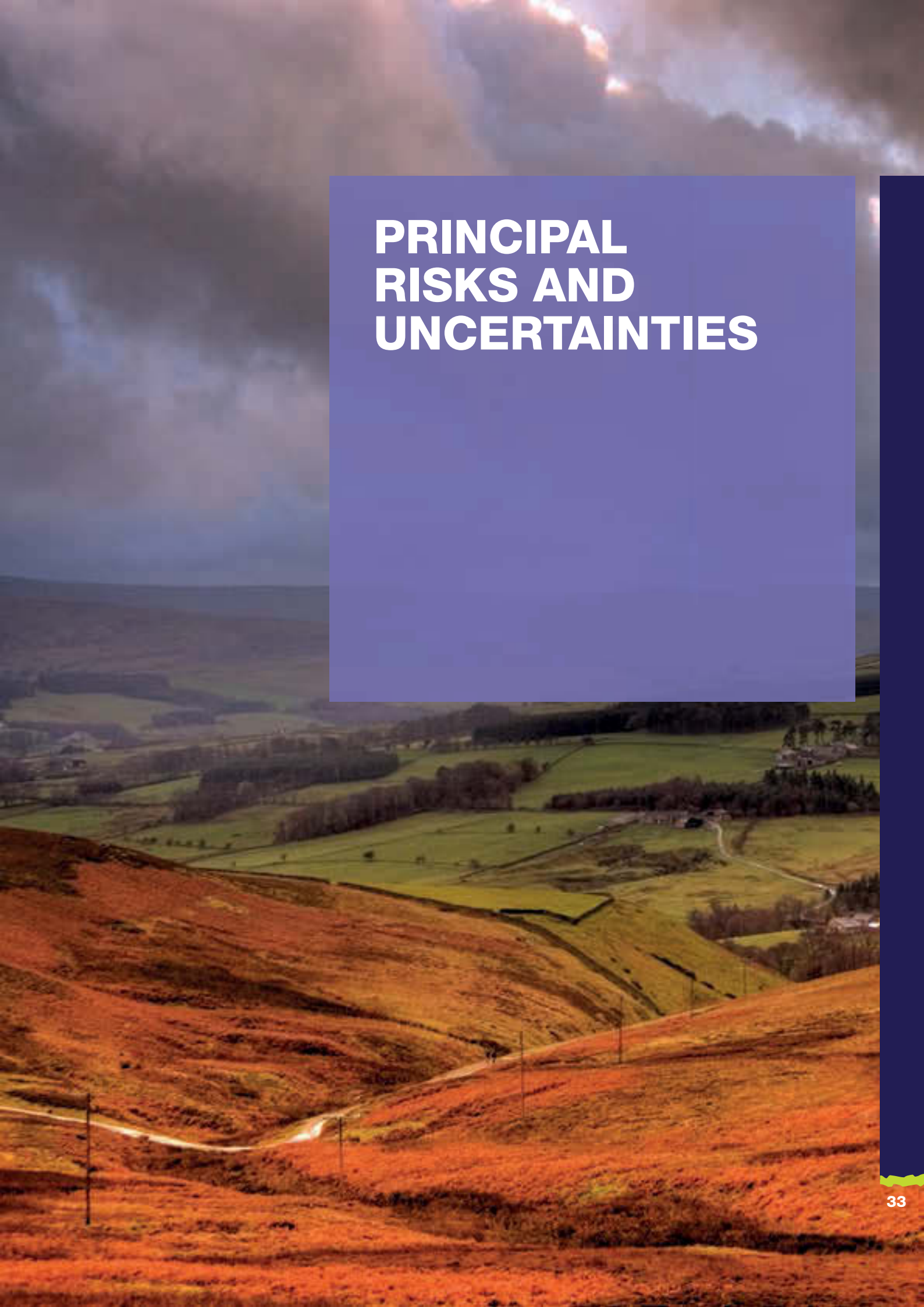
The establishment of the York Potash Foundation demonstrates the Company's commitment to the community. The Foundation is an independently run body that will "asset lock" its income by becoming a charity so that its funds can only be used for charitable purposes.

The York Potash Project will contribute an annual royalty of 0.5% of revenue to the Foundation.

Based on current estimates the annual payment could be up to £7 million at full production. An initial start-up fund of £2 million will be contributed by York Potash as soon as construction begins.

The Foundation's broad objectives provide a wide range of areas where it can support community projects. These will range from bursaries, scholarships or skills training for local people to improving public spaces and facilities, health & wellbeing projects, environmental initiatives and community building projects.

There are seven voluntary Trustees, who will oversee the Foundation. Three have been appointed by the Company, with the remaining four from the local area. The majority of the charitable donations and grants of the Foundation will occur within the confines of the York Potash Project's operational area, although the Foundation will have the ability to also fund further afield.



PRINCIPAL RISKS AND UNCERTAINTIES

PRINCIPAL RISKS AND UNCERTAINTIES

KEY PERFORMANCE INDICATORS

The Board monitors spending against the budget through monthly reporting and meetings every two months. At the current stage of development of the Company's projects, there are few meaningful key performance indicators or comparatives to prior years.

Progress towards the development of the York Potash Project will be tracked against milestones such as the completion of the DFS and other engineering and environmental studies, completion of our global crop study programme, further polyhalite supply agreements, all key planning consents and in due course commencement of construction and production. Resource estimates have been prepared to the 2004 edition of the JORC Code.

The principal risks currently identified for the Company are as follows:

EXPLORATION, DEVELOPMENT AND PRODUCTION RISK

Exploration, development and production risks are inherent in the mining industry. It is impossible to remove all risks or to establish for certain the true extent of the size and grade of an ore body. However, experience developed over many years by the industry has established methods for assessing, evaluating and reducing the risks inherent in a project. The Company, with the assistance of experts in their respective fields, is currently applying these methods to the geological, mining, processing, infrastructure, environmental, construction and other aspects to the York Potash Project.

In May 2013 the Company announced an increase in the total mineral resource for the Project according to international standards universally accepted within the mining industry, JORC Code. In total the Company has now completed over 16,000m of drilling and this, along with information from additional historical holes, has been used by SRK to derive the resource estimates. While there has been geological and seismic testing of the Project's polyhalite ore from samples taken across the drilling programme at the York Potash Project, by its very nature mineralisation is not homogenous and the samples may not be representative of the broader ore body.

Other aspects of the Project's development risk will be assessed during a sequence of ever more detailed and accurate engineering studies of which the DSS announced in April 2012 and PFS announced in December 2012 were the first two stages. Following the positive results of these studies, the Company has commenced a DFS on the Project, which will provide the engineering and design basis for construction. The DFS will incorporate a wide range of other studies performed both by suitably qualified third parties and completed internally which will cover all aspects of the Project including resources and reserves, environment, infrastructure, planning, mining, processing, infrastructure and markets. There is no certainty that the DFS will be positive or that the Project will be developed into a commercial mining operation.

The York Potash Project may experience construction and schedule delays due to unforeseen technical issues. Detailed planning by the management team and external consultants will be completed prior to project development through the DFS to de-risk the Project before construction commences. Sections of the DFS, including the mine and shaft development, will be completed initially to enable construction to start on these key schedule areas prior to the full DFS being completed. The success of the Project depends in significant part upon Sirius' ability to complete construction and commence production within the planned time frame and in accordance with the cost estimates that will be contained in the DFS. Management continues to pursue all acceleration options available for the Project to reduce the time required to reach first production.

The revised strategy of mining and marketing polyhalite directly as a fertilizer will enable the Company to complete construction within three years and lower risk by simplifying the production process.

MINERAL TITLE RISK

There is often an element of uncertainty about the validity of mineral titles as they rely on the quality of State record keeping over many years, even centuries. However, the Company's projects are all in countries with sophisticated land registry systems so that the risk of the Company's mineral and exploration rights not being valid is low.

In the UK, mineral rights and surface rights do not always go together and the land registry system is focused on surface rights rather than mineral rights. This introduces an additional level of uncertainty and the Company makes considerable efforts to confirm mineral rights ownership before entering into option and exploration agreements with the mineral rights owners. Finance may not be available if insufficient mineral rights are held. At York Potash the Company has entered into option agreements with a large number of minerals rights owners under which the Company may acquire the mineral rights and conduct exploration and mining activities. The Company has five years to exercise the options, extendable by three years in certain circumstances, and thereafter 70 years to extract the minerals.

The existing contracted mineral rights position is over 745km^2 representing over 95% of the York Potash Project area, which ensures the Company has the required agreements in place for a viable and long term operation. Compulsory acquisition rights could ultimately be implemented post-construction to secure mineral rights for 100% of the Project area.

PERMITTING RISK

A large number of permits are required to bring a mining operation successfully into production. These permits and licences vary country-by-country and relate to conducting exploration work, construction, traffic, environmental, operations and a host of other areas. The nature of the process means that permits and licences can only be applied for when the development of a project reaches the stage that the particular permit or licence is required. It is not possible to say that all such licences will be obtained when they are needed, but the Company and its specialist consultants will continue to take all possible actions to be successful in its applications.

The significance of the York Potash Project from an employment and economic perspective provides a compelling case in favour of a positive permitting outcome for the onshore mining application in particular. The development will need to be shown as in the public interest and to have exceptional circumstances in order to overcome the policy presumption against major development in National Parks. The Company has received a significant level of local, regional and national support for the Project and will continue ongoing engagement to ensure a full understanding of the Project's benefits. The Company has already received the Marine Licence for offshore mineral extraction which represents the first of the five key approvals required for the Project. The Company does have the ability to go to appeal to the Planning Inspectorate if the onshore mining planning application is refused. Decisions to delay the submission of this application to the Authority were made to ensure that the Company is able to provide the most appropriate detail and address outstanding concerns from the various key and interested parties. Permits are also required for the port infrastructure, materials handling and pipeline elements of the project.

There is also a risk that access may not be granted for key infrastructure for the development of the Project, namely the port and pipeline. The Company has land access options agreed for the mine and a number of options available for the port and is in negotiations with further relevant counterparties. Additionally, the Company has been granted access to the vast majority of the pipeline route, with negotiations to continue and planning to run under the National Infrastructure Directorate ("NID") with compulsory powers available.

COMMODITY PRICE RISK

There is a risk that fertilizer prices, including potash and polyhalite, could fall to levels at which it would not be economically viable to develop the Project. Fertilizer prices have fluctuated over recent years and can be expected to do so over the coming years as well. While the Company does not expect fertilizer prices to decline to levels at which the Project is not viable there is a risk that this could occur either before construction of the Project, or once it is in operation. Such conditions would materially and adversely affect production, earnings and the financial position of Sirius. Such conditions could result in the cessation of mining activities that become uneconomic, halt or delay the development of new areas to mine, and reduce funds available for proving reserves, resulting in the depletion of reserves. There is no assurance that, even as commercial quantities of polyhalite ore are produced, a profitable market will exist for it.

The Company's research team continues to analyse the various fertilizer markets, including NPK, potash and polyhalite, and current studies support the continued growth in world demand and a positive price outlook over the medium-term. NPK in particular has large demand globally; however the price does fluctuate with economics of various regions and supply and demand dynamics. The Project will be at the bottom of the potash cost curve, and therefore buffered from periodic market fluctuations such as the recent Uralkali announcement. Furthermore, where appropriate, the Company will seek offtake agreements with major customers to reduce market and price risk exposure.

LIQUIDITY RISK

There is a risk that the Company will have insufficient funds to develop the York Potash Project. The Company will need to raise additional funds and there is no assurance that adequate funds will be available when they are required to finance the Company's activities. However, the directors of the Company have a reasonable expectation that additional funds will be secured when they are required. The Company has a strong Board and management team with extensive experience in financing large multi-billion dollar projects.

There is also the risk that capital and operating costs as outlined in the Project's PFS are significantly underestimated, further increasing funding requirements. Completion of the DFS will reduce this uncertainty with cost reduction and optimisation strategies currently being investigated.

The Company has been successful in raising funds in the recent past and intends to raise a combination of debt and equity in the future to provide funding for development and initial operations for the York Potash Project.

CURRENCY RISK

Sirius will have currency exposure in both the procurement of capital equipment for the construction phase and in the sale of polyhalite ore. At present the Company raises funds in sterling and the considerable majority of its expenditure is also in sterling. However, the Company expects an increasing proportion of its expenditure to be incurred in Euros, US Dollars, Canadian Dollars and Australian Dollars during the period of project evaluation and development.

Revenue from polyhalite sales and the majority of financing for the Project will be denominated in US Dollars, providing a natural exchange rate hedge. However, a significant portion of the construction, development and operating expenses for the Project will be incurred in non-US Dollar currencies. Accordingly, appreciation of such non-US Dollar currencies, without offsetting improvement in US Dollar denominated polyhalite prices, could adversely affect the Project's profitability and financial position.

COMPETITOR RISK

Polyhalite as a potassium bearing mineral is classified as "potash". The primary competitors for polyhalite are potash suppliers. The supply of potash to the global market is denominated by two major suppliers. The two major suppliers are Canpotex, which sells potash outside North America on behalf of PotashCorp, Mosaic and Agrium and Belarusian Potash Company ("BPC"), the marketing arm of Moscow-based Uralkali and Belaruskali of Belarus. Together they control approximately 75 per cent of global trade in potash. However, on 30 July 2013 Uralkali announced its decision to step out of the BPC trade venture with Belaruskali and pursue a volume over price strategy.

There are high barriers to entry for potential new entrants into this market due to the significant capital costs required to commence mining operations to scale and to construct the infrastructure facilities to deliver potash to the market. The major competitors all have substantial existing infrastructure, less leverage and substantially greater financial resources than new entrants. As a result, the major players generally have a greater capacity to respond to competitive pressures and market dynamics in the potash market. There can be no assurance that Sirius or the Project will be able to successfully respond to such competitive pressures or the competitive activities of the other major suppliers in its markets. However, polyhalite is unique in that it contains four of the six macro-nutrients (potassium, sulphur, magnesium and calcium) required for plant growth. Polyhalite is an effective direct application multi-nutrient fertilizer and can also be combined with nitrogen and phosphorus to create high value NPK fertilizer products that contain all six macro-nutrients. As such, the Company is less exposed to the existing potash supply structure with respect to product supply and demand dynamics.

PRODUCT RISK

The Project is subject to product risks and the risks of developing a relatively new market.

While there has been geological and seismic testing of the Project's polyhalite ore from samples taken across the drilling programme at the York Potash Project, by its very nature mineralisation is not homogenous and the samples may not be representative of the broader ore body. The geological test work conducted to date has been on samples which have been determined by Sirius to be representative of the ore body at the Project, but there is a risk that this may not be the case.

Polyhalite has only been mined in small volumes to date, well below the proposed initial development production rate of five million tonnes per annum. Production of the scale proposed for the Project will require significant expansion of the current polyhalite market, which entails substantial market acceptance and price risk. Polyhalite is however a mineral comprised of well understood and traded nutrients used in the fertilizer industry. Sirius' internal market research and strategy team have developed a comprehensive global crop study programme to underpin the value of polyhalite as a fertilizer. Studies already underway have provided results which validate polyhalite to be an effective, valuable fertilizer that outperforms the traditional potash product potassium chloride (or "MOP") on both yield and quality. The Company will continue to develop its global strategy to ensure the Project's products comply with registration requirements and satisfy rigorous testing to facilitate market penetration. However, there can be no guarantee that the crop study programme will continue to provide positive results for the Company's polyhalite based fertilizer products.

GOVERNANCE

BOARD OF DIRECTORS

RUSSELL SCRIMSHAW

NON-EXECUTIVE CHAIRMAN (64)

Russell Scrimshaw was formerly an Executive Director and Deputy CEO of Fortescue Metals Group Ltd (FMG) and was a member of the FMG Board from 2003 until 2011.

Previously he was a board member of Commonwealth Properties Ltd, EDS Australia, Mobilesoft Ltd, Telecom New Zealand Australia Pty Ltd, The Garvan Institute Foundation and Athletics Australia and has also held senior executive positions within the Commonwealth Bank of Australia, Optus Communications, IBM and Amdahl USA.

In addition he is Chairman of ASX-listed Cleveland Mining Company Limited, an Associate Member of the Australian Society of Certified Practicing Accountants, and an Adjunct Professor of Mining Economics at China Central South University in Changsha, China.

Russell Scrimshaw was appointed Chairman of Sirius Minerals in November 2011 and is a member of the Remuneration Committee and the Nominations Committee.

CHRIS FRASER

MANAGING DIRECTOR AND CEO (39)

Chris Fraser has approximately 17 years' finance experience in the mining industry. During this time he worked for Citigroup, Rothschild and KPMG and has market leading expertise in all aspects of the financing and development of major mining projects.

Having joined Citigroup in 2000, Chris Fraser was appointed Head of Metals and Mining Investment Banking for Australia in 2006 and Managing Director in 2008.

In these roles he led the bank to become one of the leading investment banking franchises in the mining industry in Australia. In particular he was the lead adviser on the US$2.5 billion initial development capital financing for Fortescue Metals Group Ltd (FMG). He has provided strategic advice to many of the world's leading mining companies including BHP Billiton, Rio Tinto, WMC Resources and Paladin Energy.

In 2009 Chris Fraser founded Sigiriya Capital, a specialist advisory and investment house focused on the resources sector. In 2010 he founded York Potash Ltd to undertake the exploration and development of the York Potash Project and in January 2011 York Potash was acquired by Sirius Minerals.

Chris Fraser holds a Bachelor in Commerce from the University of Western Australia. He is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants in Australia. In addition, he is a Senior Associate of the Financial Services Institute of Australia (FINSIA) and a member of the Institute of Company Directors in Australia.

Chris Fraser joined the Board in January 2011.

JASON MURRAY

FINANCE DIRECTOR AND CFO (44)

Jason Murray previously worked at Bank of America Merrill Lynch where he was Head of Capital Markets in Australia. Jason Murray has over 20 years' finance experience having held senior positions at Citigroup and JP Morgan and previously working in various accounting and finance sector roles in London, New York and Moscow. In the last decade, prior to him joining the Company, he participated in raising over US$250 billion for global companies in the debt, equity and hybrid capital markets in the USA, Europe and Asia.

As well as being at the forefront of capital markets globally, Jason Murray, is a member of the Institute of Chartered Accountants of England and Wales and has a degree in Accounting. Jason is currently a member of the Australian Institute of Company Directors and the British Institute of Directors.

Jason Murray joined the Board in May 2012.

CHRIS CATLOW

NON-EXECUTIVE DEPUTY CHAIRMAN (52)

Chris Catlow is highly experienced in the international resources industry having worked on the development and operations of oil and gas, hard rock and sand mining projects over a 25 year career. He played a central role in the formation of Iluka Resources Limited and most recently was a senior executive and CFO of the ASX-listed iron ore mining company, Fortescue Metals Group Ltd (FMG), having joined shortly after its formation in 2003.

During his seven years at FMG, initially as its inaugural Chief Financial Officer and then as its Investment and Business Development Director, the company financed and brought into production its major iron ore mining, processing and port facility in Western Australia's Pilbara region. The development established FMG as Australia's third largest iron ore producer behind Rio Tinto and BHP Billiton.

Chris Catlow has a BSc in Engineering Science from the University of Durham in the UK and is a Fellow of the Institute of Chartered Accountants in Australia. He is currently Chairman of Allied Healthcare Group Limited and a Director of Indo Mines Limited, both listed on the ASX.

Chris Catlow was appointed as a director of the Company in April 2010 and as Deputy Chairman in November 2011. He is Chairman of the Audit Committee and is a member of the Remuneration Committee.

JOHN HUTTON

BARON HUTTON OF FURNESS, NON-EXECUTIVE DIRECTOR (58)

Lord Hutton was a distinguished member of the Government for 13 years from 1997 to 2010, including 11 years as a Minister and four years serving on the Cabinet. He was appointed Chairman of the Independent Public Service Pensions Commission established by the current Government in June 2010, which delivered its final report in March 2011.

Lord Hutton was a legal adviser to the Confederation of Business Industry in the late 1970s before becoming a senior law lecturer at Newcastle Polytechnic. In 1992 he was elected to the Barrow and Furness seat in Cumbria where he remained as MP until he stood down at the 2010 general election.

During Lord Hutton's varied career in Government, he served first as a Permanent Parliamentary Secretary in the Department of Trade and Industry before becoming Leader of the House of Commons and then moving to the Department of Health in 1998 where he became Minister of State for Health in 1999, a position he held until 2005.

In 2005 Lord Hutton was briefly appointed Chancellor of the Duchy of Lancaster and Minister of the Cabinet Office before being made Secretary of State for Work and Pensions. In 2007 Lord Hutton was appointed Secretary of State for Business, Enterprise and Regulatory Reform. In 2008 he became Secretary of State for Defence until he stepped down from the Cabinet in 2009. Following the general election in 2010 he was created a life peer as Baron Hutton of Furness and now sits in the House of Lords.

Lord Hutton joined the Board in January 2012. He is Chairman of the Remuneration Committee.

SIR DAVID HIGGINS

NON-EXECUTIVE DIRECTOR (58)

Sir David, is currently the Chief Executive of Network Rail, the Authority responsible for the UK's rail network with an asset value of £40 billion.

Previously he was Chief Executive of the Olympic Delivery Authority ("ODA") from March 2006 until January 2011 responsible for Venues, Infrastructure and Spectator Transport for the London 2012 Olympic and Paralympic Games with a budget of £8 billion. Prior to this, he was Chief Executive of English Partnerships, the Government's National Regeneration Agency, for three years.

Earlier in Sir David's career, he was the Managing Director and Chief Executive of Lend Lease Group, a global property and infrastructure company. He graduated in Civil Engineering from the University of Sydney and also holds a Diploma from the Securities Institute of Australia. He was knighted in 2011.

Sir David joined the Board in March 2012. He is a member of the Audit Committee.

BOARD OF DIRECTORS

PROFESSOR MICHAEL MAINELLI

FCCA FCSI FBCS

NON-EXECUTIVE DIRECTOR (54)

Michael Mainelli is Executive Chairman of Z/Yen, the City of London's leading commercial think-tank and venture firm, where he has worked since 1994 on strategy, technology, finance and business development. He started his career as a research scientist and then spent seven years as a partner in a leading accountancy firm directing much of their consultancy work in the UK and overseas.

Michael's natural resources experience dates back to 1979 where his early research work led to him starting companies in seismology, cartography and oil & gas information for a Swiss firm. In the early 1980s he initiated and ran the Swiss firm's multi-million dollar oil industry consortium (Shell, BP, Chevron and Elf Aquitaine were the primary partners plus 10 minor partners) to digitise the world. This culminated in the development of Geodat and Mundocart, oil industry standard sets of cartographic data at scales from 1:50,000 to 1:1,000,000 and over 60 million geographic features.

Michael has worked for public, private and not-for-profit companies, led several privatisation projects, was Chief Scientist of the DTI Foresight Challenge award-winning Financial Laboratory and served as Corporate Development Director on the board of Europe's then largest R&D organisation – the 12,000 strong Defence Evaluation and Research Agency of the UK's Ministry of Defence. Michael is Emeritus Professor of Commerce at Gresham College and was the British Computer Society's Director of the Year 2005. Michael is a non-executive director of the United Kingdom Accreditation Service (the UK's national body for standards and laboratories).

Michael Mainelli joined the Board in May 2005. He is a member of the Audit Committee and is Chairman of the Nominations Committee.

PETER WOODS

NON-EXECUTIVE DIRECTOR (75)

Peter Woods is a consulting geologist and engineer with extensive experience in the potash industry having worked for 13 years as Chief Geologist at the Boulby Potash Mine in North Yorkshire, initially on its development and start-up.

Since leaving Boulby, Peter has consulted to a number of potash companies and projects including Selection Trust on the Red Sea potash project in Saudi Arabia and for two years on the Environmental Protection Scheme for the ASEAN potash project in Thailand. In addition he has reviewed potash projects in Spain and Russia. He has been advising York Potash Ltd since its establishment and has continued to do so following its acquisition by Sirius in January 2011.

In addition to his potash knowledge, following a Masters Degree in Environmental and Resource Management issues in 1988, Peter Woods served as the Secretary of State's Environmental Appointee on the North York Moors National Park Authority from 1996 – 1999.

Peter Woods also ran his own environmental consultancy until 2007 and has lived in North Yorkshire, on and off, for over 40 years.

Peter Woods joined the Board in April 2011.

CORPORATE GOVERNANCE STATEMENT

The maintenance of effective corporate governance remains a key priority for the Board. The Board recognises the importance of sound corporate governance and has adopted policies and procedures which reflect the principles of the UK Corporate Governance Code that are consistent with the Corporate Governance Guidelines for Smaller Quoted Companies published by the Quoted Companies Alliance in September 2010, of which the Company is a member.

THE BOARD

The Board comprises two Executive Directors and six Non-Executive Directors providing an appropriate balance of executive and non-executive positions on the Board. The directors have a broad range of relevant strategic, industry, financial, governance and other experience to enable the Company to fulfil its objective of becoming one of the world's most important potash producers. The particular experience and skills of each director can be found in their biographies on pages 38 to 40.

A clear separation is maintained between the responsibilities of the Chairman and the Managing Director and CEO. The Chairman is responsible for leading the Board and the Managing Director and CEO is responsible for the overall performance of the Company.

The Chairman, Russell Scrimshaw is non-executive. The Deputy Chairman, Chris Catlow is also non-executive. The executive directors are Chris Fraser, the Managing Director and CEO and Jason Murray, the Finance Director and CFO. The remaining four Non-Executive Directors are Michael Mainelli, Peter Woods, Lord Hutton and Sir David Higgins.

The Board considers Russell Scrimshaw, Michael Mainelli, Lord Hutton and Sir David Higgins to be independent in character and independent in judgement and are therefore independent directors. Although not all of these directors fully satisfy the guidelines set out in the UK Corporate Governance Code the Board has considered the situation of each director and the relevance of the differences with the guidelines in the context of the Company being listed on AIM and has concluded on each directors' independence.

If a potential conflict of interest exists or arises for any director he is required to declare such conflicts, which will be recorded, and the Board will exercise its authority under the Company's Articles of Association as appropriate in considering such conflict.

The Board meets regularly during the year, at least every two months, to discuss significant matters including long term strategy, short-term operational activities and financial performance. The latest management reports and accounts, including variances to budget, are presented at each Board meeting.

The Company's Articles of Association require one third of the directors to retire from office by rotation at every Annual General Meeting. Michael Mainelli and Peter Woods will be retiring by rotation at the forthcoming Annual General Meeting.

For the majority of the year the Company had an Audit Committee, Remuneration Committee and Nominations Committee. All of the committees have formally delegated responsibilities by way of terms of reference.

AUDIT COMMITTEE

The members of the Audit Committee are Chris Catlow, Michael Mainelli and Sir David Higgins. Chris Catlow is Chairman of the committee. The committee consists entirely of Non-Executive Directors and Michael Mainelli and Sir David Higgins are deemed to be independent. The duties of the committee include reviewing the Company and Group financial statements, reviewing the effectiveness of the Company's internal controls and risk management systems and overseeing the relationship with the external auditor. The committee meets at least three times a year. The executive directors attend meetings by invitation.

REMUNERATION COMMITTEE

The members of the Remuneration Committee are Lord Hutton, Russell Scrimshaw and Chris Catlow. Lord Hutton is Chairman of the committee. The committee consists entirely of Non-Executive Directors and Lord Hutton is deemed to be independent. The duties of the committee include reviewing the remuneration and service contracts of executive directors and reviewing the design of all share incentive plans. The committee meets at least once a year. Directors' remuneration for the year is given in note 7 to the consolidated accounts and this disclosure forms part of this report.

CORPORATE GOVERNANCE STATEMENT

NOMINATIONS COMMITTEE

The members of the Nominations Committee are Michael Mainelli and Russell Scrimshaw. Michael Mainelli is Chairman of the committee. The committee consists entirely of Non-Executive Directors and Michael Mainelli is deemed to be independent. The duties of the committee include evaluating the balance of skills, knowledge and experience on the Board before any appointments are made. The committee was formed during the reporting period and as yet it has not met but expects to meet at least once a year.

The performance of the Board, committees and individual directors are evaluated on a regular basis. Individual director evaluation includes whether each director continues to contribute effectively and demonstrates commitment to their role by attending Board meetings.

Further ad hoc meetings were held during the year to approve certain matters during the period leading to the placing and on other matters.

INTERNAL CONTROLS

The Board has overall responsibility for the effectiveness of the Group's internal controls in safeguarding the assets of the Group. The internal control systems are designed to identify and manage risks to ensure that the possibilities of material misstatements or loss are kept to a minimum.

The processes used by the Board to review the effectiveness of the internal controls are through the Audit Committee and the executive management reporting to the Board on a regular basis where business plans, budgets and authorisation limits for the approval of significant expenditure including investment are appraised and agreed. The Board also seeks to ensure that there is a proper organisational and management structure with clear responsibilities and accountability.

The Company has adopted and applies a share dealing code on the dealing in securities of the Company by directors and employees, to ensure compliance with Rule 21 of the AIM Rules.

The Company has undertaken a risk assessment to determine the Company's exposure to bribery and corruption risk in the countries, sectors and markets in which it operates.

Following this assessment the Board has considered the Company's risk exposure, and implemented certain policies and procedures to ensure compliance with the requirements

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Attendance at board and committee meeting during the year was as follows:

	SCHEDULED BOARD MEETINGS	AUDIT COMMITTEE MEETINGS	REMUNERATION COMMITTEE MEETINGS
RJ SCRIMSHAW	8/8		2/2
CN FRASER	8/8		
JH MURRAY	7/7		
CJ CATLOW	8/8	4/4	2/2
SIR DAVID HIGGINS	8/8	4/4	
LORD HUTTON	7/8		
PROF M MAINELLI	8/8	4/4	2/2
PJE WOODS	8/8		

of the Bribery Act 2010 and that the Company's employees were suitably briefed on these policies and procedures. The Company will continue to monitor risk regularly and to determine the adequacy of the briefing of employees to ensure compliance.

Due to the small size of the Group, an internal audit function has not been established. The Board receives sufficient assurance on risk, control and governance from other assurance activities within the Group including from regular management information and the external auditors.

GOING CONCERN

The Directors have reviewed the financial performance of the Group since 31 March 2013 and have considered the Group's cash projections for the 12 months from the date of approval of these accounts. Based on these projections, the directors have determined that the Group has sufficient cash resources for the next 12 months and consider it appropriate to draw up the accounts on a going concern basis.

The Directors recognise that there are a number of material uncertainties inherent in the York Potash Project. The impact of these uncertainties on the Directors' consideration of the going concern assumption are set out in note 1 to these financial statements.

KEY PERFORMANCE INDICATORS

The Group's approach to KPIs is set out on page 34.

PRINCIPAL RISKS AND UNCERTAINTIES

A review of the Group's principal risks and uncertainties is set out on pages 33 to 36.

COMMUNICATION WITH SHAREHOLDERS

The Board places importance on effective communication with shareholders and maintains regular dialogue with and gives briefings to analysts and institutional investors. Presentations are generally given by the Executive Directors and on occasion by the Chairman. In particular a presentation is made at the Annual General Meeting. Care is taken to ensure that any price-sensitive information is released promptly to all shareholders through the Regulated News Service, the circulation of such releases to all shareholders who have registered for inclusion on the Company's circulation list and through placing the release on the Company's website. The Notice of Annual General Meeting, annual report and audited accounts and interim financial statements in particular are issued in this manner. The Notice of the Annual General Meeting can be found on pages 82 to 84.

Rule 26 of the AIM Rules requires companies to maintain a website on which certain information should be available, free of charge. This information is available on the Company's website at www.siriusminerals.com.

Approved by the Board of Directors and signed on behalf of the Board

NA King
Company Secretary

DIRECTORS' REPORT

The Directors present their annual report and audited consolidated financial statements for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the Group is to acquire and develop properties with exploration and mining potential. Sirius Minerals Plc is a globally diversified company with properties overlying recognised potash deposits held in the United Kingdom, Australia and North America.

A review of the business of the Group is set out in the Chief Executive Officer's statement on pages 6 to 10 and the Operations report on pages 20 to 26.

RESULTS AND DIVIDENDS

The loss of the Group for the year was £8,588,000 (2012: £60,104,000). The loss of the Company for the year was £10,901,000 (2012: £50,552,000).

The Directors do not recommend a payment of a dividend for the year (2012: £nil).

DIRECTORS

THE DIRECTORS OF THE COMPANY DURING THE YEAR WERE:		
RJ SCRIMSHAW	Non-Executive Chairman	
CN FRASER	Managing Director and CEO	
JH MURRAY	Finance Director and CFO	Appointed 22 May 2012
AM LINDSAY	Finance Director and CFO	Resigned 22 May 2012
CJ CATLOW	Non-Executive Deputy Chairman	
SIR DAVID HIGGINS	Non-Executive Director	
LORD HUTTON	Non-Executive Director	
PROF MR MAINELLI	Non-Executive Director	
PJE WOODS	Non-Executive Director	

DIRECTORS' INTERESTS

As at 31 March 2013, the Directors had the following interests either directly or through related parties or entities in which the Directors had a beneficial interest in the ordinary shares of the Company:

	NUMBER OF SHARES HELD	PERCENTAGE OF THE COMPANY HELD
CN FRASER	114,500,750	8.5
CJ CATLOW	100,000,000	7.4
RJ SCRIMSHAW	32,388,888	2.4
PJE WOODS	4,199,916	0.3

SUBSTANTIAL SHAREHOLDINGS

Shareholdings as at 30 June 2013 of 3% or more are as follows:

	PERCENTAGE OF THE COMPANY HELD
DIRECTORS	19.0
HARGREAVES LANSDOWN	7.7
BARCLAYS	6.4
TD WATERHOUSE	6.1
HSDL	5.4
CAPITAL RESEARCH & MANAGEMENT	5.3
INTERACTIVE INVESTOR	3.2

DIRECTORS' INDEMNITIES

The Company has made qualifying indemnity provisions for the benefit of Directors under the letters of appointment of each Director. In addition the Company has purchased Directors' and Officers' Liability insurance.

FINANCIAL RISK MANAGEMENT

Details of the Group's financial instruments and its policies with regard to financial risk management are given in note 24 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES AND KEY PERFORMANCE INDICATORS

Details of the principal risks and uncertainties and key performance indicators relative to the Group are set out in the Principal Risks and Uncertainties report on pages 32 to 35.

CREDITOR PAYMENT POLICY

Payment terms are normally agreed with individual suppliers at the time of order placement and are honoured, provided that goods and services are supplied in accordance with the contractual conditions.

At the year end, the number of creditor days of the Company was 7 (2012: 14).

EVENTS AFTER THE REPORTING YEAR

On 15 April 2013 the Company received notification that Scrimshaw Nominees Pty Limited, trustee of the Scrimshaw Family Trust of which RJ Scrimshaw is a beneficiary, purchased 3,263,664 ordinary shares of 0.25p each at an average price of 21.49p per share, in the market.

On 21 May 2013 the Company issued 666,667 new ordinary shares of 0.25p each to JH Murray, under the Company's Short Term Incentive Plan ("STIP") in relation to the year ended 31 March 2013. On the same day, the Company also issued 1,500,000 new ordinary shares of 0.25p each to JH Murray which were awarded to him on his appointment in May 2012 and had vested.

On 21 May 2013 the Company received notification that JH Murray sold 2,166,667 ordinary shares at a price of 23.0p per share, and that the Golden Pond superannuation fund, of which JH Murray is trustee, purchased 2,166,667 ordinary shares at a price of 23.0p per share.

On 21 May 2013 the Company issued 1,730,355 shares under the Company's STIP to Executive Directors and employees of the Company.

On 21 May 2013, the Company granted 857,143 ordinary shares to CN Fraser, under the Company's long term incentive plan. These will vest one third each on 1 April 2014, 2015 and 2016.

On 21 May 2013, 666,667 ordinary shares were also granted to JH Murray as part of the Company's long term incentive plan. These will vest one third each on 1 April 2014, 2015 and 2016.

On 12 August 2013, the Group secured financing of up to £25m with an institutional investor. Under the agreement that has been entered into, the investor will inject up to £25m into the Company by purchasing up to four tranches of interest free convertible securities (the "Convertible Securities"), which are convertible into ordinary shares in the capital of the Company ("Shares"). The first tranche is £10m with a face value of £11m. The subsequent three tranches can be activated at 120 day intervals at the Group's discretion with a minimum of £1m with a face value of £1.1m and a maximum of £5m with a face value of £5.5m per tranche. Each Convertible Security will have a maturity of 18 months.

STATEMENT REGARDING DISCLOSURE OF INFORMATION TO THE AUDITORS

In accordance with Section 418 of the Companies Act 2006, Directors' reports shall include a statement, in the case of each Director in office at the date the Directors' report is approved, that:

a. so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

b. he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

During the year, Nexia Smith & Williamson resigned as auditors to the company, and the directors have appointed PricewaterhouseCoopers LLP.

A resolution in respect of the re-appointment of PricewaterhouseCoopers LLP as the Group's auditors will be proposed at the forthcoming Annual General Meeting.

OTHER

During the year, the Group made donations of £13,000 to local and national charities.

Approved by the Board of Directors and signed on behalf of the Board

NA King
Company Secretary
27 August 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

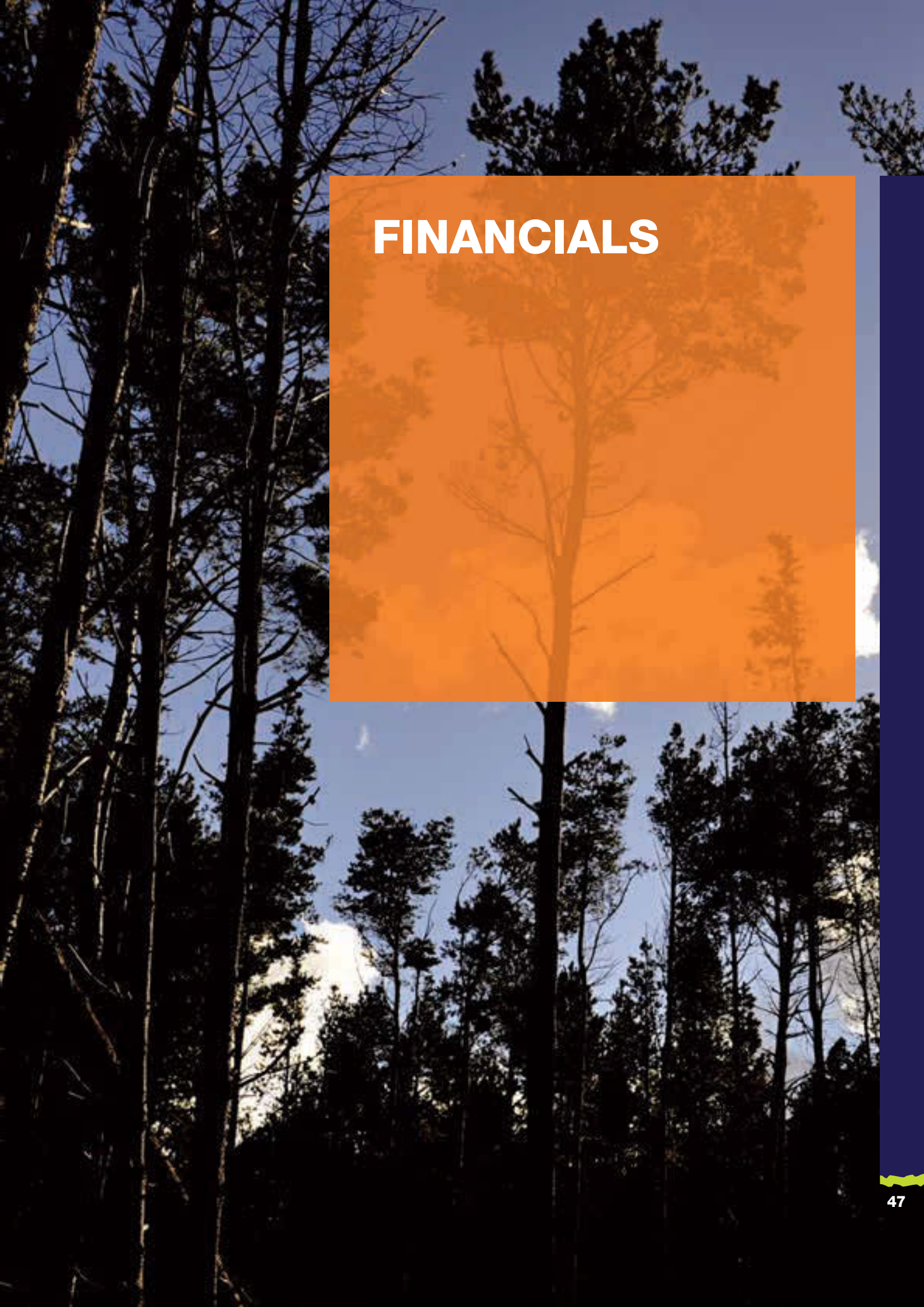
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

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

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

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



FINANCIALS

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIRIUS MINERALS PLC

We have audited the Group and parent company financial statements (the "financial statements") of Sirius Minerals Plc for the year ended 31 March 2013 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity, Company Statement of Cash Flows, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 46, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2013 and of the Group's loss and Group's and parent company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

EMPHASIS OF MATTER – GOING CONCERN

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and Company's ability to continue as a going concern. The Group is involved in efforts to complete feasibility studies, obtain appropriate planning permissions and secure long term project finance for the York Potash Project, the outcome of each of which is uncertain.

These circumstances indicate material uncertainties which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments which would result if the Group and Company were unable to continue as a going concern.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Ian Morrison
Senior Statutory Auditor, for and on behalf of

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

27 August 2013

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2013

	Notes	2013 £000s	2012 £000s
Revenue		**-**	-
Administrative expenses		**(15,175)**	(63,274)
Summary of administrative expenses:			
Impairment charge	4	**(2,947)**	(57,143)
Other administrative costs		**(12,228)**	(6,131)
Operating loss	5	**(15,175)**	(63,274)
Finance income	6	**603**	164
Loss before taxation		**(14,572)**	(63,110)
Taxation	8	**5,984**	3,006
Loss for the financial year		**(8,588)**	(60,104)
Loss per share:			
Basic and diluted	9	**(0.6)p**	(5.6)p

Company Registration Number 04948435

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

	2013	2012
	£000s	£000s
Loss for the financial year attributable to owners of the Parent	**(8,588)**	(60,104)
Other comprehensive (loss)/income		
Exchange differences on translating foreign operations	**(53)**	484
Other comprehensive (loss)/income for the year	**(53)**	484
Total comprehensive loss for the year	**(8,641)**	(59,620)

Total comprehensive loss shown above is fully attributable to equity shareholders of the Parent in both years.

Company Registration Number 04948435

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2013

ASSETS	Notes	2013 £000s	2012 £000s
Non-current assets			
Property, plant and equipment	10	**926**	253
Intangible assets	11	**73,743**	46,442
Total non-current assets		**74,669**	46,695
Current assets			
Other receivables	13	**958**	1,703
Loans and receivables	16	**915**	1,500
Cash and cash equivalents	15	**17,980**	54,271
Total current assets		**19,853**	57,474
TOTAL ASSETS		**94,522**	104,169
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**3,359**	3,348
Share premium account		**147,763**	147,238
Share based payment reserve	18	**10,345**	7,691
Accumulated losses		**(79,392)**	(70,804)
Foreign exchange reserve		**7,164**	7,217
Total equity		**89,239**	94,690
Non-current liabilities			
Deferred tax liability	19	**659**	6,628
Current liabilities			
Trade and other payables	21	**4,624**	2,851
Total liabilities		**5,283**	9,479
TOTAL EQUITY AND LIABILITIES		**94,522**	104,169

The financial statements on pages 50–80 were issued and approved by the Board of Directors on 27 August 2013 and signed on its behalf by:

JH Murray
Finance Director and CFO

Company Registration Number 04948435

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2013

	Notes	Share capital £000s	Share premium account £000s	Share based payments reserve £000s	Accumulated losses £000s	Foreign exchange reserve £000s	Equity shareholders' funds £000s
At 31 March 2011		2,581	95,658	6,343	(10,700)	6,733	100,615
Loss for the financial year		-	-	-	(60,104)	-	(60,104)
Foreign exchange differences on translation of foreign operations		-	-	-	-	484	484
Total comprehensive (loss)/income for the year		-	-	-	(60,104)	484	(59,620)
Share capital issued in the year		767	54,288	-	-	-	55,055
Share issue costs		-	(2,708)	-	-	-	(2,708)
Share based payments		-	-	1,348	-	-	1,348
At 31 March 2012		3,348	147,238	7,691	(70,804)	7,217	94,690
Loss for the financial year		-	-	-	(8,588)	-	(8,588)
Foreign exchange differences on translation of foreign operations		-	-	-	-	(53)	(53)
Total comprehensive (loss)/income for the year		-	-	-	(8,588)	(53)	(8,641)
Exercised options	17	11	525	-	-	-	536
Share based payments	18	-	-	2,654	-	-	2,654
At 31 March 2013		**3,359**	**147,763**	**10,345**	**(79,392)**	**7,164**	**89,239**

The share premium account is used to record the excess proceeds over nominal value on the issue of shares.

The share based payment reserve is used to record the share based payments made by the Group.

Foreign exchange reserve records exchanges differences which arise on translation of foreign operations with a functional currency other than sterling.

Company Registration Number 04948435

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

	Notes	2013 £000s	2012 £000s
Cash outflow from operating activities	22	**(6,849)**	(5,503)
Cash flow from investing activities			
Purchase of intangible assets	11	**(30,116)**	(12,386)
Purchase of plant and equipment	10	**(857)**	(270)
Loan to third party	16	**585**	(1,500)
Net cash generated from/(used in) investing activities		**(30,388)**	(14,156)
Cash flow from financing activities			
Proceeds from issue of shares	17	**536**	55,055
Share issue costs		**-**	(2,708)
Finance income/(costs)		**603**	164
Net cash generated from financing activities		**1,139**	52,511
Net (decrease)/increase in cash and cash equivalents		**(36,098)**	32,852
Cash and cash equivalents at beginning of the year	15	**54,271**	21,010
Effect of foreign exchange rate changes		**(193)**	409
Cash and cash equivalents at end of the year	15	**17,980**	54,271

Company Registration Number 04948435

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 March 2013

ASSETS	Notes	2013 £000s	2012 £000s
Non-current assets			
Property, plant and equipment	10	**61**	76
Intangible assets	11	**7**	3
Investments in subsidiaries	12	**78,406**	27,717
Total non-current assets		**78,474**	27,796
Current assets			
Other receivables	13	**163**	116
Loans to subsidiaries	14	**342**	15,753
Cash and cash equivalents	15	**10,256**	53,828
Total current assets		**10,761**	69,697
TOTAL ASSETS		**89,235**	97,493
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	17	**3,359**	3,348
Share premium account		**147,763**	147,238
Share based payment reserve	18	**10,345**	7,691
Accumulated losses		**(73,111)**	(62,210)
Total equity		**88,356**	96,067
Current liabilities			
Loan from subsidiary company	20	**-**	1,104
Trade and other payables	21	**879**	322
Total liabilities		**879**	1,426
TOTAL EQUITY AND LIABILITIES		**89,235**	97,493

The financial statements on pages 50 to 80 were issued and approved by the Board of Directors on 27 August 2013 and were signed on its behalf by:

JH Murray
Finance Director and CFO

Company Registration Number 04948435

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2013

	Notes	Share capital £000s	Share premium account £000s	Share based payments reserve £000s	Accumulated losses £000s	Equity shareholders' funds £000s
At 31 March 2011		2,581	95,658	6,343	(11,658)	92,924
Loss for the year and total comprehensive income		-	-	-	(50,552)	(50,552)
Share capital issued in the year		767	54,288	-	-	55,055
Share issue costs		-	(2,708)	-	-	(2,708)
Share based payment reserve		-	-	1,348	-	1,348
At 31 March 2012		3,348	147,238	7,691	(62,210)	96,067
Loss for the year and total comprehensive income		-	-	-	(10,901)	(10,901)
Exercised options	17	11	525	-	-	536
Share based payment reserve	18	-	-	2,654	-	2,654
At 31 March 2013		**3,359**	**147,763**	**10,345**	**(73,111)**	**88,356**

The share premium account is used to record the excess proceeds over nominal value on the issue of shares.

The share based payment reserve is used to record the share based payments made by the Company.

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COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

	Notes	2013 £000s	2012 £000s
Cash outflow from operating activities	22	**(5,821)**	(1,934)
Cash flow from investing activities			
Purchase of intangible assets	11	**(6)**	(4)
Purchase of plant and equipment	10	**(35)**	(87)
Plant and equipment transferred to group company	10	**17**	-
Investments in subsidiary companies	12	**(409)**	-
Loans to subsidiary companies	14	**(37,264)**	(17,511)
Net cash generated from/(used in) investing activities		**(37,697)**	(17,602)
Cash flow from financing activities			
Net proceeds from issue of shares	17	**536**	55,055
Share issue costs		**-**	(2,708)
Loan from subsidiary company	20	**(1,104)**	-
Finance income/(costs)		**514**	146
Net cash generated from financing activities		**(54)**	52,493
Net increase in cash and cash equivalents		**(43,572)**	32,957
Cash and cash equivalents at beginning of year	15	**53,828**	20,871
Effect of foreign exchange rate changes		**-**	-
Cash and cash equivalents at end of the year	15	**10,256**	53,828

Company Registration Number 04948435

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The annual financial statements of Sirius Minerals Plc ("the Company") and its subsidiaries ("the Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC Interpretations as adopted by the European Union ("EU") and the Companies Act 2006 applicable to companies reporting under IFRS.

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the International Financial Reporting Standards Interpretations Committee ("IFRIC") and there is an ongoing process of review and endorsement by the European Commission. The financial statements have been prepared on the basis of the recognition and measurement principles of IFRS that were applicable at 31 March 2013.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

The financial statements have been prepared under the historical cost convention. The principal accounting policies set out below have been consistently applied to all periods presented.

The Company is a public limited company which is incorporated and domiciled in the UK. The address of its registered office is shown on page 90.

GOING CONCERN

The Group incurred a loss for the year after taxation of £8,588,000 and as at 31 March 2013, its assets exceeded its liabilities by £89,239,000. Whilst the Directors remain confident of a positive outcome in each of the following areas they recognise that there are a number of material uncertainties inherent in the York Potash project, namely;

- The Group obtaining the appropriate planning permissions to cover mining and operational infrastructure;
- The conclusion of the feasibility studies process to prove the availability and economic viability of polyhalite resources; and
- Securing sufficient financing to fund full operational development.

An unsuccessful outcome in respect of these material uncertainties may cast significant doubt on the Group's ability to continue as a going concern. However the Directors remain positive about the likely outcomes in respect of both the planning permission process and feasibility studies together with the impact these will have on the Group's ability to raise finance in the future. The Directors are of the view that additional funding will be secured as necessary. In August 2013 the Group secured £25m of additional finance through a convertible security.

In the event of a delay further delay to planning permission or feasibility studies, the Group retains the ability to defer certain expenditure and operate within the level of its existing funds for a period which the Directors believe to be sufficient to enable them to secure funding. On this basis the Directors have concluded that the Group retains sufficient resources to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. The financial statements do not include the adjustments which would result if the Group were unable to continue as a going concern.

INTERNATIONAL FINANCIAL REPORTING STANDARDS IN "ISSUE" BUT NOT YET EFFECTIVE

At the date of authorisation of these consolidated financial statements, the IASB and IFRIC have issued standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date. Whilst these standards and interpretations are not effective for and have not been applied in the preparation of these consolidated financial statements, the following may have a material impact going forward:

- IAS 1 (Amendment) 'Presentation of items of Other Comprehensive Income' (effective from 1 July 2012);
- IFRS 10 'Consolidated Financial Statements' (effective from 1 January 2013);
- IFRS 11 'Joint Arrangements' (effective from 1 January 2013);
- IFRS 12 'Disclosure of Interests in Other Entities' (effective from 1 January 2013);

- IAS 27 ‘Separate Financial Statements’ (effective from 1 January 2013);
- IAS 28 ‘Associates and Joint Ventures’ (effective from 1 January 2013);
- IFRS 13 ‘Fair Value Measurement’ (effective from 1 January 2013);
- IAS 19 (Amendment) ‘Employee Benefits’ (effective from 1 January 2013);
- IAS 32 (Amendment) ‘Financial Instruments: Presentation’ (effective from 1 January 2014);
- IFRS 9 ‘Financial Instruments’ (effective from 1 January 2015); and
- IFRIC 20 ‘Stripping Costs in the Production Phase of a Surface Mine’ (effective from 1 January 2013).

NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 April 2012 that would be expected to have a material impact on the Group.

BASIS OF CONSOLIDATION

The Group’s consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared to 31 March each year. Control is achieved where the Company has power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions and balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

As a consolidated income statement is published, a separate income statement for the Parent Company is omitted from the Group financial statements by virtue of section 408 of the Companies Act 2006. The loss for the Company for the year was £10,901,000 (2012: £50,552,000).

BUSINESS COMBINATIONS AND GOODWILL

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any acquisition costs are expensed as incurred. Any excess of cost of acquisition over the fair value of identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (ie discount on acquisition) is credited to the income statement in the period of acquisition. Goodwill arising on consolidation is recognised as an asset and allocated to cash generating units for the purpose of impairment testing, and the allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. Any goodwill recognised is stated at cost less accumulated impairment and any impairment is recognised immediately in the income statement and is not subsequently reversed.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less depreciation less any recognised impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of these items. Subsequent costs are included in the asset’s carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs can be measured reliably. All other costs, including repairs and maintenance costs are charged to the income statement in the period in which they are incurred. Depreciation is provided on all property, plant and equipment, and is calculated on a straight-line basis to allocate cost over the estimated useful lives, as follows:

Computer equipment	3 years
Fixtures & furniture	3 years
Plant & machinery	3 years
Motor vehicles	5 years
Leasehold improvements	Over the period of the lease

Freehold property is not depreciated.

SOFTWARE

Computer software is carried at cost less accumulated amortisation and impairments, and is amortised on a straight-line basis over 3 years. Amortisation of software is included within administrative expenses in the consolidated income statement.

EXPLORATION AND EVALUATION ASSETS

Costs arising from exploration and evaluation activities are accumulated separately for each area of interest and only capitalised where such costs are expected to be recouped through successful development, or through sale, or where exploration and evaluation activities have not, at the reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Expenditure capitalised comprises direct costs that have a specific connection with a particular area of interest.

Capitalised expenditure in respect of areas of interest is written off in the income statement when the above criteria do not apply or when the directors assess that the carrying value may exceed the recoverable amount.

Capitalised costs in respect of an area of interest that is abandoned are written off in the period in which the decision to abandon is made.

Once production commences, capitalised expenditure in respect of an area of interest is amortised on a unit of production basis by reference to the reserves of that area of interest. Amortisation of all classes of intangible assets is included within administrative expenses in the consolidated income statement.

IMPAIRMENT

At each balance sheet date, the Group reviews the carrying amounts of its intangible assets and property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flow have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of the impairment loss is recognised in the income statement immediately. Any goodwill impairment cannot be subsequently reversed once recognized.

FOREIGN CURRENCIES

The presentation and functional currency of the Company is sterling. Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the income statement.

On consolidation, the assets and liabilities of foreign operations which have a functional currency other than sterling are translated into sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of these subsidiary undertakings are translated at average rates applicable in the period. All resulting exchange differences are recognised as a separate component of equity.

The foreign exchange rates at the balance sheet date and the average rates for the year that were used in preparing the consolidated financial statements were:

	Balance sheet date	Average rate
Australian Dollars to Sterling	1.46 (2012: 1.54)	1.53 (2012: 1.53)
US Dollars to Sterling	1.52 (2012: 1.60)	1.58 (2012: 1.60)
Canadian Dollars to Sterling	1.55 (2012: 1.59)	1.58 (2012: 1.59)

INVESTMENTS

Investments by the Company in respect of its subsidiaries are held at cost less any provision for impairment when required.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker as required by IFRS 8 'Operating Segments'. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

The accounting policies of the reportable segments are consistent with the accounting policies of the Group as a whole. Segment loss represents the loss incurred by each segment without allocation of foreign exchange gains or losses, investment income, interest payable and tax. This is the measure of loss that is reported to the Board of Directors for the purpose of resource allocation and the assessment of segment performance.

When assessing segment performance and considering the allocation of resources, the Board of Directors review information about segment assets and liabilities. For this purpose, all assets and liabilities are allocated to reportable segments with the exception of the assets and liabilities in relation to the Group's head offices.

LOANS AND OTHER RECEIVABLES

Loans and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. Provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loan or receivable. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include various instant access deposits and short term fixed deposits.

TRADE AND OTHER PAYABLES

Trade payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

TAXATION

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates and laws that have been enacted (or substantially enacted) by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

EQUITY INSTRUMENTS

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of any direct issue costs.

SHARE BASED PAYMENTS

The Group has applied the requirements of IFRS 2 'Share Based Payments'.

The Group issues equity settled share based payments to certain directors, senior managers, employees and consultants. Equity settled share based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

The grant by the Group of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

At each reporting date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

EMPLOYEE BENEFITS

Provision is made in the financial statements for all employee benefits. Liabilities for wages and salaries including non-monetary benefits and annual leave obliged to be settled within twelve months of the balance sheet date, are recognised within accruals. The Group issues equity settled share based payments to certain directors, senior managers, employees and consultants. Pension contributions are made in respect of the Group's employees based in Australia and are charged to the income statement in the period to which the contributions relate.

RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure is generally capitalised as an intangible asset however, some expenditure is expensed to the income statement.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The critical accounting estimates and judgements made by the Group regarding the future or other key sources of estimation, uncertainty and judgement that may have a significant risk of giving rise to a material adjustment to the carrying values of assets and liabilities within the next financial year are:

IMPAIRMENT OF EXPLORATION AND EVALUATION ASSETS

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indication of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

GOODWILL

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generated units will be determined based on value-in-use calculations. These calculations will require the use of estimates (see note 11).

SHARE BASED PAYMENTS

In determining the fair value of equity settled share based payments and the related charge to the income statement, the Group makes assumptions about future events and market conditions. In particular, judgement must be made as to the likely number of shares that will vest and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on further estimates, including the Group's future dividend policy, the timing with which options will be exercised and the future volatility in the price of similar potash companies. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Different assumptions about these factors to those made by the Group could materially affect the reported value of share based payments.

3. SEGMENTAL ANALYSIS

Management has determined the operating segments by considering the business from both a geographic and activity perspective. The Group is currently organised into three business divisions: resource evaluation and exploration, environmental solutions and corporate operations. These divisions are the segments for which the Group reports information internally to the Board of Directors. The Group's operations are predominantly in the United Kingdom.

	UK	United States of America		Australia			
	Resource evaluation and exploration £000s	Resource evaluation and exploration £000s	Environmental solutions £000s	Resource evaluation and exploration £000s	Environmental solutions £000s	Corporate operations £000s	**Total £000s**
Year ended 31 March 2013							
Operating loss	(3,171)	(1,821)	6	(3,146)	19	(7,062)	**(15,175)**
Finance costs	-	-	-	-	-	-	**-**
Finance income	80	-	-	3	-	520	**603**
Loss before taxation	(3,091)	(1,821)	6	(3,143)	19	(6, 542)	**(14,572)**
Tax credits	5,473	-	-	511	-	-	**5,984**
Loss for the year from continuing operations	2,382	(1,821)	6	(2,632)	19	(6,542)	**(8,588)**
Total assets	83,534	78	-	61	1	10,848	**94,522**
Total liabilities	(4,236)	(81)	-	(4)	-	(962)	**(5,283)**
Net assets	79,298	(3)	-	57	1	9,886	**89,239**
Capital expenditure	30,830	-	-	-	-	143	**30,973**
Depreciation and amortisation	150	-	-	-	-	48	**198**
Impairment charge	-	895	(6)	3,206	-	(1,148)	**2,947**

	UK	United States of America		Australia			
	Resource evaluation and exploration £000s	Resource evaluation and exploration £000s	Environmental solutions £000s	Resource evaluation and exploration £000s	Environmental solutions £000s	Corporate operations £000s	**Total £000s**
Year ended 31 March 2012							
Operating loss	(672)	(5,175)	(181)	(52,545)	(293)	(4,408)	**(63,274)**
Finance costs	-	-	-	-	-	-	**-**
Finance income	9	4	-	-	2	149	**164**
Loss before taxation	(663)	(5,171)	(181)	(52,545)	(291)	(4,259)	**(63,110)**
Taxation	512	-	-	2,494	-	-	**3,006**
Loss for the year from continuing operations	(151)	(5,171)	(181)	(50,051)	(291)	(4,259)	**(60,104)**
Total assets	46,908	963	-	2,025	7	54,266	**104,169**
Total liabilities	(8,238)	(177)	-	(571)	(1)	(492)	**(9,479)**
Net assets	38,670	786	-	1,454	6	53,774	**94,690**
Capital expenditure	11,526	770	-	258	-	102	**12,656**
Depreciation and amortisation	38	-	-	-	-	21	**59**
Impairment charge	-	4,945	178	51,770	250	-	**57,143**

4. SUMMARY OF ADMINISTRATIVE EXPENSES

The Group made impairment charges of £2,058,000 in Adavale Holdings Pty Limited and £889,000 in Dakota Salts LLC. The focus of the Company is the York Potash Project and consistent with this focus, the Company has written down the value of the remainder of the portfolio. With each impairment, the intangible exploration assets held by the relevant companies were impaired. The total expense recognised within the income statement in relation to impairment charges is £2,947,000 (2012: £57,143,000) (see note 11).

The Company made impairment charges in respect of its investments in Adavale Holdings Pty Limited and Dakota Salts LLC and the loans receivable from and payable to Auspotash Corporation and Sirius Minerals (Australia) Pty Limited (see notes 12 and 14).

5. OPERATING LOSS IS STATED AFTER CHARGING:

	Notes	**2013 £000s**	2012 £000s
Auditors' remuneration			
Fees payable to the Company's auditor for the audit of the Company's financial statements and the consolidated financial statements (including £20,000 in respect of the Company (2012: £19,000))		**50**	42
Fees payable to the Company's auditors and their associates for other services to the Group			
– The audit of the Company's subsidiaries pursuant to legislation		**30**	5
– Accrued for tax compliance		**2**	4
Impairment charges	4	**2,947**	57,143
Depreciation of property, plant and equipment	10	**178**	53
Amortisation of intangible assets	11	**20**	6
Operating lease charges	10	**272**	153
Research and development		**-**	25
Foreign exchange gains/(losses)		**(158)**	22

6. FINANCE INCOME

	2013 £000s	2012 £000s
Bank interest received	**531**	164
Loan interest received	**72**	-
	603	164

7. STAFF NUMBERS AND COSTS (INCLUDING DIRECTORS)

Group	2013 Number	2012 Number
Average monthly number of staff (including Directors)	**51**	19

Company	2013 Number	2012 Number
Average monthly number of staff (including Directors)	**13**	9

Staff costs (including directors) during the year were:

Group	2013 £000s	2012 £000s
Wages and salaries	**5,236**	1,951
Social security costs	**603**	137
Other pension costs	**94**	39
Other benefits	**243**	28
Compensation for loss of office	**83**	17
	6,259	2,172

At the year-end, £2,699,000 (2012: £390,000) was capitalised as intangible exploration costs.

Company	2013 £000s	2012 £000s
Wages and salaries	**1,478**	790
Social security costs	**198**	53
Other pension costs	**5**	7
Other benefits	**203**	15
Compensation for loss of office	**83**	17
	1,967	882

Directors' emoluments during the year were:

	Wages and Salaries £000s	Bonuses £000s	Compensation for loss of office £000s	Other benefits £000s	**Total £000s**
Year ended 31 March 2013					
RJ Scrimshaw	50	-	-	-	**50**
CN Fraser	360	-	-	146	**506**
JH Murray	321	-	-	10	**331**
CJ Catlow	25	-	-	-	**25**
Sir David Higgins	25	-	-	-	**25**
Lord Hutton	25	-	-	-	**25**
Prof MR Mainelli	25	-	-	-	**25**
PJE Woods	25	-	-	-	**25**
AM Lindsay	39	-	83	6	**128**
	895	**-**	**83**	**162**	**1,140**

During the year, contributions of £5,000 were made to pension schemes by the Directors (2012: £7,000). No share options were exercised by the Directors during the year. Details of the share options granted to the Directors during the year are given in note 18.

	Wages and Salaries £000s	Bonuses £000s	Compensation for loss of office £000s	Other benefits £000s	**Total £000s**
Year ended 31 March 2012					
RJ Scrimshaw	34	-	-	-	**34**
CN Fraser	260	96	-	5	**361**
AM Lindsay	165	-	-	5	**170**
CJ Catlow	28	-	-	-	**28**
Sir David Higgins	1	-	-	-	**1**
Lord Hutton	5	-	-	-	**5**
Prof MR Mainelli	25	-	-	-	**25**
RO'D Poulden	20	-	17	-	**37**
DCW Stonley	25	-	-	-	**25**
PJE Woods	25	-	-	-	**25**
	588	**96**	**17**	**10**	**711**

Highest paid director:

	2013 £000s	2012 £000s
Total emoluments and amounts (excluding shares) receivable under long term incentive schemes	**506**	361

Share options held by the Directors at the year-end were:

	Grant date	Number of options (000s)	Exercise price £	Vesting date	Expiry date
CJ Catlow	6 April 2010*	25,000	0.045	6 April 2010	5 April 2015
	6 April 2010*	25,000	0.045	19 January 2011	5 April 2015
RJ Scrimshaw	16 December 2010*	12,500	0.250	16 December 2010	15 December 2015
	16 December 2010*	12,500	0.350	16 December 2010	15 December 2015
	16 December 2010*	12,500	0.450	16 December 2010	15 December 2015
CN Fraser	17 January 2011*	10,000	0.197	17 January 2011	31 December 2013
	26 September 2012*	10,000	0.300	26 September 2014	26 September 2017
	26 September 2012*	10,000	0.450	26 September 2015	26 September 2018
Lord Hutton	30 January 2012	1,800	0.300	30 January 2015	29 January 2022
Sir David Higgins	3 May 2012	1,800	0.300	3 May 2015	2 May 2022
JH Murray	22 May 2012	10,000	0.300	1 July 2012	1 July 2015
	22 May 2012	10,000	0.450	1 July 2013	1 July 2017

*These share options are held by related parties to the Directors.

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. The Directors are considered to be the key management personnel of the Group.

Key management personnel received the following compensation during the year:

	2013 £000s	2012 £000s
Short-term employee benefits including social security costs	**1,186**	733
Termination benefits	**83**	17
	1,269	750

8. TAXATION

	2013 £000s	2012 £000s
Corporation tax		
Current year	**-**	-
Deferred tax		
Effect of change in tax rate	**(256)**	(775)
Release of deferred tax on impairment	**(511)**	(2,231)
Offset of deferred tax asset	**(5,217)**	-
	(5,984)	(3,006)

The credit for the year can be reconciled to the loss per the income statement as follows:

	2013 £000s	2012 £000s
Loss on ordinary activities before taxation	**(14,572)**	(63,110)
Loss on ordinary activities multiplied by the standard rate of corporation taxation in the UK of 24% (2012: 26%)	**(3,497)**	(16,408)
Taxation effects of:		
Expenses not deductible for tax purposes	**2**	15,282
Effect of change in tax rate	**(256)**	(775)
Release of deferred tax on impairment	**(511)**	(2,231)
Offset of deferred tax asset	**(5,217)**	-
Trading losses utilised	**(183)**	(43)
Trading losses not utilised	**3,672**	1,183
Capital allowances in excess of depreciation	**-**	(14)
Depreciation in excess of capital allowances	**6**	-
Tax credit for the year	**(5,984)**	(3,006)

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 24%. From 1 April 2013, the corporation tax rate changed from 24% to 23% and from 1 April 2014, the rate is planned to change from 23% to 21%.

The Group has unused tax losses of £22,684,000 (2012: £8,146,000). The related deferred tax asset has not been recognised in the financial statements due to the uncertainty surrounding its recoverability however, has been offset against the deferred tax liability. The deferred tax asset can be recovered against suitable future trading profits.

9. LOSS PER SHARE

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

Given the Group's reported loss for the year, share options are not taken into account when determining the weighted average number of ordinary shares in issue during the year and therefore the basic and diluted earnings per share are the same.

	2013 £000s	2012 £000s
Loss for the purposes of basic earnings per share being net loss attributable to equity shareholders of the parent	**(8,588)**	(60,104)
Loss for the purpose of diluted earnings per share	**(8,588)**	(60,104)

	2013 Number 000s	2012 Number 000s
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,340,885**	1,082,989

If the Company's share options were taken into consideration in respect of the Company's weighted average number of ordinary shares for the purpose of diluted earnings per share, it would be as follows:

	2013 Number 000s	2012 Number 000s
Number of shares		
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,387,323**	1,147,453
Basic and diluted loss per share	**(0.6)p**	(5.6)p

10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold property £000s	Computer equipment £000s	Fixtures & furniture £000s	Plant & machinery £000s	Motor vehicles £000s	Leasehold improvements £000s	Total £000s
Cost							
At 1 April 2011	-	19	25	-	-	-	44
Additions	-	47	20	86	58	59	270
Foreign exchange movement	-	-	-	-	-	-	-
At 1 April 2012	-	66	45	86	58	59	314
Additions	309	157	227	6	52	106	857
Reclassification	-	-	29	-	-	(29)	-
Expensed to income statement	-	-	-	-	-	(6)	(6)
Foreign exchange movement	-	1	2	-	-	-	3
At 31 March 2013	309	224	303	92	110	130	1,168
Depreciation							
At 1 April 2011	-	7	1	-	-	-	8
Charge expensed to income statement	-	11	7	18	8	9	53
Foreign exchange movement	-	-	-	-	-	-	-
At 1 April 2012	-	18	8	18	8	9	61
Charge expensed to income statement	-	47	55	31	22	23	178
Reclassification	-	-	9	-	-	(9)	-
Expensed to income statement	-	-	-	-	-	3	3
At 31 March 2013	-	65	72	49	30	26	242
Net book value							
At 31 March 2013	**309**	**159**	**231**	**43**	**80**	**104**	**926**
At 31 March 2012	-	48	37	68	50	50	253
At 1 April 2011	-	12	24	-	-	-	36

Company	Computer equipment £000s	Computer equipment £000s	Leasehold improvements £000s	Total £000s
Cost				
At 1 April 2011	6	-	-	6
Additions	28	-	59	87
At 1 April 2012	34	-	59	93
Additions	21	1	13	35
Reclassification	-	29	(29)	-
Transferred to group company	(19)	2	-	(17)
Expensed to income statement	-	-	(6)	(6)
At 31 March 2013	36	32	37	105
Depreciation				
At 1 April 2011	5	-	-	5
Charge expensed to income statement	3	-	9	12
At 1 April 2012	8	-	9	17
Charge expensed to income statement	10	3	11	24
Reclassification	-	9	(9)	-
Transferred to group company	(1)	1	-	-
Expensed to income statement	-	-	3	3
At 31 March 2013	17	13	14	44
Net book value				
At 31 March 2013	**19**	**19**	**23**	**61**
At 31 March 2012	26	-	50	76
At 1 April 2011	1	-	-	1

Operating lease expenditure of £272,000 (2012: £153,000) relating to the lease of property is charged to the income statement (see note 5).

11. INTANGIBLE ASSETS

Group	Exploration costs and rights £000s	Goodwill £000s	Software £000s	Total £000s
Cost				
At 1 April 2011	82,748	9,134	-	91,882
Additions	12,338	-	48	12,386
Foreign exchange movement	63	(55)	-	8
As at 1 April 2012	95,149	9,079	48	104,276
Additions	30,085	-	31	30,116
Foreign exchange movement	152	-	-	152
As at 31 March 2013	125,386	9,079	79	134,544
Provision for permanent diminution in value				
At 1 April 2011	(685)	-	-	(685)
Impairment	(54,707)	(2,436)	-	(57,143)
Amortisation	-	-	(6)	(6)
At 1 April 2012	(55,392)	(2,436)	(6)	(57,834)
Impairment	(2,947)	-	-	(2,947)
Amortisation	-	-	(20)	(20)
At 31 March 2013	(58,339)	(2,436)	(26)	(60,801)
Net book value				
31 March 2013	**67,047**	**6,643**	**53**	**73,743**
31 March 2012	39,757	6,643	42	46,442

GOODWILL

The goodwill acquired in January 2011 as part of the business combination relating to York Potash Ltd has been allocated to the cash generating unit (CGU) of resource evaluation and exploitation in the geographical location of the UK, which is expected to benefit from the business combination.

The recoverable amount of the goodwill on the acquisition of York Potash Ltd has been assessed by reference to value in use. The valuation is based on cash flow projections that incorporate best estimates of selling prices, production rates, future capital expenditure and production costs. A growth rate of 2 per cent was incorporated into the discount rate.

The cash flow projections are based on long term plans covering the expected life of the operation. The Indicated Resource of 820 million tonnes of polyhalite determines an expected mine life of more than 25 years. The valuations are particularly sensitive to changes in assumptions about selling prices, volumes of production and operating costs. Long term average selling prices are forecast taking account of market data in respect of potash and management's current expectations. Forecasts of volumes of production and operating costs are based on management's current expectations.

Discount rates represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. A discount rate of 10 per cent, which is considered to be appropriate for a project of this nature and size, has been applied to the pre-tax cash flows.

No reasonably possible change in the key assumptions on which York Potash Ltd's recoverable amount is based would cause its value to fall short of its carrying amount as at 31 March 2013.

IMPAIRMENT

The impairment charge to exploration costs and rights of £2,947,000 relates to Adavale Holdings Pty Limited and Dakota Salts LLC (see note 4). At the year end, the intangible assets in Adavale Holdings Pty Limited and Dakota Salts LLC were fully impaired.

Company	Software £000s	Total £000s
Cost		
At 1 April 2011	-	-
Additions	4	4
At 1 April 2012	4	4
Additions	6	6
At 31 March 2013	10	10
Provision for permanent diminution in value		
At 1 April 2011	-	-
Amortisation	(1)	(1)
At 1 April 2012	(1)	(1)
Amortisation	(2)	(2)
At 31 March 2013	(3)	(3)
Net book value		
31 March 2013	**7**	**7**
31 March 2012	3	3

12. INVESTMENTS IN SUBSIDIARIES

Company	**2013 £000s**	2012 £000s
At 1 April 2012	**27,717**	69,539
Additions	**53,084**	-
Impairment	**(2,395)**	(41,822)
At 31 March 2013	**78,406**	27,717

During the year, the Company established York Potash Processing & Ports Limited, Sirius Minerals Holdings Limited, York Potash Holdings Limited and Sirius Minerals Finance Limited.

The York Potash Limited and Dakota Salts LLC loan receivable balances were transferred from the Company to York Potash Holdings Limited and Sirius Minerals Holdings Limited respectively by increasing the investment in the subsidiaries (see note 14).

Equity-settled share based payments in relation to York Potash Ltd are recognised as a capital contribution from the Company by increasing the investment in the subsidiary with a corresponding credit to equity.

At the year-end, the investments in Adavale Holdings Pty Limited and Dakota Salts LLC were fully impaired (see note 4).

At the year-end date, the Company's investments in subsidiaries were:

Name	Country of incorporation	Activity	Percentage of ordinary share capital held by the Company
York Potash Ltd	UK	Resource evaluation and exploration	100%
York Potash Processing & Ports Limited	UK	Holds options to purchase land	100%
York Potash Holdings Limited	UK	Corporate operations	100%
Sirius Minerals Holdings Limited	UK	Corporate operations	100%
Sirius Minerals Finance Limited	UK	Corporate operations	100%
Sirius Exploration Limited	UK	Dormant	100%
Sirius Resources Limited	UK	Dormant	100%
Sirius Potash Limited	UK	Dormant	100%
Auspotash Corporation*	Canada	Holds investment in Queensland Potash Pty Ltd	100%
Queensland Potash Pty Limited*	Australia	Resource evaluation and exploration	100%
Sirius Minerals (Australia) Pty Limited	Australia	Corporate operations	100%
Adavale Holdings Pty Limited*	Australia	Resource evaluation and exploration	100%
Derby Salts Pty Limited*	Australia	Resource evaluation and exploration	100%
Bicarb Sequestration Pty Limited*	Australia	Environmental solutions	100%
CO_2 Energy Storage Pty Limited*	Australia	Environmental solutions	100%
Dakota Salts LLC*	USA	Resource evaluation and exploration	100%
CO_2 Energy Storage Limited*	USA	Environmental solutions	100%
Sirius Exploration Balkan Dooel*	Macedonia	Resource evaluation and exploration	100%

*At the year-end, these companies either had ceased operations or had been liquidated.

13. OTHER RECEIVABLES

	2013 £000s	2012 £000s
Group		
Other receivables	**737**	953
Prepayments	**221**	750
	958	1,703
Company		
Other receivables	**55**	56
Prepayments	**108**	60
	163	116

The Directors consider that the carrying amount of other receivables approximate to their fair value.

During the year, no bad and doubtful debt charges have been recognised by the Group in the income statement (2012: £nil).

At the year-end, no receivables were either impaired (2012: £nil) or past due but not impaired (2012: £nil).

14. LOANS TO SUBSIDIARIES

Company	2013 £000s	2012 £000s
At 1 April 2012	**15,753**	3,785
Additions	**40,622**	17,511
Transferred to group company	**(52,675)**	-
Impairment	**(3,358)**	(5,543)
At 31 March 2013	**342**	15,753

Company	2013 £000s	2012 £000s
Sirius Minerals Holdings Limited	**342**	-
Auspotash Corporation	**-**	-
York Potash Ltd	**-**	13,801
Sirius Minerals (Australia) Pty Limited	**-**	1,552
Dakota Salts LLC	**-**	400
	342	15,753

The loans to subsidiaries are non-interest bearing and repayable on demand.

The Directors consider that the carrying amount of the loans to subsidiaries approximate to their fair value.

During the year, the loans to York Potash Limited and Dakota Salts LLC were transferred to York Potash Holdings Limited and Sirius Minerals Holdings Limited respectively (see note 12).

At the year-end, the loans to Auspotash Corporation and Sirius Minerals (Australia) Pty Limited were impaired (see note 4). No loans were past due but not impaired (2012: £nil).

15. CASH AND CASH EQUIVALENTS

	2013 £000s	2012 £000s
Group		
Cash at bank	**17,980**	54,271

Cash and cash equivalents	2013 £000s	2012 £000s
Company		
Cash at bank	**10,256**	53,828

The credit risk on the liquid funds is limited because the counter-parties are banks with high credit ratings.

The Directors consider that the carrying amount of the assets approximate to their fair value.

The Group and Company's cash at bank is held in the following currencies:

	2013 £000s	2012 £000s
Group		
Sterling	**17,348**	53,223
Euros	**77**	-
US Dollars	**146**	312
Canadian Dollars	**93**	25
Australian Dollars	**316**	711
	17,980	54,271

	2013 £000s	2012 £000s
Company		
Sterling	**10,054**	53,086
Euros	**77**	-
US Dollars	**97**	256
Australian Dollars	**28**	486
	10,256	53,828

16. LOANS AND RECEIVABLES

	2013 £000s	2012 £000s
Group		
Loan to third party	**915**	1,500

The loan to third party bears interest at a fixed rate of 6% per annum and is due to be repaid by August 2013.

The Directors consider that the carrying amount of the loans to subsidiaries approximate to their fair value.

After the year-end in April 2013, the third party repaid £750,000 of the loan which was due to be repaid in August 2013.

17. SHARE CAPITAL

	2013 £000s	2012 £000s
Allotted and called up		
1,343,583,310 (2012: 1,339,033,310) ordinary shares of 0.25p each	**3,359**	3,348

On 15 October 2012 the Company issued 2,550,000 new ordinary shares of 0.25p each at a price of 17.5p per share, realising £446,250, following the exercise of share options.

On 1 November 2012 the Company issued 2,000,000 new ordinary shares of 0.25p each at a price of 4.5p per share, realising £90,000, following the exercise of share options.

18. SHARE BASED PAYMENTS

During the year, the movement in share options over shares in the Company was as follows:

	Number of options 000s	Weighted average exercise price £	Weighted average share price at exercise £
At 31 March 2012	143,518	0.1727	-
Granted during the year	64,732	0.3541	-
Exercised during the year	(4,550)	0.1179	0.2105
At 31 March 2013	**203,700**	**0.2316**	**-**
Exercisable at 31 March 2013	139,310	0.1839	-

	Number of options 000s	Weighted average exercise price £	Weighted average share price at exercise £
At 31 March 2011	130,343	0.1706	-
Granted during the year	13,175	0.1931	-
At 31 March 2012	**143,518**	**0.1727**	**-**
Exercisable at 31 March 2012	130,343	0.1706	-

The options granted during the year, generally vest if the option holders are still employed by or engaged with the Company on the vesting dates. Some of the options carry additional performance related conditions which must be satisfied in order for them to vest.

The maximum term of the options granted during the year is 10 years (2012: 10 years) and the options are equity-settled share based payments.

The options outstanding at the year-end had a range of exercise prices from 0.25p to 45p (2012: 10.5p to 30p) and a weighted average remaining contractual life of 4.4 years (2012: 4.2 years).

The fair values of the options granted during the year are calculated by use of the Black Scholes model. The inputs into the model are the number of options, share price on the date of the grant, exercise price, expected life, estimated volatility, risk free rate and dividend yield. Volatility was determined by calculating the historical volatility of the share price of the Company over the previous 50 days.

The fair value of the options determined at the grant date is expensed on a straight line basis over the vesting period.

The aggregate of the fair values of the options granted during the year is £6,540,000 of which £1,931,000 was expensed to the income statement (2012: £223,000). The fair value of the options that were exercised during the year is £238,000 (2012: £nil) and the fair value of the options that were forfeited during the year is £nil (2012: £nil). The fair value of options that were granted in the prior year but expensed during the year is £644,000 (2012: £1,125,000).

The total expense recognised within the income statement in the year in relation to share options is £2,337,000 (2012: £1,348,000).

SHARE AWARDS

During the year, the movement in share awards in relation to shares in the Company was as follows:

	Number of shares 000s	Weighted average exercise price £
At 31 March 2012	-	-
Granted during the year	12,000	-
At 31 March 2013	**12,000**	**-**
Exercisable at 31 March 2013	-	-

The fair values of the share awards are measured by multiplying the number of shares under the award by the closing share price of the Company, on the day before the date of grant.

The shares generally vest if the holders are still employed by or engaged with the Company on the vesting dates. Some of the shares carry additional performance related conditions which must be satisfied in order for them to vest.

The fair value of the share awards determined at the grant date is expensed on a straight line basis over the vesting period.

The aggregate of the fair values of the share awards granted during the year is £2,513,000 of which £317,000 was expensed to the income statement (2012: £nil). The fair value of the shares that were issued during the year is £nil (2012: £nil) and the fair value of the share awards that were forfeited during the year is £nil (2012: £nil).

The total expense recognised within the income statement in the year in relation to share awards is £317,000 (2012: £nil).

The total expense recognised within the income statement in relation to equity settled share based payment transactions in the year is £2,654,000 (2012: £1,348,000).

At the year-end, the share based payment reserve was made up as follows:

	2013 £000s	2012 £000s
Equity settled share based payments – directors	**7,954**	6,086
Equity settled share based payments – senior managers	**1,090**	1,062
Equity settled share based payments – employees	**20**	-
Equity settled share based payments – consultants	**169**	233
Equity settled share based payments – professional advisers	**-**	128
Equity settled share based payments – asset acquisition	**-**	182
Equity settled share based payments – previous employees, consultants and advisers	**1,112**	-
	10,345	7,691

19. DEFERRED TAX LIABILITIES

Group	2013 £000s	2012 £000s
At 1 April 2012	**6,628**	9,701
Effect of change in tax rate	**(256)**	(775)
Release of deferred tax on impairment	**(511)**	(2,231)
Offset of deferred tax asset	**(5,217)**	-
Foreign exchange movement	**15**	(67)
At 31 March 2013	**659**	6,628

At the year-end, the deferred tax liability in York Potash Limited was reduced due to a change in tax rate and the offset of a deferred tax assets and, the deferred tax liability in Auspotash Corporation was impaired (see note 8).

20. LOANS FROM SUBSIDIARIES

Company	2013 £000s	2012 £000s
Auspotash Corporation	**-**	1,104

The loans from subsidiaries are non-interest bearing and repayable on demand.

The Directors consider that the carrying amount of the loans from subsidiaries approximate to their fair value.

During the year, the loan from Auspotash Corporation was impaired.

21. TRADE AND OTHER PAYABLES

Group	2013 £000s	2012 £000s
Trade payables	**1,969**	1,619
Taxation and social security	**248**	98
Other payables	**69**	95
Accruals	**2,338**	1,039
	4,624	2,851

Company	2013 £000s	2012 £000s
Trade payables	**175**	192
Taxation and social security	**153**	55
Other payables	**-**	-
Accruals	**551**	75
	879	322

The Directors consider that the carrying amount of the trade and other payables approximate to their fair value.

22. CASH OUTFLOW FROM OPERATING ACTIVITIES

Group	2013 £000s	2012 £000s
Loss before tax	**(14,572)**	(63,110)
Depreciation	**187**	53
Finance (income)/expense	**(603)**	(164)
Amortisation	**20**	6
Impairment	**2,947**	57,143
Share based payments	**2,654**	1,348
Operating cash flow before changes in working capital	**(9,367)**	(4,724)
Decrease/(increase) in receivables	**746**	(1,396)
(Decrease)/increase in payables	**1,772**	617
Net cash outflow from operating activities	**(6,849)**	(5,503)

Company	2013 £000s	2012 £000s
Loss before tax	**(10,901)**	(50,552)
Depreciation	**33**	12
Finance (income)/expense	**(514)**	(146)
Amortisation	**2**	1
Impairment	**2,395**	47,366
Share based payments	**2,654**	1,348
Operating cash flow before changes in working capital	**(6,331)**	(1,971)
Decrease/(increase) in receivables	**(47)**	(14)
(Decrease)/increase in payables	**557**	51
Net cash outflow from operating activities	**(5,821)**	(1,934)

23. RELATED PARTY TRANSACTIONS

On 3 May 2012 the Company issued 1,800,000 share options at an exercise price of 30p per share to Sir David Higgins.

On 4 May 2012 the Company received notification that C&J Fraser Investments Pty Ltd, trustee of the Fraser Family Trust of which CN Fraser is a beneficiary, purchased 500,000 ordinary shares of 0.25p each at a price of 18.48p per share, in the market.

On 26 September 2012 the Company issued 10,000,000 share options at an exercise price of 30p per share and 10,000,000 share options at an exercise price of 45p per share, to C&J Fraser Investments Pty Ltd, trustee of the Fraser Family Trust of which CN Fraser is a beneficiary.

During the year the Company was charged £25,000 (2012: £25,000) by Z/Yen Group Limited for the services of Prof MR Mainelli (see note 7).

During the year the Company loaned £40,622,000 (2012: £17,511,000) to its subsidiaries for working capital purposes (see note 14). The Company transferred its loans to York Potash Ltd and Dakota Salts LLC to York Potash Holdings Limited and Sirius Minerals Holdings Limited respectively. The total amount transferred was £52,675,000. The Company impaired its loans to Auspotash Corporation and Sirius Minerals (Australia) Pty Limited. The total impairment charge was £3,358,000 (2012: £5,543,000). At the year-end, the Company had a loan receivable balance of £342,000 due from its subsidiaries (2012: £15,753,000) (see note 14).

Details of short-term employee benefits to the Directors, the key management personnel of the Company, are given in note 7.

24. FINANCIAL INSTRUMENTS

CLASSIFICATION OF FINANCIAL INSTRUMENTS

All other Group and Company financial assets as disclosed in notes 13 to 16 are classified as loans and receivables and their carrying values approximate to their fair values. All of the Group and Company's financial liabilities are held at amortised cost.

CAPITAL MANAGEMENT

The Group's and Company's objectives when managing capital are to safeguard the Group's and Company's ability to continue as a going concern, to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group and Company define capital as being share capital plus reserves. The Board of Directors monitors the level of capital as compared to the Group's and Company's commitments and adjusts the level of capital as it is determined to be necessary, by issuing new shares. The Group and Company are not subject to any externally imposed capital requirements.

CREDIT RISK

The Group's credit risk is primarily attributable to its other receivables, cash and cash equivalents and loan to a third party. The Group has implemented policies that require appropriate credit checks. The amount of exposure to any individual counterparty is reviewed regularly by the Board.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the year-end date was:

	2013 £000s	2012 £000s
Group		
Other receivables	**737**	953
Cash and cash equivalents	**17,980**	54,271
Loan to third party	**915**	1,500
	19,632	56,724

	2013 £000s	2012 £000s
Company		
Other receivables	**55**	56
Cash and cash equivalents	**10,256**	53,828
Loans to subsidiaries	**342**	15,753
	10,653	69,637

INTEREST RATE RISK

The Group's interest bearing assets comprise cash and cash equivalents earning interest at a variable rate and a loan to a third party earning interest at a fixed rate of 6%. The Group borrowing at the year-end was £nil (2012: £nil), and the Company borrowing at the year-end was £nil (2012: £1,104,000).

The Group has not entered into any derivative transactions during the year.

The Group's cash and cash equivalents earned interest from various instant access deposits and fixed term deposits in sterling and Australian Dollars. Cash and cash equivalents of the Group and Company are disclosed above under credit risk. The impact of a movement of 5% in the rate of interest on the Group's and Company's cash and cash equivalents will have no material impact to the Group and Company's results and financial positions as at 31 March 2013 and 31 March 2012.

LIQUIDITY RISK

The Group actively maintains cash balances that are designed to ensure that there are sufficient available funds for operations and planned expansions. The Group monitors its levels of working capital to ensure that it can meet its payments as they fall due. The following table shows the contractual maturities of the Group and Company's financial liabilities, all of which are measured at amortised cost:

	Trade & other payables £000s	Accruals £000s	Total £000s
Group			
At 31 March 2013			
6 months or less	2,038	2,338	4,376
Total contractual cash flows	2,038	2,338	4,376
Total amount of financial liabilities measured at amortised cost	2,038	2,338	4,376

	Trade & other payables £000s	Accruals £000s	Total £000s
Group			
At 31 March 2012			
6 months or less	1,714	1,039	2,753
Total contractual cash flows	1,714	1,039	2,753
Total amount of financial liabilities measured at amortised cost	1,714	1,039	2,753

	Trade payables £000s	Accruals £000s	Loan from subsidiary £000s	Total £000s
Company				
As at 31 March 2013				
6 months or less	175	551	-	726
Total contractual cash flows	175	551	-	726
Carrying amount of financial liabilities measured at amortised cost	175	551	-	726

	Trade payables £000s	Accruals £000s	Loan from subsidiary £000s	Total £000s
Company				
As at 31 March 2012				
6 months or less	192	75	1,104	1,371
Total contractual cash flows	192	75	1,104	1,371
Carrying amount of financial liabilities measured at amortised cost	192	75	1,104	1,371

FOREIGN CURRENCY EXCHANGE RATE RISK

The presentation currency of the Group and Company is sterling. Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are charged or credited to the income statement as appropriate.

On consolidation, the assets and liabilities of foreign operations, which have a functional currency other than sterling, are translated into sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of these subsidiaries are translated into sterling at average rates for the year. All exchange differences are recognised within the balance sheet under equity.

The impact of a movement of 5% in foreign exchange rates when translating the financial statements of the foreign subsidiaries into sterling would be £259,000 (2012: £1,692,000) to the Group's results and £11,000 (2012: £2,827,000) to the Group's financial position as at 31 March 2013.

25. COMMITMENTS

OPERATING LEASE COMMITMENTS

The Group leases various offices under operating lease agreements. The lease terms are between 2 and 5 years and, the majority of agreements are renewable at the end of the lease period, at market rate. The lease expenditure charged to the income statement during the year is disclosed in note 5.

The future aggregate minimum lease payments under operating leases agreements are:

Group	**2013 £000s**	2012 £000s
No later than 1 year	**328**	79
Later than 1 year and no later than 5 years	**706**	117
	1,034	196

Company	**2013 £000s**	2012 £000s
No later than 1 year	**43**	43
Later than 1 year and no later than 5 years	**73**	116
	116	159

26. POST BALANCE SHEET EVENT

On 12 August 2013 the Group secured financing of up to £25m with an institutional investor. Up to £25m will be made available via four tranches of interest free convertible securities which are convertible into ordinary shares in the capital of the Group. The first tranche is £10m with a face value of £11m. The subsequent three tranches can be activated at 120 day intervals at the Group's discretion with a minimum of £1m with a face value of £1.1m and a maximum of £5m with a face value of £5.5m per tranche.

Each Convertible Security will have a maturity of 18 months.

OTHER

NOTICE OF AGM

SIRIUS MINERALS PLC

Incorporated and registered in England and Wales with registered number 04948435.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Sirius Minerals Plc (the "Company") will be held at The Royal York Hotel & Events Centre, Station Road, York, North Yorkshire, YO24 1AA, on Tuesday 24 September 2013 at 11:30am for the following purposes:

To consider and, if thought fit, to pass resolutions 1 to 5, which are proposed as ordinary resolutions:

1.	To receive the accounts of the Company for the year ended 31 March 2013 and the reports of the Directors and auditors.
2.	To re-elect Peter Woods, who retires by rotation in accordance with the Company's articles of association and who, being eligible, offers himself for re-election as a Director of the Company.
3.	To re-elect Michael Mainelli, who retires by rotation in accordance with the Company's articles of association and who, being eligible, offers himself for re-election as a Director of the Company.
4.	To re-appoint PricewaterhouseCoopers LLP as auditors of the Company until the conclusion of the next annual general meeting in 2014.
5.	To authorise the Directors to fix the auditors' remuneration.

By order of the Board

NA King
Company Secretary
27 August 2013

Third Floor, Greener House
66–68 Haymarket, London
SW1Y 4RF

NOTICE OF AGM

ENTITLEMENT TO ATTEND AND VOTE

(I)	Only those shareholders registered in the register of members of the Company as at 6:00pm on 22 September 2013 or, if this meeting is adjourned, 6:00pm on the day two days prior to the adjourned meeting shall be entitled to attend and vote at the annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 6:00pm on 22 September 2013 or, if this meeting is adjourned, 6:00pm on the day two days prior to the adjourned meeting, shall be disregarded in determining the rights of any person to attend, speak or vote at this annual general meeting.

APPOINTMENT OF PROXIES

(II)	A shareholder entitled to attend, speak and vote at this annual general meeting is entitled to appoint one or more proxies to exercise all or any of his/her rights to attend, speak and vote at the annual general meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
(III)	A proxy does not need to be a shareholder of the Company but must attend the annual general meeting to represent you. Details of how to appoint the Chairman of the annual general meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the annual general meeting, you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
(IV)	A shareholder may appoint more than one proxy provided each proxy is appointed to exercise rights attached to a different share or shares held by the shareholder. You may not appoint more than one proxy to exercise rights attached to any one share. Details of how to appoint more than one proxy are set out in the notes to the proxy form.
(V)	A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the annual general meeting.
(VI)	The notes to the proxy form explain how to direct your proxy, how to vote on each resolution or how to withhold their vote.

To appoint a proxy using the proxy form, the form must be:

– completed and signed;

– sent or delivered to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA; and

– received by Neville Registrars Limited no later than 11:30am on 22 September 2013 or if the meeting is adjourned, 11:30am on the day two days prior to the adjourned meeting.

In the case of a shareholder which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. The original of any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

INSTRUCTIONS FOR ELECTRONIC PROXY APPOINTMENT THROUGH CREST

(VII)	CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting to be held on 24 September 2013 and any adjournments thereof by utilising the procedures described in the CREST manual. CREST Personal Members or other CREST Sponsored Members, and those CREST Members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take appropriate action on their behalf.
(VIII)	In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland ("EUI")'s specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the issuer's agent (ID 7RA11) no later than 11:30am on 22 September 2013 or if the meeting is adjourned, 11:30am on the day two days prior to the adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
(IX)	CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member or CREST Sponsored Member or has appointed a voting service provider(s) to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

(X)	The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.

APPOINTMENT OF PROXY BY JOINT SHAREHOLDERS

(XI)	In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

CHANGING PROXY INSTRUCTIONS

(XII)	To change your proxy appointments simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the proxy form and would like to change the instructions using another proxy form, please contact Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA, telephone: 0121 585 1131 or fax: 0121 585 1132. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

TERMINATION OF PROXY APPOINTMENTS

(XIII)	In order to revoke a proxy instruction you will need to send a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars Limited. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. The original of any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than 11:30am on 22 September 2013 or if the meeting is adjourned, 11:30am on the day two days prior to the adjourned meeting, and a copy must be sent or delivered to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA. Appointment of a proxy does not preclude you from attending the annual general meeting and voting in person. If you have appointed a proxy and attend the annual general meeting in person and vote in respect of a particular resolution then your proxy's vote, if he or she makes one, will not be counted.

COMMUNICATION

(XIV)	Except as provided above, shareholders who have general queries about the annual general meeting should use the following means of communication: • calling Neville Registrars on 0121 585 1131; or • by email to reece@nevilleregistrars.co.uk You may not use any electronic address provided in any documentation to communicate with the Company for any purposes other than those expressly stated.

EXPLANATORY NOTES TO THE PROPOSED RESOLUTIONS

(XV)	Resolution 1: The directors of the Company are required to lay before the shareholders at the annual general meeting, the accounts of the Company for the year ended 31 March 2013 and the reports of the Directors and auditors.
(XVI)	Resolution 2: The Company's articles of association require certain Directors to retire by rotation.
(XVII)	Resolution 3: The Company's articles of association require certain Directors to retire by rotation.
(XVIII)	Resolution 4: The Company is required to appoint auditors at each annual general meeting at which the accounts are laid, to hold office until the next annual general meeting.
(XIX)	Resolution 5: The Directors can fix the auditors' remuneration for the next year.

GLOSSARY

BPC	Belarusian Potash Company. Marketing arm of Moscow-based Uralkali and Belaruskali of Belarus
CAGR	Compound Annual Growth Rate
CALCIUM OXIDE	Quicklime or burnt lime – CaO
CALCIUM SULPHATE	Common chemical and industrial chemical – $CaSO_4$
CAPEX	Capital expenditure
CARNALLITE	A hydrated potassium magnesium chloride
CRU	Independent experts in global mining, metals and fertilizers
DFS	Definitive Feasibility Study
DSS	Detailed Scoping Study
DWT	Dead Weight Tonnage. Total weight a ship can carry
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
EIA	Environmental Impact Assessment
EOR	Economically Optimum Rate. The optimal rate of fertilizer application relative to cost and yield response
EPC	Engineering, Procurement and Construction
EPCM	Engineering, Procurement and Construction Management
EVAPORITE	A water-soluble mineral sediment that results from the evaporation from an aqueous solution and has been concentrated by evaporation
EXCO	Executive Committee of Sirius Minerals Plc
FAO	Food and Agriculture Organization
FOB	Free On Board. Trade term for the delivery of goods on board a vessel at the port of loading
HALITE	Commonly known as rock salt. The mineral form of sodium chloride (NaCl)
INDICATED RESOURCE	A mineral resource estimate that has been made, at a reasonable level of confidence, of the contained mineral, grade, tonnage, shape, densities and physical characteristics
INFERRED RESOURCE	That part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence
IRR	Internal Rate of Return. The WACC that provides a zero NPV
JORC	Australasian Joint Ore Reserves Committee
KEYTRADE	KEYTRADE AG, a Switzerland based global fertilizer marketer
MAGNESIUM SULPHATE	$MgSO_4$
MEASURED RESOURCE	Indicated Resources that have undergone enough further sampling for it to be regarded as an acceptable estimate, at a high degree of confidence, of the grade, tonnage, shape, densities, physical characteristics and mineral content of the mineral occurrence
MMO	Marine Management Organisation
MOP/MURIATE OF POTASH	Muriate of Potash. Common name for potassium chloride. See potassium chloride
MT	Million metric tonnes

MTPA	Million metric tonnes per annum
NID	National Infrastructure Directorate
NPA	National Park Authority
NPK	Fertilizers made up of a combination of nitrogen (N), phosphorus (P) and potassium (K)
NPV	Net Present Value
NUE	Nutrient Use Efficiency. Refers to the efficiency of nutrient take-up by crops
NYMNPA	North York Moors National Park Authority
OF&G	Organic Farmers and Growers. Leading UK certification body for organic fertilizers
OPEX	Operating expenditure
PFS	Pre-Feasibility Study
PH	The concentration of hydrogen ions in a solution. A measure of acidity and alkalinity
PINS	Planning Inspectorate
POLYHALITE	A hydrated sulphate of potassium, calcium and magnesium – $K_2SO_4.MgSO_4.2CaSO_4.2H_2O$
POTASH	Any of several compounds containing potassium. Used mainly in fertilizers
POTASSIUM CHLORIDE	A metal halide salt comprising potassium and chlorine – KCl
POTASSIUM NITRATE/NOP	A chemical compound of potassium, nitrogen and oxygen. Used in fertilizers
POTASSIUM OXIDE	A compound of potassium and oxygen. Represents the amount of potassium in a fertilizer if it was in the form of potassium oxide – K_2O
PROBABLE RESERVE	The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. A Probable Ore Reserve implies a reasonable degree of confidence of the contained mineral, grade, tonnage, shape, densities and physical characteristics
PROVEN RESERVE	The economically mineable part of a Measured Mineral Resource. A Proven Ore Reserve implies a high degree of confidence of the contained mineral, grade, tonnage, shape, densities and physical characteristics
SASKATCHEWAN	Prairie province in Canada which has significant mining activity in potash and uranium
SEISMIC TESTING	Method of exploration geophysics that uses the principles of seismology to estimate the properties of the Earth's subsurface from reflected seismic waves
SOP/SULPHATE OF POTASH	A crystalline salt compound of potassium, sulphur and oxygen, used in fertilizers – K_2SO_4
SRK	Mining experts SRK Consulting Ltd
SYLVINITE	A mineral formed of a mixture of sylvite and halite
SYLVITE	Potassium chloride in natural mineral form
T	Metric tonne
TCT	Yunnan TCT Yong-Zhe Company Limited
WACC	Weighted Average Cost of Capital
YPL	York Potash Limited
YPP	York Potash Project

ADDITIONAL INFORMATION

POTASH

The most common form of potash is potassium chloride, or Muriate of Potash ("MOP"), which occurs naturally as sylvite, sylvinite and carnallite. The 2011 MOP production of 56 million tonnes accounted for 90% of global potash production, with the balance of 6.4 million tonnes being produced as Sulphate of Potash ("SOP"). MOP contains around 60–62% potassium oxide (K_2O). Although widely applied in all types of farming, MOP is primarily used for row crops.

SOP has historically attracted a price premium to the MOP price due to its higher production costs, limited availability and superior benefits for chloride-sensitive crop types. Some 60% of SOP is produced from the reaction of sulphuric acid and MOP in the Mannheim Furnace process and as such provides a benchmark price floor for the SOP price.

SOP contains 50–53% K_2O, can be used in every application that MOP can and is preferred in many circumstances as the chloride ion in MOP can be detrimental to some plants. Many types of fruit and vegetables, particularly tobacco, can be affected by overexposure to chloride. Furthermore, in areas with little rainfall or poor drainage, high chloride levels can be elevated in soils, resulting in symptoms of chloride toxicity in crops. Therefore, the soil's chloride content has to be managed carefully by farmers and over-application of MOP can have detrimental effects on the yield and quality of crops. This may also be taken into account in case of intensive potash-replenishment strategies in countries where potash has historically been under-applied.

NPK FERTILIZERS

NPK is the general term for a product which contains all three of the primary macro-nutrients: nitrogen, phosphorus, and potassium. These fertilizers can have a wide range of formulations that can be tailored to the needs of a market or crop sector. The growing need for balanced fertilization solutions has increased demand to add the other three macro-nutrients – sulphur, magnesium, and calcium – to the formulation. The Company is well-positioned to play a leading role in the NPK market by replacing potassium by polyhalite.

In general there are three distinct types of NPK fertilizers:

1. **Complex fertilizers:** manufactured through processes involving a chemical reaction between the constituents containing the primary plant nutrients (each granule contains the declared ratio of nutrients)

2. **Compound fertilizers:** granulated straight fertilizers with the granules containing the nutrients in varying ratios

3. **Blends or blended fertilizers:** Simple yet effective mechanical mixtures of straight fertilizers.

Most commonly used grades (N-P_2O_5-K_2O) include:

- Nutrient ratio 1:1:1. For instance, 15-15-15, 16-16-16, or 17-17-17
- Nutrient ratio 1:2:3. For instance, 5-10-15 or 6-12-18
- Nutrient ratio 1:1:1.5. For instance, 13-13-21 or 14-14-21
- Nutrient ratios 3:1:1 and 2:1:1. For instance, 24-8-8 or 20-10-10

The NPK market is forecasted to be the fastest growing segment of the fertilizer industry driven by the following specific drivers:

- **Increased awareness of need for improved nutrient management:** Increasing number of governments, farmers, and scientists recognise the need of improved and more balanced management of all six macro-nutrients in order to adequately cope with multiple deficient soils and sub-optimal yields
- **Improved agricultural technology:** The increased use of Precision Agriculture technology in developed regions and better farming methods and technology in developing regions encourage farmers to use value-added NPK fertilizers instead of straight fertilizers
- **Government role:** Improved education programmes on the value-add of NPK fertilizers coupled with increased subsidies in key regions such as China and India are expected to increase the share of NPK fertilizers
- **Enhanced quality and customisation NPK product:** NPK fertilizers have a wide range of formulations that can be tailored to the needs of crop, soil and climate conditions. NPKs can also include other macro- (and micro-) nutrients.

DIRECTORS AND ADVISERS

DIRECTORS

RJ Scrimshaw (Non-Executive Chairman)
CN Fraser (Managing Director and CEO)
JH Murray (Finance Director and CFO)
CJ Catlow (Non-Executive Deputy Chairman)
Sir David Higgins (Non-Executive Director)
Lord Hutton (Non-Executive Director)
Prof MR Mainelli (Non-Executive Director)
PJE Woods (Non-Executive Director)

SECRETARY

NA King

REGISTERED OFFICE

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AUDITORS

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REGISTRARS

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COMPANY INFORMATION

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ND 58503
United States of America

COMPANY REGISTRATION NUMBER

04948435

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