ANNUAL REPORT 2014

For the year ended
31 March 2014

SIRIUS
MINERALS PLC

WELCOME TO THE SIRIUS MINERALS 2014 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 CAN BE USED TO INCREASE BALANCED FERTILIZATION AROUND THE WORLD.

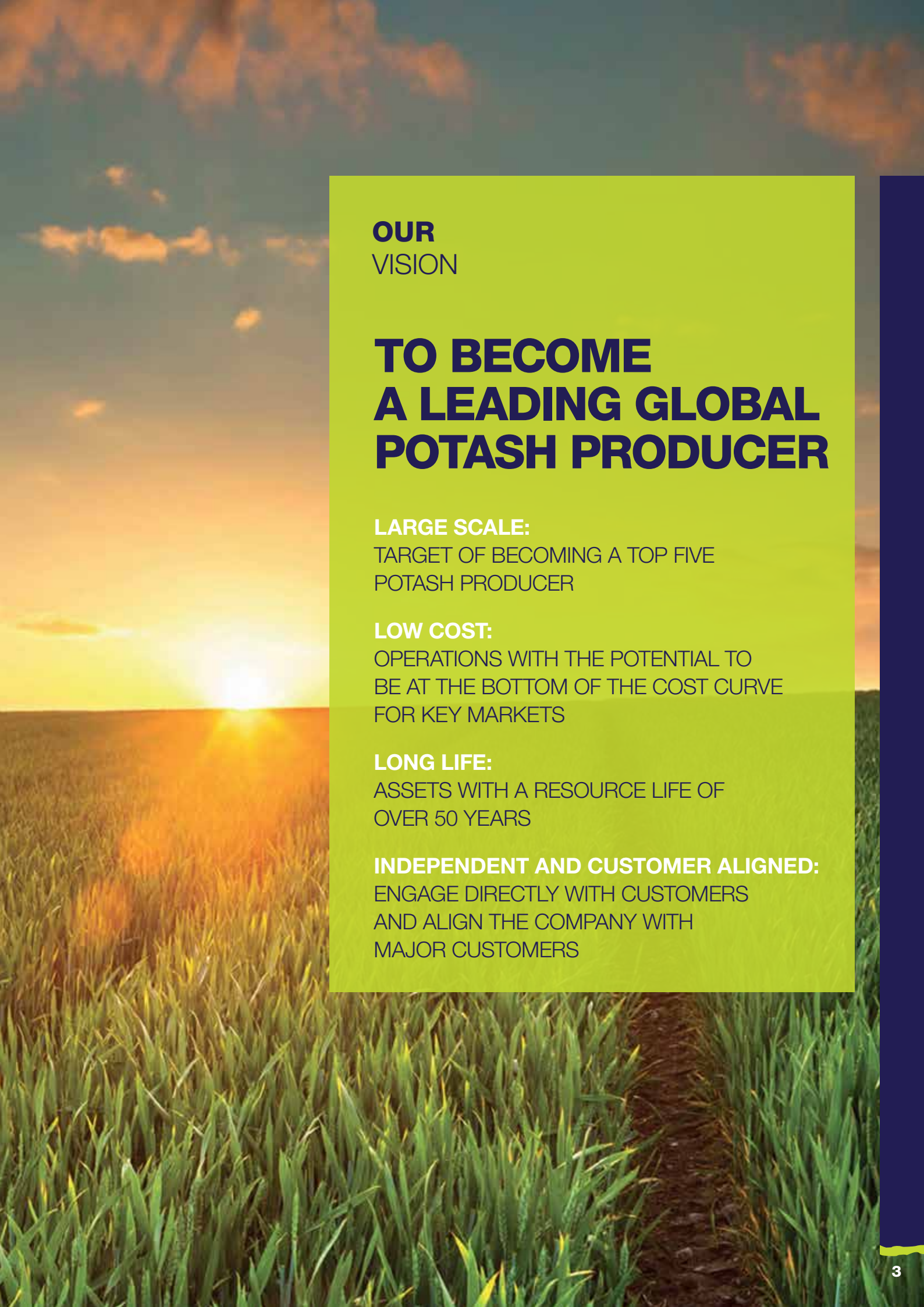
THE COMPANY IS ALSO COMMITTED TO DEVELOPING A PORTFOLIO OF PROJECTS AND CONTINUES TO REVIEW OPPORTUNITIES AROUND THE GLOBE THAT FIT THE COMPANY'S LONG TERM STRATEGY TO BECOME A LEADING GLOBAL POTASH PRODUCER.

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.

CONTENTS:

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 WITH 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

Dear Shareholders,

I have the pleasure of submitting my latest Chairman's Statement to you. In recent years we have made exceptional progress towards our goals and also experienced some real highs and lows along that journey.

It is said that 'what doesn't break you makes you stronger' and despite the disappointment of the delays to the mine planning application for the York Potash Project (YPP or the Project) in 2013, we are emerging with an even stronger planning case and environmental statement as well as with further strengthening of our business and project plans.

The year will also be remembered for signing a major, long-term take or pay contract with a Fortune 500 US-based agri-business – such a commitment at this stage of a Project's development has been hitherto largely unheard of in our industry. Our global sales and marketing programme continues to impress in both its depth and breadth and I believe we may be able to achieve more here in the short to medium term.

It is easy to forget that our progress in sales and commitments during the last year came at a time of considerable (and unusual) upheaval in the consolidated global potash industry. Prior to Uralkali announcing its decision to stop cooperating with Belaruskali the potash price per metric tonne was around $420. It has since fallen to as low as $315 and now appears to be stabilising with prices of $345 in June 2014.

Despite the disruption in potash price stability over the past year, we do not benchmark our polyhalite price against traditional muriate of potash (MOP). Polyhalite is a chloride-free source of potassium (with a balance of other nutrients required for plant growth) which can therefore attract a market advantage over MOP. The pricing assumptions behind our business model are conservative and the viability of the Project and its returns continue to outstrip others because of the performance of polyhalite in crop trials, our low cost operating structure and the bulk volumes that we plan to deliver.

My own view is very positive on the long-term fundamentals of the fertilizer industry. I have seen in the last few months first-hand how the large emerging nations in Asia, Africa and South America are developing their economies and the difficulties they have importing the optimum level of nutrients that their soils need without driving prices dramatically higher. Our unique multi-nutrient product polyhalite will, we believe, play a key role in this mix.

These considerations, of course, only come into play once we have the approvals we need to build our globally competitive project. The past year has seen an intense level of activity on this important area of our business. As I mentioned in my statement last year, requesting a deferral to our mine application was frustrating and the subsequent length of that delay even more so. However, some significant good has come from this disappointment and a lot of adjustments have been made to our methodology since that time. Your Board has overseen a complete restructure of the approach and our team tasked with securing the key approvals. This has meant not only changing and enhancing our project and consulting teams but also adopting new procedures and approaches. In addition to commissioning extra work from world-leading experts to support our approvals, we are using previous queries or concerns, raised by the planning authority and various critics, as the benchmark for agreeing methodologies in our work before it is completed and submitted.

Russell Scrimshaw
Chairman

The resubmission of the planning application for the mine will allow all to see the new level of detail that has been achieved, and I believe it will be a very comprehensive and high quality submission.

The same high standards will apply to our Mineral Transport System (MTS) planning application, due for submission in September 2014. The switch to this system in February (a change from the previously proposed pipeline system) was a surprise to many, but a step that the Board felt necessary once the level of benefits from doing so became clear. Innovative thinking from our mining and engineering teams who were exploring ways of reducing the environmental impact of the Project – which is an ongoing ethos in the Group – led to this change. Although a higher capital cost, the Board remains comfortable with this outlay on the basis of the operating simplicity and cost savings that it will deliver for generations. The positive reaction it has had from statutory bodies, engineers and financiers alike is a strong endorsement of our strategies to pursue innovation and sustainability at reduced risk.

The detailed engineering across all aspects of the Project continues at pace and has also been a constant theme of the year. There have essentially been two levels of engineering underway throughout this period. The first covers the level of detail needed to establish the parameters for the approvals submissions and the second is the more advanced work and refining that towards delivering the Definitive Feasibility Study (DFS).

Both engineering streams have required a balance of internal resource and external specialists. This effort is being led by Allan Gamble, our Development Director with a 34 year career in the delivery of major projects. Allan has an experienced team of around a dozen engineers and project development professionals that oversee our engineering and approvals work, managing a range of consultancies. The work towards first construction requirements and our DFS also continues in parallel. We are adopting several creative approaches where appropriate, along with tried-and-true designs for key elements of the Project. Our engineering spend is also being undertaken with a clear risk perspective in order to coincide with the granting of the necessary approvals for the Project.

As we plan for the construction of the Project, we will be ably assisted by two new board members who bring an extra element of experience to our team. We were sad to see the departure of long serving Board member Michael Mainelli and also Sir David Higgins due to his UK HS2 commitments. Sir David played a key role in helping to source our new Board members and continues to informally communicate with me on a regular basis. Keith Clarke joins our Board with many years' leadership experience in large engineering consultancy and construction focused businesses, most notably W.S. Atkins Plc. His passion for safety and the environment is being felt by the executive team in their planning and DFS work and he is already a key contributor to our Board discussions.

Likewise, Stephen Pycroft joined the Board replacing Michael Mainelli and brings an impressive track record in the construction industry having achieved remarkable outcomes and successes at Mace as CEO and latterly as Executive Chairman.

Both gentlemen, besides being solid shareholders in Sirius, have added to the Board's confidence over the future of the Group. These appointments reflect the Group's and my personal desire to, over time, ensure we have the best people and structures to deliver the highest levels of corporate oversight and governance, in line with the QCA code, and in order to underpin the long-term success and growth of the Group. The expertise of the Board as a collective has been enhanced by these appointments and there is very deep experience in managing the types of risks and challenges likely to arise as we implement our project and business strategy.

Although a post balance sheet event, I must also mention the departure of our CFO and Finance Director Jason Murray in August 2014. The closure of the Sydney office is the right decision for the business and Jason is unable to relocate to the UK due to personal reasons. He leaves with our thanks and best wishes for the future.

The last financial year also delivered two significant financings. There is no doubt that the convertible security announced in August 2013 was essential for the Group, but also one that was delivered at a very difficult time in the potash industry. The utilisation of this facility ended once we were able to secure an up-sized placing of £43 million of equity capital in March 2014.

As a significant shareholder myself, I know that dilution is unwelcome but there were a number of very notable positives from this raising. First was the sheer strength of first time support from a wide variety of major investment organisations for the Group and our York Potash Project in an exceptionally difficult period for the mining development space. The second was the support and increased positions taken by large existing institutional investors – we thank them for their ongoing confidence and belief in the Group and its long-term value.

The year ahead will be a defining period for the Group, but it is only a step on our way to fulfil the Group's true potential. We have a strong belief in our strategy and if it proves to be correct, the year ahead will be one that will see substantial value creation for our shareholders. You can be assured, as ever, that our entire team is focused on achieving that goal. We look forward to achieving our targets and thank all our shareholders and supporters for their ongoing support in the year ahead.

KIND REGARDS,

RUSSELL SCRIMSHAW
Chairman

YORK POTASH PROJECT CONTINUED PROGRESS

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

Feb–14:
New Mineral Transport System (MTS) announced

Jan–14:
US based agri-business signs take or pay agreement for 500,000 tpa bringing total commitments to 4.78mtpa

Sept–13:
Maiden reserve report shows 250 million tonnes of 87.8% polyhalite

Jul–13:
Completion of drilling programme

Jun–13:
Impressive preliminary crop study results

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

May–13:
Resource increase – 2.66 billion and upgrade of 820 million tonnes to Indicated category

Jan–13:
Offshore mining license received

Dec–12:
Pre-Feasability Study published

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

Apr–12:
Detailed Scoping Study published

Jul–11:
Drilling commences

Jan–11:
Acquisition of York Potash

YORKPOTASH
A Sirius Minerals Project

INDUSTRY
OVERVIEW

THE FUTURE OF FERTILIZER

BALANCED FERTILIZATION 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.

POLYHALITE-BASED FERTILIZERS CAN 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

The demand for global agriculture production is estimated to increase by 70% by 2050 (FAO 2012), a result of the world population increasing from seven billion to nine billion, change in diet towards more calories from dairy and meat products which are less efficient to produce, and the use of crops to produce biofuels. There is limited scope to expand the agricultural area, so increases in agricultural productivity must largely be achieved through increasing crop yields (tonnes per hectare). These ongoing pressures, together with increased fertilizer use and improvements through plant breeding have been driving global crop yield increases in most major species, such as cereals, maize and oilseed rape.

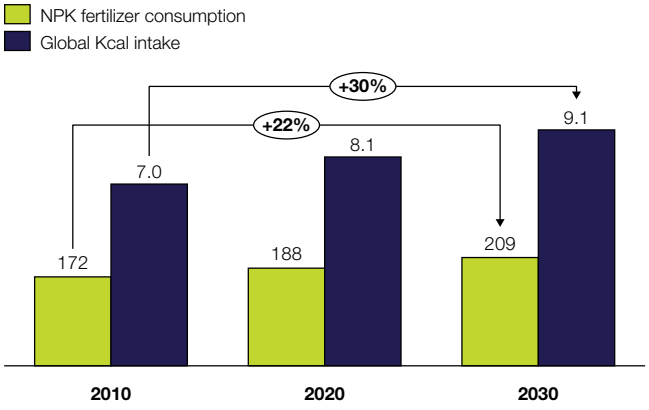
More than three quarters of the global land surface is unsuitable for cultivation, confining food production to the remaining quarter. As the world's population increases, arable land per capita is shrinking. It decreased from 0.38 hectares (ha) in 1970 to 0.23ha in 2000, with a projected decline to 0.15ha per person by 2050 (UNEP 2012). This implies each unit of farmland needs to feed more mouths.

Global climate change will continue to exhibit variability between years, or even decades, and will not be regionally uniform. A warmer climate is expected to reduce water availability, potentially limiting production through water stress. It is expected that the effects of climate change will diminish productivity further – reducing yields by as much as one third in some areas (UNFCCC, 2012). Wheat yields would be particularly affected, sharply declining by 18–30% by 2050, compared to a scenario with no climate change (IFPRI 2014).

Soil degradation through erosion, with consequent loss of nutrients, is also a continuing problem. For example, the "Foresight Project on Global Food and Farming Futures Synthesis Report" (Foresight C2, 2011) states that soil degradation and soil loss (i.e. erosion) in Africa, and especially West Africa, is resulting in a major challenge for the development of agriculture in this region. The International Centre for Soil Fertility and Agricultural Development has estimated that over 95 million hectares of land have been degraded to the point of greatly reduced productivity (Bationo et al, 2007).

CHART 1

FORECASTED GLOBAL NPK FERTILIZER AND FOOD CONSUMPTION 2010–2030



Sources: UN; World Bank; IFA; Sirius Minerals

MINERAL FERTILIZERS

The future of fertilizer

In order to grow, plants require a range of non-substitutable and 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 as they are consumed in large amounts. Appropriate applications of micro-nutrients are also vital to improving the use efficiencies of macro-nutrients and optimising crop yields and quality. Micro-nutrient applications to crops to improve human and animal health are now becoming established in helping achieve future food and nutrition security goals.

Introduction of POLY4

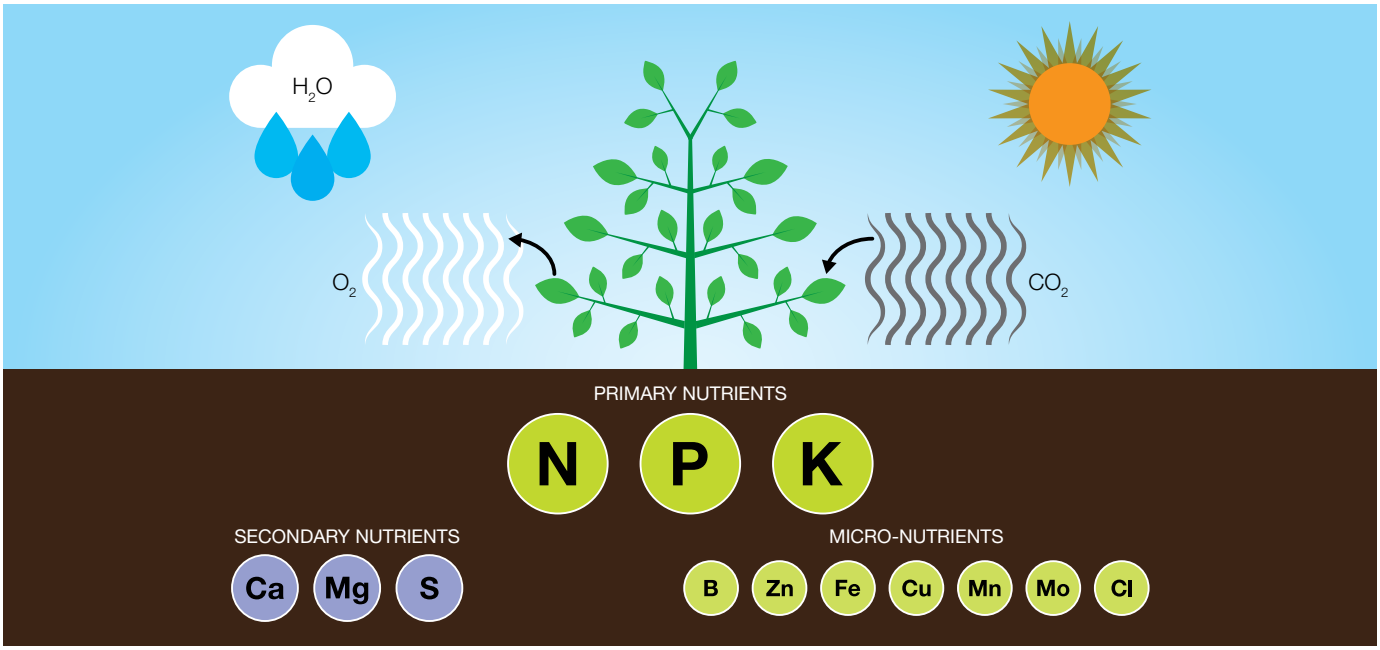
POLY4 is the trademark name for polyhalite products from the York Potash Project. Polyhalite is a naturally occurring, evaporite mineral formed from the dried-up bed of an ancient sea or ocean. Chemically, it is a hydrated potassium, calcium, magnesium sulphate salt with a chemical formula $K_2SO_4 \cdot MgSO_4 \cdot 2CaSO_4 \cdot 2H_2O$.

Extensive work has been carried out on the processing of polyhalite from the York Potash Project. The mined ore will be crushed and ground and then re-granulated to create the premium granular product. The micro premium uses the same granulation process to create a smaller size granule. By crushing and then milling polyhalite it is also possible to create a powder form which can be used in the production of complex/compound NPKs.

TABLE 1

CHARACTERISTICS OF POLY4

Essentially chloride–free:	✓ Contains less than 2% chloride ✓ Minimises the potential for hazardous chloride to harm crop growth potential ✓ Historically significant price premium over chloride containing fertilizers ✓ ~20% of global crops known for being chloride-sensitive
Certified for organic use:	✓ POLY4 officially registered for use in organic systems in the UK and Europe
pH neutral:	✓ POLY4 is a neutral salt which has no detrimental effect on soil regardless of application rate
Solubility & nutrient release:	✓ Granular POLY4 is a soluble fertilizer at all commercial application rates ✓ Nutrients are rapidly available to plants
Sustainable:	✓ POLY4 has a low carbon footprint compared to the same tonnage of other fertilizer products ✓ Can help reduce emissions from farming practices ✓ Enhanced nutrient use efficiency (NUE) of both nitrogen and phosphorus implies less leaching and therefore less soil and water pollution of these two nutrients
Diverse application uses:	✓ POLY4 can be applied directly to the soil ✓ Blended with nitrogen and phosphorus to create unique fertilizer blends with all six macro-nutrients



N
NITROGEN

- Promotes protein formation, growth and yield
- Primarily responsible for vegetable 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

P
PHOSPHORUS

- Phosphorus is a major component in plant DNA and RNA
- Critical in root development, photosynthesis, drought resistance, crop maturity and seed production

POLY4 contains four of the six macro-nutrients required for crop growth (in %)

K_2O
POTASSIUM 14%

- Improves take-up of nitrogen and phosphorus
- Facilitates photosynthesis and building of protein
- Increases resistance against disease, drought, frost and insects

S
SULPHUR 19%

- Essential component of amino acids (cysteine and methionine)
- Involved in the development of protein and chlorophyll

MgO
MAGNESIUM 6%

- Helps activate more plant enzymes than any other nutrient
- Key for transport and storage of carbohydrates, proteins and fat

CaO
CALCIUM 17%

- Structure, stability and formation of cell membranes
- Calcium strengthens plant resistance to disease

POLY4 also contains beneficial micro-nutrients (in ppm)

B BORON 169 — Important in cell walls and membranes

Zn ZINC 1.9 — Auxin and superoxide control functions

Mn MANGANESE 3.1 — Manufacture of chlorophyll, function in red-ox reactions of cells, sugar and vitamin C

Mo MOLYBDENUM 0.3 — Important for N and P biochemistry, an enzyme co-factor

Se SELENIUM <0.5 — Not essential for plants but important in human nutrition

Fe IRON <0.5 — Small amounts needed to support production of chlorophyll

Cu COPPER 1.1 — Lignin formation and superoxide control

Sr STRONTIUM 1414 — Known to substitute for calcium in certain crops

BALANCED FERTILIZATION

Balanced fertilization – "law of the minimum"

Every crop needs a balanced supply of the nutrients required for optimal growth and quality. Potential yield will not be achieved if there is an insufficient supply of just one of the essential nutrients. This conforms with Liebig's law of the minimum principle (**Chart 2**), which states that plant growth is limited not by the total amount of resources available, but by the scarcest resource (i.e. the limiting factor). It is therefore clear that crops must be provided with balanced nutrition, including a wide range of nutrients to produce effective yields. It also follows that if any nutrient is limiting then the use efficiency of other nutrients, measured in terms of tonnes of yield per kilogram of nutrient supplied, will be reduced. Increasing the supply of the limiting nutrient will therefore increase yields and increase the use efficiency of other nutrients.

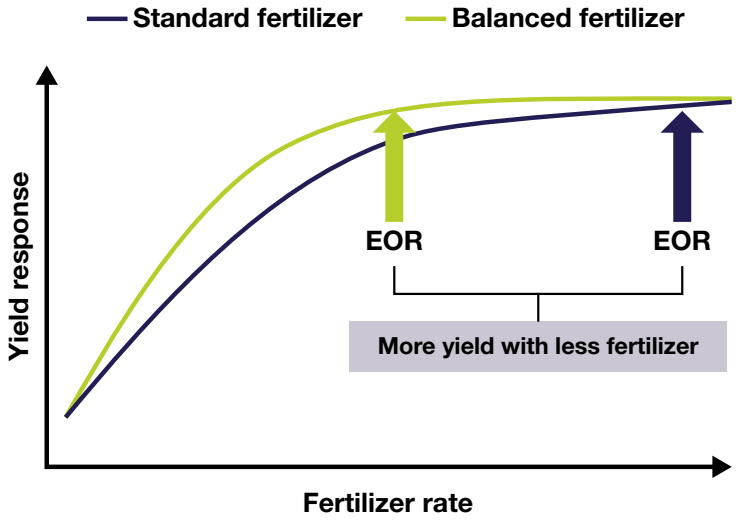
Balanced nutrient provider that enhances NUE

POLY4 provides a supply of potassium (K), sulphur (S), magnesium (Mg) and calcium (Ca) which are required by the major global crops. POLY4 additionally contains low levels of micro-nutrients such as boron (B) and zinc (Zn) which are known to be beneficial for plant growth. Balanced fertilization through POLY4 can enhance nutrient use efficiency and, subsequently, increase farmer yields and profits (**Chart 3**).

Mulder's model illustrates the dynamic nature of soil nutrient interactions and plant uptake and availability (**Chart 4**). The natural and multi-nutrient character of POLY4 is superior to refined commercial fertilizers as it supports a wider spectrum of nutrient uptake.

CHART 3

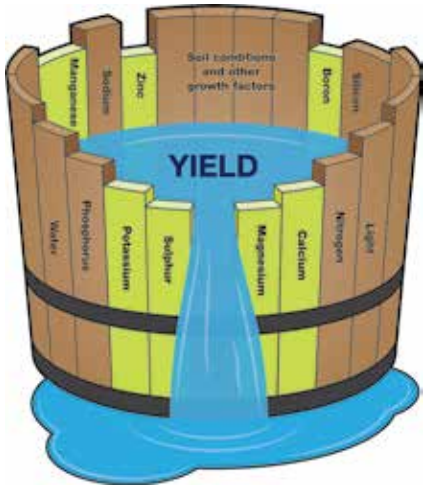
BALANCED FERTILIZATION ENHANCES NUTRIENT USE EFFICIENCY AND YIELDS



EOR = Economic Optimum Rate
Sources: Heady et al. Iowa State University; Sirius Minerals

CHART 2

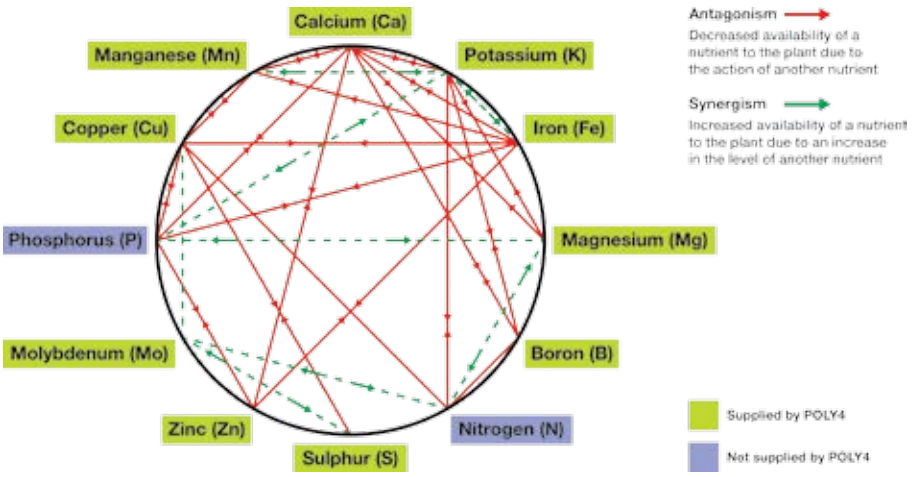
LIEBIG'S LAW OF THE MINIMUM



Naturally contained in POLY4
Notes: POLY4 is the trademarked name for polyhalite products from the York Potash Project

CHART 4

MULDER'S CHART



Notes: 1) Mulder's chart originally published in 1953

CONTESTABLE MARKETS

As a multi-nutrient fertilizer POLY4 has various substitution opportunities (**Chart 5**). Its characteristics enable the product to have an interface in many different markets. The four main nutrients in POLY4 all have value dependent on market requirements.

Potassium

POLY4 can compete with current potassium-bearing products as a low chloride multi-nutrient product. Potash fertilizers in the low-chloride sulphate form such as POLY4 have historically been able to generate a significant premium over the chloride form. Approximately 20% of global crops are chloride sensitive and often referred to as high-value crops. The demand for high-value crops is expected to rise as a result of the emerging middle class which provides significant opportunities for POLY4 as a supply of low-chloride potassium bearing fertilizer.

Sulphur

POLY4 can compete well with the existing products in the sulphur market, being pH neutral and multi-nutrient. POLY4 has a sulphur content of 19%; this is somewhat in line with sulphur per tonne as other common sulphur fertilizers, such as ammonium sulphate (AS) at 24% and super single phosphate (SSP) at 11–14%. Products such as SSP, a phosphate based fertilizer, enjoy increased popularity in regions like Latin America due to the increased recognition of the additional value of sulphur and calcium which POLY4 can provide.

Magnesium

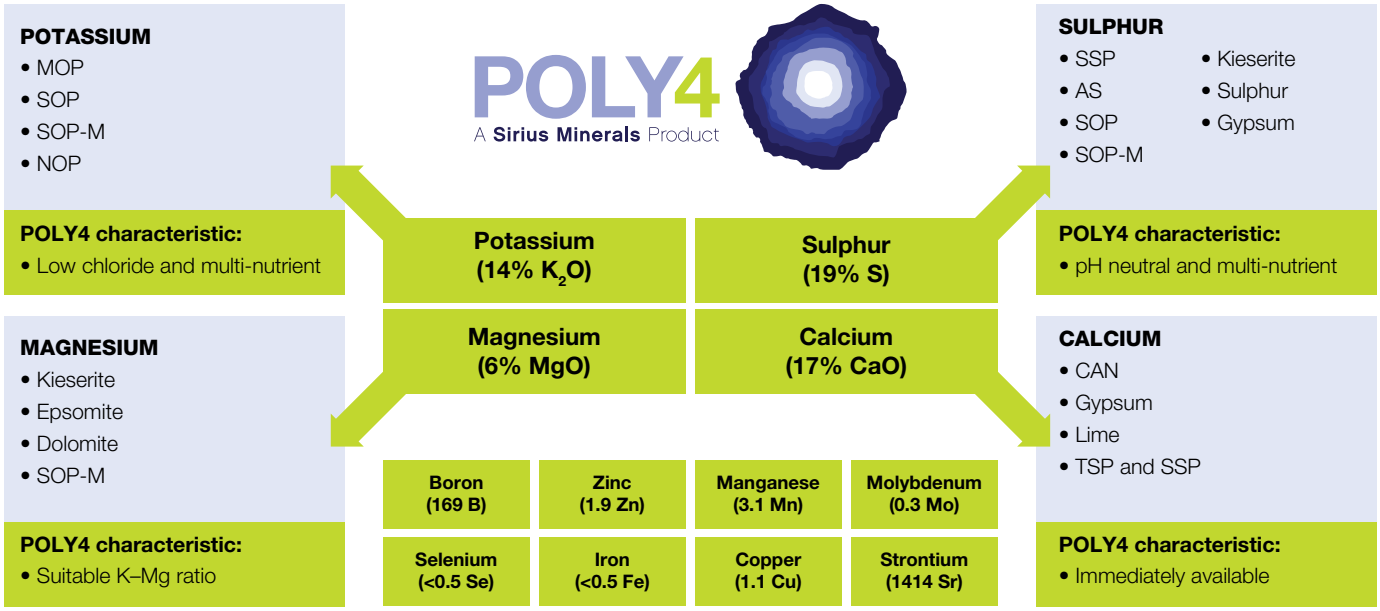
The natural ratio of magnesium to potassium in POLY4 has a good fit with major crops, meeting the need for both in one fertilizer. Current potassium magnesium sulphate (SOPM) producers have been able to achieve a significant premium in excess of the MOP and SOP value of the potassium content of their products. Well drained sandy soils, such as those in the tropics where many of the world's key crops are grown, are highly susceptible to severe magnesium deficiencies. This includes the key regions in the major fertilizer markets of Brazil, China and India.

Calcium

Calcium has a value in its application as the calcium content of POLY4 is rapidly available as shown in the nutrient release testing.

CHART 5

CONTESTABLE MARKETS



LARGE DEMAND FOR POLY4

Sirius Minerals commissioned CRU, an internationally recognised market analysis company specialising in the mining, metals and fertilizer market to assess the market potential for POLY4. The CRU report provides a detailed assessment of the fertilizer industry and the potential for POLY4 to establish a major market position – whether as a straight, directly applied fertilizer or for use in the fertilizer blending industry. CRU was asked to advise on the market value of POLY4, taking account of transport costs and the scale of world demand for the mineral at different pricing levels. The analysis is focused on 2018; the year first production is expected from the York Potash Project.

The CRU report provides a comprehensive and independent analysis of the potential demand for POLY4 at various price points and also based on different competitor responses to the production from the York Potash Project (**Chart 6**). The "No Industry Response" scenario is the polyhalite demand based on forecasted prices in which the incumbent producers elect to sacrifice market share in order to maintain profits and therefore provides the upper boundary. The "High Industry Response" scenario is the polyhalite demand based on the marginal cost of production in which incumbent producers elect to reduce prices in order to maintain market share in the short term and therefore provides the lower boundary of the polyhalite demand window. The likelihood of this scenario where all global incumbent suppliers pursue this strategy would seem to be unlikely. If suppliers choose to respond in such a manner CRU estimates it would only last 12 to 18 months.

The key conclusions in the CRU report align with the Company's strategy for the development of the York Potash Project.

If a value is given to the mineral content of POLY4, the intrinsic value between 2010 and 2013 averaged at US$198 per tonne (**Chart 7**). In practice value will vary with the volume of production and market conditions.

Based on the CRU report there is a very large market for POLY4 at levels that are attractive to the Company and its long-term value.

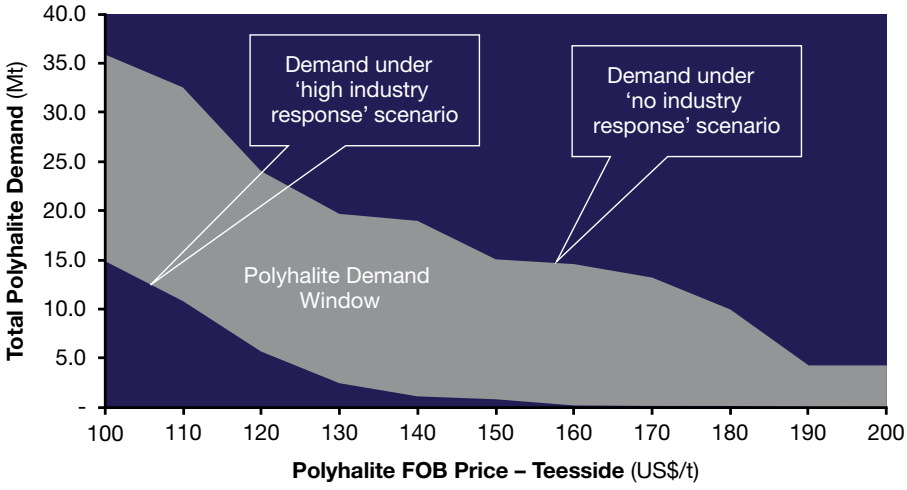
Demand is likely to come from multiple regional markets due to the multi-nutrient characteristics. The key target markets are identified as the USA, Brazil, China and Europe.

The Company is of the view, backed by its negotiated multi-year commitments of 4.8mtpa that demand already exists in the market. The agreements in place are long-term, demonstrating commitment from customers. The agreements are currently comprised of:

- 1.0mtpa offtake agreement in China
- 500,000t per annum offtake agreement in USA, with an option for an additional 500,000t per annum as part of agreement
- 2.0mtpa in memorandums of understanding
- 1.3mtpa in framework sales agreements or letters of intent.

CHART 6

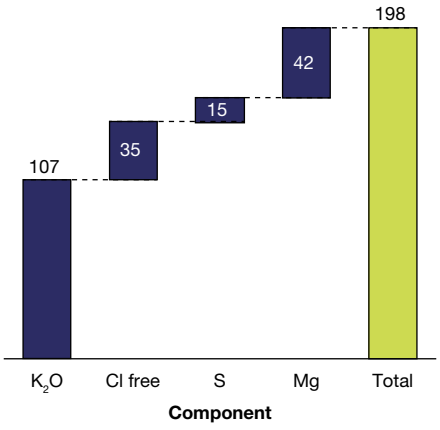
CRU POLYHALITE DEMAND WINDOW 2018



Source: CRU
The demand window includes 2018 pricing for MOP at US$366 and SOP at US$539 based on an average of data provided by CRU.

CHART 7

INTRINSIC VALUE OF POLYHALITE 2010–2013 (US$/t)



Source: CRU
Chart includes rounded numbers

CROP STUDY PROGRAMME

Sirius Minerals has made extraordinary progress this year as the global crop study programme significantly expanded. Thirteen new trial locations have been selected covering a range of different crops of global significance. **Table 2** provides an overview of the current agronomic programme. The expansion reinforces the importance of POLY4 as a multi-nutrient fertilizer with results showing the agronomic importance of balanced fertilization.

The programme has been developed to provide unbiased global agronomic research in cooperation with leading universities and research institutions. All trials in the crop study programme are unique in set up, location and facility provision. The overall goal is to provide data on crop response to POLY4 and POLY4 based NPK blends.

POLY4 Nutrient Release

Having characterised POLY4 product in terms of macro-nutrient content, micro-nutrient content, soil pH effects, soil electrical conductivity effects and nutrient release rates, studies continued with glasshouse/greenhouse work.

Initially crops are grown in greenhouses, where the concept for a larger trial is tested in a controlled environment.

Early growth relates to shoot and root growth rate and development during the seedling stage. Good early plant growth is a sign of vigour and health which is an agronomic desirable characteristic. Final yield per unit cropped area will be influenced by seedling survival. Such characteristics were studied in greenhouse work.

TABLE 2

SIRIUS MINERALS AGRONOMIC PROGRAMME

COUNTRY	FIELD STUDIES	GREENHOUSE STUDIES
United States of America	• Soybean • Potatoes • Sorghum-wheat • Peppers • Onions • Corn • Peanut	• Peppers • Corn • Sugarcane
United Kingdom	• Grass • Oilseed Rape • Barley • Corn • Potatoes	• Wheat • Cotton • Oilseed Rape • Soybean • Potatoes • Celery
China	• Tomatoes • Apples • Rice • Wheat • Corn • Tobacco • Tea	• Corn • Peanuts
Malaysia	• Oil Palm Propagation	
Brazil	• Sugarcane • Tomatoes • Potatoes • Soybeans	

GREENHOUSE STUDIES

CORN – SHANDONG

Biomass – (June 13)

The results underline the unique value of POLY4 as a balanced fertilizer (**Chart 8**).

Leaf viability – (Jan 14)

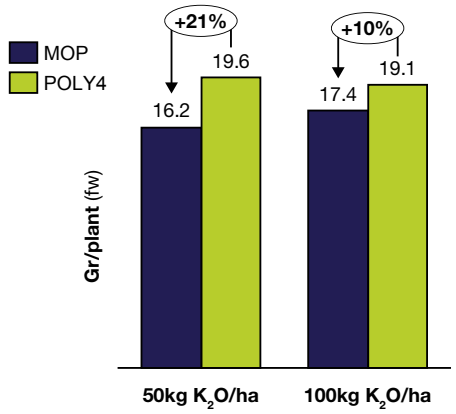
Yellow leaves are an indication of marginal nutrient supply which could affect the crop yield and quality. POLY4 fertilized plants were significantly healthier and potentially more disease tolerant. In the trial POLY4 outperformed MOP as it maximises plant photosynthetic capacity by reducing green leaf losses (**Chart 9**).

Nutrient uptake – (Jan 14)

POLY4 having a multi-nutrient character supported the N, P, K uptake. POLY4 significantly improved the uptake of N in comparison with MOP. Further, potassium uptake by corn grown on POLY4 blends significantly outperformed that of MOP blends (**Chart 10**).

CHART 8

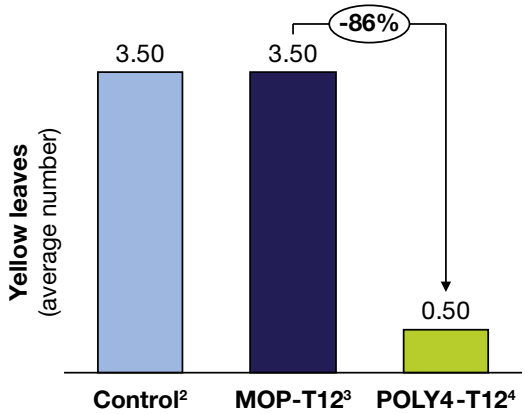
CORN SHOOT BIOMASS DATA FOR POLYHALITE VS MOP[1] (IN GR/PLANT)



Notes: 1) Initial corn shoot biomass response to polyhalite and MOP sourced from Shandong Agricultural University crop study, June 2013. Results 40 days after emergence; Corn planted in low fertility soil in 8L pots in a greenhouse in Tai'an, China;

CHART 9

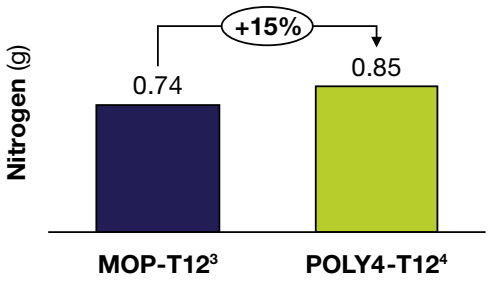
CORN LEAF SENESCENCE ASSESSMENT[1] (NO. OF YELLOW LEAFS, AT 100KG K_2O/HA)



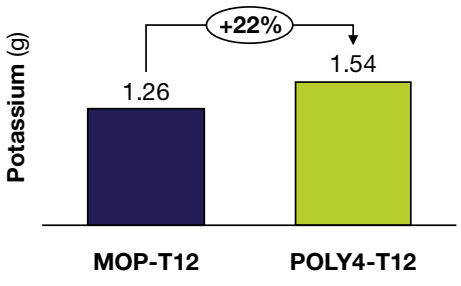
Notes: 1) Actual mean test results; Soil conditions: Sandy loam; Soil pH 7.02; Mehlich 3 extracted K 308.6mg kg-1, Ca 0.67 g kg-1, Mg 0.29 g kg-1, SO4 2- 0.38g kg-1; 2) Control N as Urea and P as DAP; 3) 1 kg MOP 12-12-12 NPK blend is 260.9 gr Urea, 260.9 gr TSP, 200 gr MOP; 4) 1 kg Polyhalite 12-12-12 NPK blend is 159.7 gr Urea, 272.2 gr MAP, 91.5 gr MOP, 440.1 gr Polyhalite
Source: Shandong Agricultural University

CHART 10

CORN N UPTAKE TISSUE ANALYSIS[1 2] (GR/PLANT, BASED ON 100KG K_2O/HA)



CORN K UPTAKE TISSUE ANALYSIS[1 2] (GR/PLANT, BASED ON 100KG K_2O/HA)



Notes: 1) Actual mean test results; Soil conditions: Sandy loam; Soil pH 7.02; Mehlich 3 extracted K 308.6mg kg-1, Ca 0.67 g kg-1, Mg 0.29 g kg-1, SO42- 0.38g kg-1; 2) Control N as Urea and P as DAP 2) 1 kg MOP 12-12-12 NPK blend is 260.9 gr Urea, 260.9 gr TSP, 200 gr MOP; 5) 1 kg Polyhalite 12-12-12 NPK blend is 159.7 gr Urea, 272.2 gr MAP, 91.5 gr MOP, 440.1 gr Polyhalite
Source: Shandong Agricultural University

Yield – (Jan 14)

POLY4 blends significantly enhanced the grain weight of corn compared to MOP blends. Yield response is maintained across a range of POLY4 blend application rates. In this study yield response was 46% better for triple 12 blends made with POLY4 versus traditional products at 100kg K_2O/ha (**Chart 11**).

CORN – FLORIDA

Biomass – (Apr 14)

Ratification of Shandong corn study results was undertaken at Florida University.

At recommended application rates POLY4 blends significantly outperformed MOP blends by 19%. Other results are shown below (**Chart 12**).

WHEAT – DURHAM

Aerial dry weight – (Jan 14)

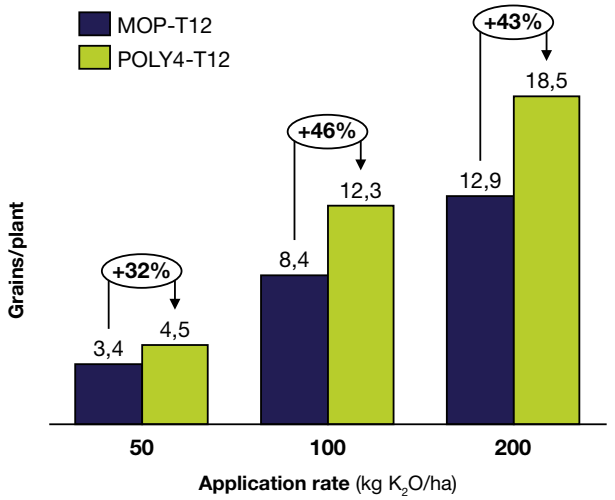
Remarkable early growth benefits were observed across a range of varieties when POLY4 was compared to MOP (+38%) and when compared to an artificial polyhalite equivalent (+10%). This is shown below (**Chart 13**).

The year of 2014 saw an extension of this work in which POLY4 as a blend component outperformed an MOP blend by 41% for plant aerial fresh weight.

POLY4 also supported enhanced root dry weight. An extra 54% dry weight gain at a conventional K_2O application rate.

CHART 11

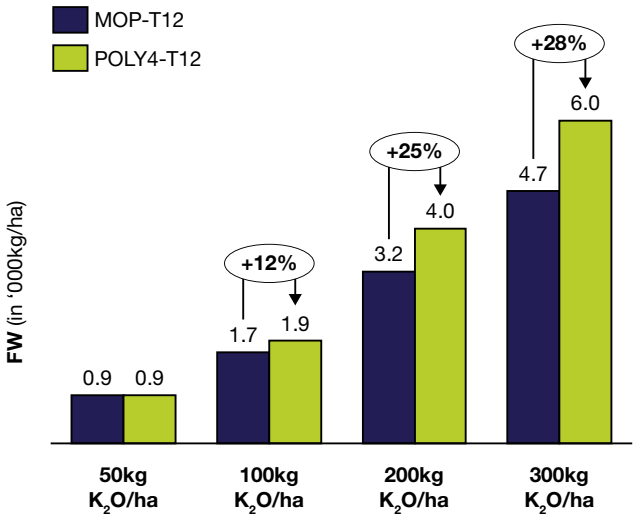
CORN TOTAL GRAIN WEIGHT (IN G)



Notes: 1) Actual mean test results; Soil conditions: Sandy loam; Soil pH 7.02; Mehlich 3 extracted K 308.6mg kg-1, Ca 0.67 g kg-1, Mg 0.29 g kg-1, SO42- 0.38g kg-1; 2) Control N as Urea and P as DAP 2) 1 kg MOP 12-12-12 NPK blend is 260.9 gr Urea, 260.9 gr TSP, 200 gr MOP; 5) 1 kg Polyhalite 12-12-12 NPK blend is 159.7 gr Urea, 272.2 gr MAP, 91.5 gr MOP, 440.1 gr Polyhalite
Source: Shandong Agricultural University

CHART 12

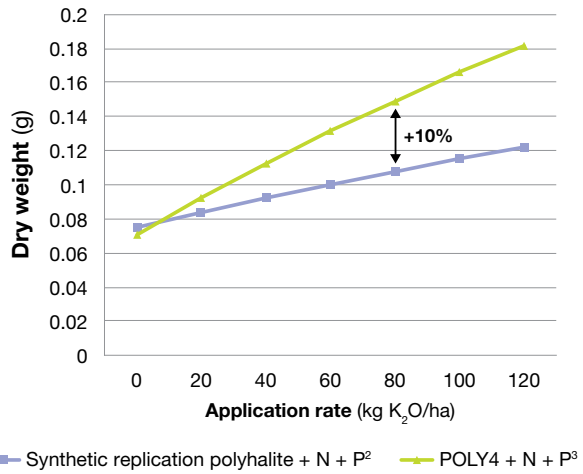
CORN GRAIN FRESH WEIGHT[1] (IN '000KG/HA)



Notes: 1) Linear regression; Soil conditions: K 8.05ppm, Ca 329ppm, Mg 19ppm, SO_4 38.5ppm, pH 7.14.
Sources: University of Florida

CHART 13

WHEAT (GALLANT) DRY WEIGHT[1] (IN GRAMS)



Notes: 1) Winter Wheat type Gallant; Regression curve of test results; Soil conditions: Nafferton clay loam; soil pH 6.3, P 9mg/L, K 82mg/L, Mg 203mg/L, S 134mg/L; Variance 61% accounted for; Control N as Urea 150 mg N/kg and P as calcium dihydrogen phosphate 37mg P/kg; 2) Synthetic polyhalite: replication of the polyhalite nutrient composition by mixing the sulphates of potash (SOP), calcium (CaO) and magnesium ($MgSO_4$) in the exact same amounts as in 100% pure natural polyhalite; 3) Polyhalite
Sources: Durham University

POTATO – DURHAM

Fresh weight – (April 14)

On the soil used in this trial the recommended K_2O application rate was 330kg/ha, POLY4 had a 32% yield increase over MOP (**Chart 14**). Higher rates of POLY4 were safe for potato production, no toxic effects of chloride were seen at high application rates.

POLY4 as an essentially chloride-free source of potassium is therefore preferred over MOP.

OILSEED RAPE – DURHAM

Aerial dry weight – (April 14)

A second repetition of oilseed rape studies continued to validate the effectiveness of POLY4. At a common application rate of 70kg/ha K_2O, a significant aerial dry weight improvement of 27% was observed (**Chart 15**). As seen in previous studies the enhanced leaf area is expected to support a higher yield.

SUGARCANE – FLORIDA

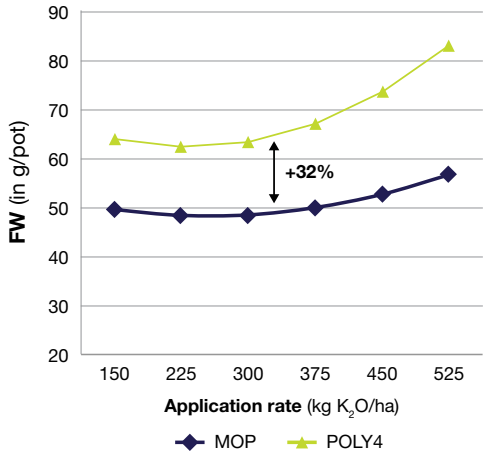
Yield – (April 14)

In the sugarcane NPK blend study, the recommended K_2O application rate of 90kg/ha generated a 9.3% yield increase (**Chart 16**). POLY4 lifted the ceiling on economic yields as continuous yield improvements were observed at high application rates.

Having validated the value of POLY4 in greenhouses with pot studies the Sirius Mineral global agronomy programme aims to develop the understanding of a crop response in plot scale field trials. Duplication across a range of locations will generate robust data in support of POLY4 as a suitable nutrient source for crops.

CHART 14

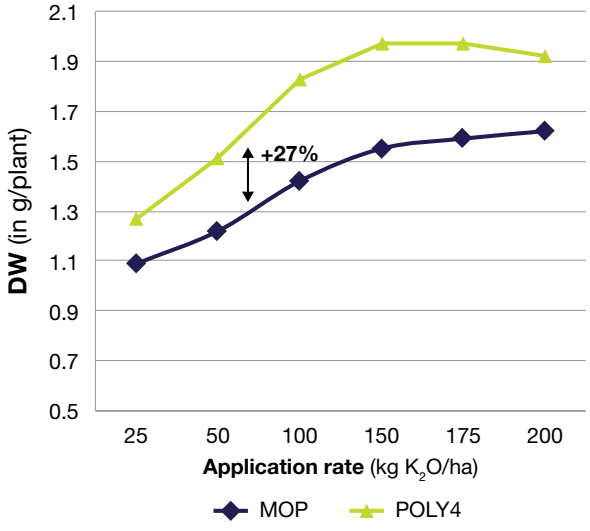
POTATO TUBER FRESH WEIGHT[1] (IN G/POT)



Notes: 1) Linear regression; Soil conditions: K 82mg/L, Mg 203mg/L, S 134mg/L, soil pH 6.3
Sources: Durham University

CHART 15

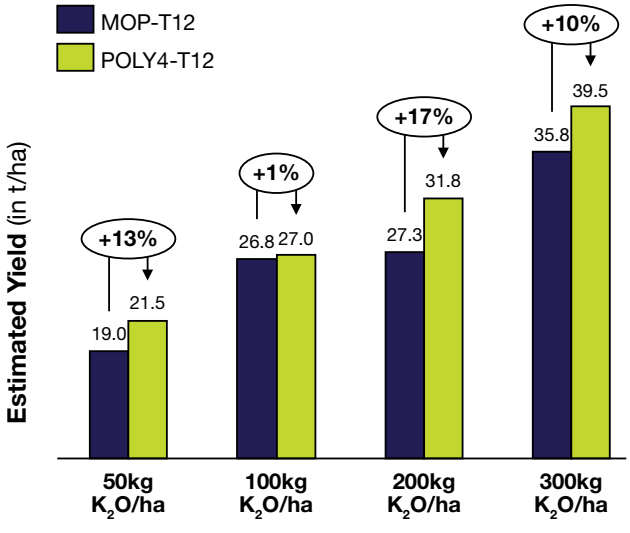
OILSEED RAPE AERIAL DRY WEIGHT – 30 DAYS[1] (IN G/PLANT)



Notes: 1) Linear regression; Soil conditions: K 82mg/L, Mg 203mg/L, S 134mg/L, soil pH 6.3; Oilseed Rape also known as Canola
Sources: Durham University

CHART 16

SUGARCANE YIELD[1] (IN METRIC TONNES/HA)



Notes: 1) Soil conditions; pH 6.67–7.14, K 4.38–5.46ppm, Mg 7.4–29ppm, P 1.96–16.67ppm, SO_4 9.61–40.37ppm, Ca 82–329ppm
Sources: University of Florida

FIELD STUDIES

SOYBEAN – FLORIDA

Yield – (April 14)

POLY4 blends were seen to outperform conventional MOP blends at all application rates. Common application rates of 60kg K_2O/ha indicate that POLY4 blends are outperforming MOP blends by approximately 11.3% (**Chart 17**). Although soybeans are known for being 'chloride tolerant' the results indicate a crop sensitivity at high application rates of MOP blends, limiting yield. This was not observed with POLY4 blends.

Going forward we have initiated further soybean studies in Florida, Louisiana, Texas and Mato Grosso, Brazil.

ONION – TEXAS

Yield – (June 13)

In a complex two part study which evaluated POLY4 as a straight fertilizer or as a blend component onions were examined in the field

The results showed higher yields at all application rates for POLY4, with a significant decline for MOP above 90kg K_2O/ha highlighting the negative effect on a chloride sensitive crop. Overall POLY4 colossal onion yields were 21% greater than MOP yields on high nutrient containing soils (**Chart 18**).

CEREALS

Yield – (June 13)

Following from successful appraisal of cereals in a glasshouse environment Sirius developed the programme to plot scale field work.

At Texas A&M the sorghum results showed that on a product basis POLY4 generated higher optimal yields than MOP despite the difference in K_2O content (**Chart 19**).

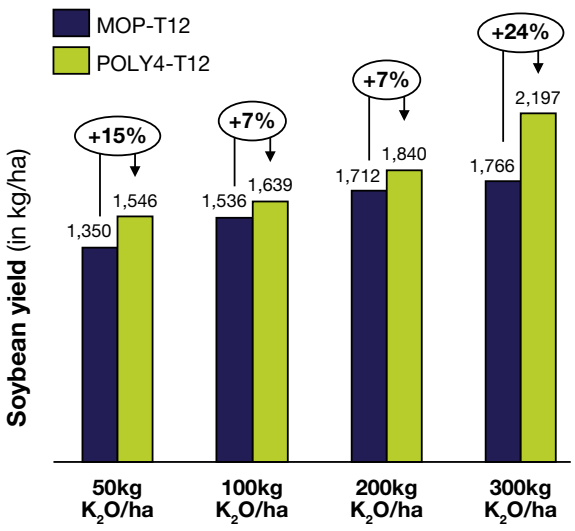
Building upon the corn studies at Shandong and Texas, field studies at Warwick Crop Centre and Florida have been commissioned and shall mature this year.

The University of Nanjing in China is scheduled to study winter wheat, as too are sites in France during 2014–15.

The autumn of 2013 also saw the establishment of a winter feed barley trial at Warwick Crop Centre UK which investigates fertilizer timings against competitor products.

CHART 17

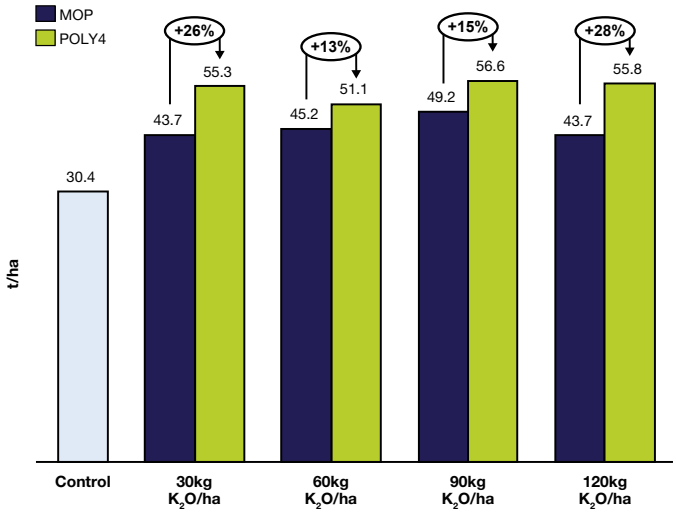
SOYBEAN YIELD[1] (IN KG/HA)



Notes: 1) Mean results
Sources: University of Florida pH 6.4, K 45.7 ppm, Ca 342 ppm, Mg 110ppm, SO_4 46.3 ppm, EC 126 uS/cm

CHART 18

COLOSSAL YIELD COMPARISON ON K_2O APPLICATION BASIS[2 3]



Notes: 1) Onions are classified by size – small, medium, large and colossal which is the biggest sized onion; 2) Yield response to polyhalite application sourced from Texas A&M preliminary analysis May 2013; 3) Results for colossal type onions and based on high N application (150 kg N/ha); 4) Soil characteristics of onion field trial – Hidalgo sandy loam soil: pH=7.4; N03 – N=7.1ppm, P=29.7ppm, K=510.3ppm, Ca=6241ppm, Mg=405ppm, S=24ppm.

POTATO

In parallel to the Durham Universitystudy, Texas A&M worked on a field study of potatoes. POLY4 was as effective as MOP at normal rates. Texas (Jun 2013) further demonstrated yield increases at higher rates when MOP appeared to create yield decline.

Wisconsin University began a potato trial in May 2014.

A further field study is currently underway with the SAC (Scottish Agricultural Colleges Commercial Ltd) which also began in May 2014.

OILSEED RAPE

Building on pot trial results from Durham University which indicated POLY4 enhanced yield and crop biomass, a field programme was started in the autumn of 2013 at Harper Adams University, UK.

A further field study began during May 2014 at North Dakota State University, USA.

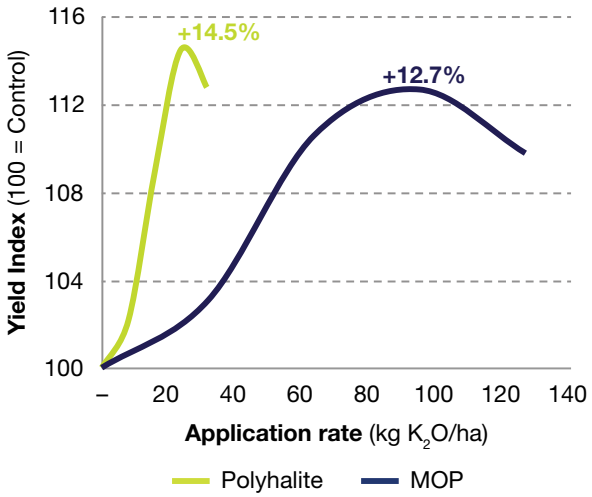
NEW CROPS

New crop work streams have been initiated on crops which the Company believes have significant local economic impact. The programme underlines Sirius Minerals' commitment to demonstrating the excellence fertilizer qualities of POLY4.

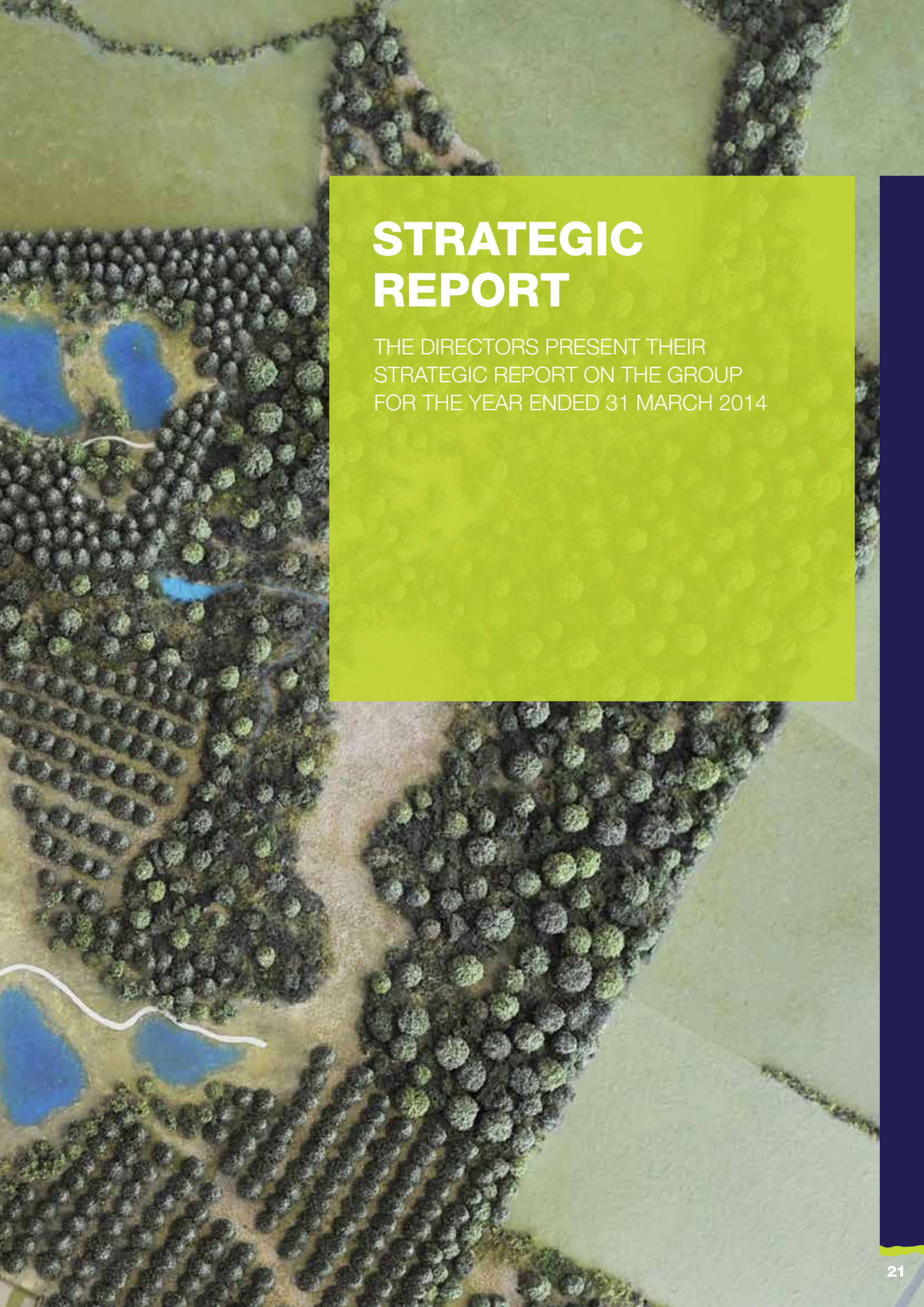
- Tomatoes and cabbages in Florida (USA)
- Spinach in Texas (USA)
- Peanuts in Georgia (USA)
- Oil palm (Malaysia)
- Rice, tobacco and tea (China)
- Grass and celery (UK)

CHART 19

SORGHUM WHEAT YIELD ON K_2O APPLICATION BASIS[1 2] (POLYHALITE AND MOP)



Notes: 1) Yield response to direct granulated polyhalite application sourced from Texas A&M crop study Q4 2012 report. Results based on 150kg/ha of N application for wheat and 50kg/ha for pepper; 2) Field trials on high nutrient testing soil; Soil characteristics of wheat – Hidalgo sandy clay loam soil: pH=7.2; N03 – N=3.2ppm, P=40.5ppm, K=400ppm, Ca=4344.1ppm, Mg=401.1ppm, S=9.5ppm. Soil characteristics pepper – Hidalgo sandy clay loam soil: pH=7.9; N03 – N=2.8ppm, P=31.4ppm, K=475.1ppm, Ca=3120.6ppm, Mg=354ppm, S=11.9ppm.



STRATEGIC REPORT

THE DIRECTORS PRESENT THEIR STRATEGIC REPORT ON THE GROUP FOR THE YEAR ENDED 31 MARCH 2014

CHIEF EXECUTIVE OFFICER'S STATEMENT

AFTER A YEAR DOMINATED BY THE APPROVALS PROCESS FOR OUR FLAGSHIP YORK POTASH PROJECT, WE CAN LOOK BACK WITH CONFIDENCE THAT MEASURES HAVE BEEN PUT IN PLACE TO ADDRESS THE MISTAKES MADE PREVIOUSLY. AS WE APPROACH OUR RESUBMISSION WITH GROWING CONFIDENCE OUR BELIEF IN THE PROJECT AND ITS VALUE IS STRONGER THAN EVER.

Chris Fraser
Managing Director and CEO

It is my privilege to bring you this update on behalf of both the management and entire team at Sirius.

SAFETY

As always, my update starts with our safety performance. I'm pleased to report that there have been no major incidents during the financial year. Throughout this period the main risks associated with safety have centred on our drilling work – during the end of our exploration work and more recently, while our geotechnical drilling along the MTS route has been underway.

This work has been led by teams of contractors, as our construction phase will be, and it is and will be an ongoing priority to ensure that our suppliers share the same safety goal as we do – that of Zero Harm. We will continue to strive for this, and we acknowledge the scale of the challenge will be much greater as the Project progresses and the safety risks increase.

The target of Zero Harm can only be achieved with a continual focus on all that we do, with prevention clearly being the ultimate goal. Full investigations have been conducted into the two minor injury incidents on the geotechnical drilling sites with interventions put in place to preclude a repeat of these incidents.

PEOPLE

There have been a number of key staff changes in the past year, however the core of our management team in our Executive Committee structure has largely remained the same and continues to function well. Felicity Gooding (Corporate Development and latterly Deputy CFO) and Gordon Cowe (Development Director) both moved on with a desire to find their way back to the Western Australian sunshine. They did so with our best wishes and thanks for their contribution to the Project.

Following the deferral to our mine planning application last July, Gordon was instrumental in selecting our new consultant teams to lead our resubmission and installing the project processes and procedures. Gordon was also responsible for bringing Allan Gamble to the team and the subsequent transition between the two was seamless. Allan possesses a wealth of experience in the resources industry with a 34 year career in the delivery of major projects, the last ten of which have been spent managing major mining and resource infrastructure projects, primarily in Western Australia.

Allan's experience, in particular his past role as Director of Western Australia Mineral Projects for a global project

management organisation and that of developing strategic plans for major iron ore producers, provides the most up-to-date expertise to drive the engineering and implementation of the Project. He has executed project management roles in EPCM design and construction, construction and project management roles for EPC construction contractors, and also acted as the owner's project manager for mega project developments. For our Project he has built a lean yet highly experienced team around him and is leading the planning approvals, engineering and DFS work. It would be remiss of me not to report that following our planning deferral we had to let a number of staff go, as we restructured within the budgets and timescales in front of us. This was an unpleasant, albeit necessary, experience that none of our management team wish to repeat.

As a post-balance sheet event I also have to report the departure of Jason Murray, as mentioned in the Chairman's statement.

Looking to the future, I'm pleased to report that our four apprentices have all passed their first year exams and are making great progress on their career paths. Likewise, four of our graduates approach their final years' study with excitement. Our fifth graduate has recently finished his studies and joined our team on an initial fixed-term contract. We remain committed to our talent development programme, which will begin new intakes once our approvals are successfully obtained.

DRILLING PROGRAMME

The completion of our exploration drilling programme was detailed in last year's annual report. This campaign allowed us to define the world's largest and highest grade polyhalite resource at 2.66 billion metric tonnes at a grade of 85.7%. Subsequent geological interpretation, including information from shaft pilot holes that were drilled, allowed us to announce our maiden ore reserve in September 2013. The reserve amounted to 250 million tonnes with an average grade of 87.8% polyhalite from just 1% of the project area.

This JORC compliant economic Reserve forms both a crucial part of the forthcoming DFS and will give great comfort to those involved in the future financing for the construction. It has always been very clear to me, from my very earliest discussions with local geologists in the area, that the deposits in the area are potentially vast. This has been borne out by the exploration programme and I personally anticipate the deposit to last for many generations beyond our currently defined reserve and resource. However, only further drilling from underground, once construction is complete, will confirm this.

MINERAL TRANSPORT SYSTEM

The financial year has also seen a major development in the switch from a pipeline to the MTS as a way of moving the polyhalite from the mine to Teesside. In responding to the additional requests for contingency measures to be included in the pipeline proposals, it became clear that the level of permanent surface infrastructure potentially required was outweighing the original benefits of the slurry system. The development of the MTS – as a result of innovative thinking from our mining teams – presents a far superior and simplified system which also delivers us with greater operational flexibility at lower risk.

Approval for the MTS will form part of the mine application and requires a 'straddling application' to the North York Moors National Park Authority (the authority) and Redcar and Cleveland Borough Council (RCBC). Discussions with RCBC have been positive and a Planning Performance Agreement (PPA) has also been agreed to facilitate detailed pre-application engagement. From an approvals standpoint, the MTS simplified the overall process, taking the number of applications still required for the Project down from four to three.

DEFINITIVE FEASIBILITY STUDY

The completion of the DFS for the Project remains an ongoing priority for the Group. It is often a common misconception that this is purely an engineering-focused document when, in actual fact, it is the strategy for delivering the entire Project into steady-state operations. It covers areas as diverse as investment evaluation, market strategy, transition to mining operations and stakeholder management.

The equity raising completed in March 2014 was designed to provide the funds required to complete the DFS and secure the key approvals. There has been a huge amount of work undertaken over the last few years, both technical and commercial, that feeds into this study. The work required to pull all this together clearly has a substantial cost and the Board and management team is conscious that the completion of the DFS needs to coincide with the receipt of key approvals. Our spend profile on the DFS is therefore being managed carefully to try and ensure that these align.

The DFS document will be produced by Bechtel, which is one of the worlds' leading engineering, procurement, construction, and project management companies. Founded in 1898, it is privately owned and has worked on more than 23,000 projects in 140 countries on all seven continents. Our teams are already well integrated and we have permanent staff based in Bechtel's office in London. On a general note, I am encouraged by the level of well-considered approaches that both our internal and consultant engineering teams are adopting to meet the needs of delivering a high quality project as quickly and economically as possible.

APPROVALS AND ENVIRONMENT

Much of the past financial year for the Group has been dominated by the approvals process for the York Potash Project. We started the financial year in April 2013 by responding to additional requests for information from the authority. A deferral to the determination of that application was subsequently requested in July 2013 and detailed in last year's report. The subsequent length of delay was clearly a disappointment to all of our supporters, but unfortunately one that was unavoidable.

With hindsight it is clear that we should have done things differently. The process and its requirements are complex and require a massive amount of work to achieve the obligatory high standards for a major development. In some areas the Company was let down by consultants and in others our team failed to manage the process properly. That said, I still believe, as I believed then, that there are no environmental 'show stoppers' for the Project that cannot be either avoided or mitigated to an acceptable level.

At the time of the deferral, despite Natural England being the only major statutory consultee to maintain objections, there were also a range of concerns raised by the authority regarding the methodology and details of our Environmental Impact Assessment (EIA). The scale of criticisms subsequently laid out in a report prepared by consultants working for the authority was a surprise to both the Board and senior management team.

The scale of the challenge and the added complexity of the deferral led us to fundamentally reassess our approach to the planning submissions and make a number of wide ranging changes in both personnel and approach. From an internal point of view the management of the approvals process has been aligned with the engineering teams to create a more coherent and structured approach. We also set about adding further experience and resource to our consultant teams that would lead the application.

Planning and legal advisers who had become involved at the time of the deferral were assigned overall responsibility for all planning applications, with these teams being supplemented by leading advisers on planning policy and EIA requirements. A review was conducted to ensure we had the right teams in place, properly communicating and working to a common framework.

A detailed database of all the points raised by the authority's consultants and statutory consultees was compiled. Throughout the year this has been used by our team as both a checklist and the basis for all their reports. Study methodologies have been agreed with the authority and key consultees in advance of the work being completed where possible. Draft chapters of the Environmental Statement have been provided months in advance of the application submission to ensure detailed feedback under the terms of the PPA is received.

In hindsight, of course, avoiding these types of issues is much easier. The message I bring to our loyal shareholders in this year's report is simply that we understand the mistakes we made previously and have done all we feasibly can to make sure they are not repeated. It will have also been clear to any interested observer that at times the Company's relationship with the authority has been strained. In a major application like this, that can happen when both parties are under intense pressure, are in the public spotlight and each have difficult jobs to do.

Where difficulties have arisen we have sought to resolve these issues in an open and constructive manner and both the signing of the PPA and the execution of the new approach have been positive moves in this regard. I know there has been a clamour for approvals 'news' from investors during the year, but the confidentiality that the PPA has afforded during the pre-application stages has been helpful as it has allowed us to focus on the job in hand of preparing the best possible planning submission without unnecessary distractions.

SALES AND MARKETING

To look at the 2013–14 financial year as a snapshot reveals it as one of dramatic progress on the sales and marketing front. Whilst some of the progress was able to be covered in last year's report, it is worth re-capping on our advances. Between May 2013 and January 2014 the Company signed commitments in various forms for nearly five million tonnes of polyhalite per year once in production. These agreements span the globe, taking in customers across four of the world's continents. That is a strong result for a new product coming into the market in these volumes and in an industry where purchasers do not usually commit to much more than a year in advance. It demonstrates the realisation by the fertilizer industry and certain governments that the food security challenge is looming ever larger.

Our sales progress certainly represents an embarrassment for those who simply dismiss our unique multi-nutrient form of potash, but it also tells you two key things about both the world potash market and our Project in particular. The first is that, priced and marketed correctly, the potential market for polyhalite is very large. It works as a direct or as a component of blended fertilizer, and customers now understand that and want the mineral as a result. The second is that the global agricultural industry wants more competition and new sources of nutrients – customers are fed up of the consolidated global market and controlled prices. It is with this backdrop that our Project presents a huge opportunity for both the UK economy and our shareholders alike.

The 'jewel in the crown' of our sales commitments is the take or pay agreement signed with a Fortune 500 US based agri-business in January 2014. Whilst the name of that customer will by necessity remain confidential for the foreseeable future, we could not be happier with their pedigree as a partner and thank them for their support shown to date. We expect further offtake agreements to be progressed in the coming year. These will complement the conditional offtake for one million tonnes per annum agreed with Chinese-based Yunnan TCT Yong-Zhe Company Limited (TCT) and the other commitments we have in place around the world.

Outside of the financial year in July 2014, we also entered into a Memorandum of Understanding (MoU) with the Ministry of Agriculture Food Security and Cooperatives of the United Republic of Tanzania. The MoU is to collaborate around research on polyhalite to support its introduction into Tanzania in accordance with the approval processes provided for under the relevant fertilizer regulations frameworks in Tanzania. As agriculture plays a major role in the economy of Tanzania, and indeed much of Africa, the large scale, low cost nature of the polyhalite from our Project could significantly improve accessibility to key nutrients across the continent. This could also help to encourage better balanced

Signing of the Yunnan TCT Offtake Agreement

fertilization practices, leading to better productivity outcomes for farmers in the region.

Our sales and marketing efforts continue to be underpinned by our ongoing crop study work across all major crop types and in locations around the globe. I am reminded of an amusing comment from one of our key customers that we 'should stop worrying about the tests because everyone knows that polyhalite contains minerals that plants need'. Nevertheless, we believe it is important to continue to prove the value of our POLY4 product in both field and pot trials. This work, which has been detailed throughout the financial year in announcements and webcasts published in June and November 2013 and January 2014, continues to progress well.

FINANCE

It has been a busy year for the finance team, which included our first major strategic purchase when we exercised the option on Doves Nest Farm to acquire the majority of our mine site location. Although the timing of this was a surprise to some, it was an important move to secure the freehold ownership of our key site. It was also an important part of our Company ethos – the former owners are strong supporters of the Project and have shown a great deal of commitment to us. As they have lived through the ups and down of planning, the intense public interest in their home and seen their farm host two shaft pilot holes, I felt it was only fair and right that we exercise our option and allow them to move on.

There have been two notable equity raisings in the year. The convertible security structure that was detailed in last year's report and the subsequent placing in March 2014 to raise £43 million. Having initially targeted £30 million we were buoyed by the interest and support in the Group and Project that allowed us to up-size the deal. We felt it important to do this to remove the lingering uncertainty over our financial position, given the desire to both progress the detailed engineering work required for the DFS and to prepare for all scenarios when it came to securing the approvals we require.

The addition of warrants to the equity raising provides an important link between the approvals being granted and the need to raise the first tranche of the construction funding. All being well the exercise of the warrants will inject a further £32m into the business. This will be helpful in allowing the Company time to select the most advantageous path to construction, once approval is granted. The desire still remains to secure customer-aligned strategic investment before accessing high yield debt markets. If achieved at a Project level, we hope to minimise equity issued at a Company level and this remains our goal.

The finance team continues to make 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. Over the past year we have made further progress in reinforcing our internal controls following the consolidation of finance processes for the Group in Scarborough.

The consolidated financial statements for the year ended 31 March 2014 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 before tax for the Group for the year was £10,129,000 (2013: £14,572,000). The loss for the Company for the year was £6,298,000 (2013: £10,901,000). 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 previously discontinued studies on the Adavale and Canning Basin Projects.

THE YEAR AHEAD

The next financial year will be a key catalyst year for the company and its value but it will not be the last. We are setting in place the key steps we need to make to construct the Project and ultimately reach production as soon as possible. I remain of the view that the Company is substantially under-valued given the attractiveness of the Project once in production. I thank all shareholders for their ongoing support and look forward to reaching our Company goals and becoming '**THE FUTURE OF FERTILIZER**'.

CHRIS FRASER
Managing Director and CEO

OPERATIONS
REPORT

HIGHLIGHTS FROM THE YORK POTASH PROJECT

THE YORK POTASH PROJECT

OVERVIEW

In January 2011 Sirius acquired YPL, a private company with a significant onshore and offshore mineral rights position relating to all evaporites including potash (sylvite), polyhalite, rock salt and intermingled minerals. Following a successful exploration programme carried out from January 2011 to the summer of 2013, and subsequent validation of the world's largest and highest grade polyhalite ore deposit, the Company has been working towards securing the key approvals needed in order to undertake the development of 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 796km^2 (271km^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 current focus of the Group is to achieve the necessary approvals in order to begin construction of the Project.

RESOURCE UPGRADES

Exploration work continued throughout the early part of the financial year to define and then further refine the status of the polyhalite deposits. In September 2013, a maiden Ore Reserve for the York Potash Project was announced, comprising a Probable Ore Reserve of 250 million tonnes of polyhalite with a mean grade of 87.8% polyhalite.

The Reserve is derived from just 1% of the Project AOI. This marks the thickest and highest grade polyhalite Ore Reserve in the world, defined from the world's largest and highest grade polyhalite resource. An increase to the total JORC compliant Mineral Resource was announced in May 2013, taking it to 2.66 billion tonnes at an average grade of 85.7% polyhalite within an area representing 7% of the Project AOI.

The Ore Reserve provides for a Phase 1 mine life of nearly 50 years, with the potential for the mine life to double following underground exploration of the Inferred Mineral Resource. The Reserve has been derived from, and is a sub set of, the Indicated Mineral Resource reported for the Project on 7 May 2013 of 820 million tonnes at an average grade of 87.3%.

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 evaporite 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. Onshore agreements have now been reached with the majority of large land owners and small local land owners for at least 70 years.

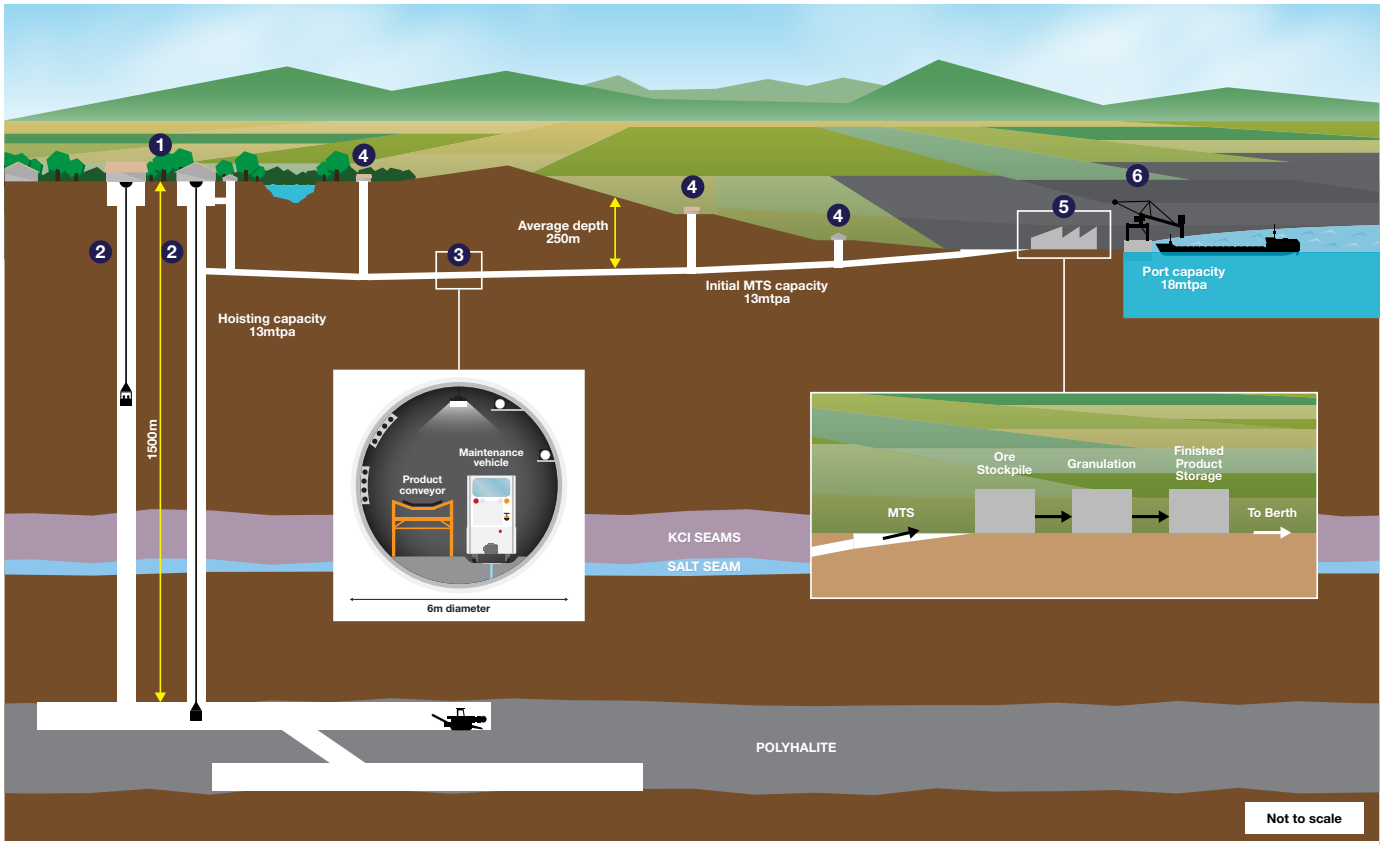
APPROVALS

There were a series of announcements made during the financial year about the approvals process. The majority of these related to the mine planning application which had been submitted to the authority. These covered areas such as requests for further information from the authority and Company responses to reports or consultation responses that were being received. This culminated in the announcement of 18 July 2013 that the Company had sought a deferral to the determination of its mine application, which was scheduled for later in that month.

It was subsequently announced in October 2013 that the Company had formally withdrawn its previous application. Working towards submitting a fresh application would simplify pre-existing planning documentation and allow the Company to focus its case around those matters of outstanding concern to the authority.

In January 2014, the Company entered into a new PPA with the authority to secure ongoing pre-application engagement in advance of the submission of a fresh planning application no later than July 2014. PPAs are viewed as best practice for significant planning applications and they provide an arrangement whereby the Company can contribute to funding the costs of the authority in order for it to continue detailed pre-application discussions. These discussions centre on key aspects of the Project such as environmental study methodology and planning policy considerations. The pre-application funding, which ceases when a planning application is submitted, allows the authority to ensure its routine work and performance is not affected by this pre-application engagement. Since this announcement the Company has been working proactively with the authority and its consultants towards a resubmission of the mine application.

A subsequent announcement in July 2014 confirmed that the Company would align the mine application with the proposed September 2014 MTS application. By doing this the EIA for these components of the Project would be fully aligned and based on identical information and the Company believed there to be substantial merit in doing this, particularly as it had no impact on the overall development schedule, subject to approvals, delivering first production mid-2018.



1 MINE SITE
2 MINE SHAFTS
3 MINERAL TRANSPORT SYSTEM
4 INTERMEDIATE ACCESS POINTS
5 MATERIALS HANDLING FACILITY
6 TEESSIDE HARBOUR FACILITY

MINERAL TRANSPORT SYSTEM

Following a detailed engineering review the Company decided in February 2014 to replace its previously proposed pipeline for transporting polyhalite between the mine and the port with an underground conveyor based system – the MTS. This will comprise of five linked mining tunnels or roadways, each approximately 7.5 kilometres in length. These will be accessed from either end of the route and from three intermediate access points where shafts will be sunk to the MTS depth.

This new transport system provides numerous benefits. Construction disturbance will be reduced by 70% with no construction in any designated sites and buildings required in the National Park reduced significantly. There will be significant improvement to the Project value through operating cost reductions, increased capacity, reduced construction disturbance, reduced risks and additional product options. The total project capital cost is expected to increase by approximately US$280M (~15% increase), however the MTS will result in an estimated OPEX reduction of ~25%. The MTS also offers the potential to increase Phase 1 capacity to 6.5mtpa and 13mtpa in Phase 2.

The MTS has allowed the Company to pursue a simplified approval process with two local planning authorities to be responsible for determining the vast majority of the Project. Approval for the MTS will be sought via the standard planning application route with a 'straddling application' submitted to the authority and RCBC. The Company has since entered into PPAs with both authorities to assist with their resourcing. At the time of the announcement an application for the MTS was scheduled to be submitted in November 2014.

GLOBAL AGRONOMY PROGRAMME

The Group's ongoing global agronomy programme is designed to deliver commercial and scientific information to highlight the market-changing potential of its polyhalite product (POLY4) and support ongoing discussions with customers around the globe. This has involved academic institutions around the world analysing YPL's POLY4 product in order to determine its efficacy on food and cash crops alike in different soil conditions.

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. This study validated polyhalite to be an effective, valuable fertilizer that, in certain circumstances, outperforms the traditional potash product MOP on both yield and quality. In addition, positive

seed germination and early growth results demonstrated the significant potential for polyhalite as an excellent starter fertilizer.

The Company announced positive results from a range of product characterisation tests on POLY4 in November 2013. The test results confirmed that POLY4 is a soluble fertilizer, which has excellent nutrient availability to the plant and does not affect the soil pH or soil conductivity in a negative way at commercial application rates. This work provided further validation of the effectiveness of polyhalite as a valuable multi-nutrient crop input.

In January 2014, the latest scientific studies were shown to validate previous study results on major crops of global importance such as corn, cotton, oilseed rape and wheat in which POLY4 proves to be an effective and valuable fertilizer based on yield and quality performance. Results at Durham University indicate that POLY4 outperforms MOP when comparing aerial dry weight of young wheat growth in two varieties tested. The studies collectively have shown that accelerated early stage corn growth, supported by POLY4 blends, reduces the risk of seedling disease and significantly improves quality. It has also been shown that POLY4 blends are a good fit for peanuts and outperform MOP on various application rates. Furthermore, POLY4 has been shown to be an effective source of nutrients which are readily available to the plant, cause no interference and in some cases improve the uptake of nitrogen, phosphorus and potassium.

MARKETING

Over the past 12 months the Group has successfully established commitments for 4.8 million tonnes per annum of polyhalite. The successful marketing of polyhalite has demonstrated the potential global demand for the product.

In June 2013, the Company announced the signing of our maiden offtake contract with TCT for the sale of 1mtpa of polyhalite for 10 years from 2017. TCT will target supply of polyhalite to both government and private entities in important agricultural provinces of Yunnan, Sichuan and Guizhou in China.

In July 2013, fertilizer distributors and manufacturers from countries including Mexico, Chile, Ecuador, Thailand and Indonesia received commitment for a combined 700,000 tonnes per annum of polyhalite. Of this volume, the Company has entered into Framework Sales Agreements (FSA) totalling 300,000 tonnes, with the remaining 400,000 tonnes per annum provided in letters of intent.

A further 750,000 tonnes per annum of new sales commitments were announced in September 2013. Included within these additional agreements is an MoU that has been entered into with Sinoagri, one of China's largest fertilizer distributers, for the sale of 500,000 tonnes per annum of polyhalite for ten years. The remaining 250,000 tonnes per annum consisted of FSAs with customers in Africa and Latin America. In October 2013, two additional MoUs were signed with customers in China for 500,000 tonnes per annum each and in December a further 500,000 million tonnes per annum was signed in an MoU with Sichuan AMPC.

A take or pay offtake agreement was signed between the Company and a Fortune 500 US based agri-business in January 2014. The agreement is for the sale of at least 500,000 tonnes per annum of polyhalite for an initial five years, with the options to renew for a further five years. It covered polyhalite sales in North America. The price to be paid under the agreement is based on a formula linked to the market price of nutrients contained in polyhalite and is in line with previous market guidance.

In July 2014 the Company announced that it had entered into an MoU with the Ministry of Agriculture Food Security and Cooperatives of the United Republic of Tanzania (the Ministry). The MoU is to collaborate around research on polyhalite to support its introduction into Tanzania in accordance with the approval processes provided for under the relevant fertilizer regulations frameworks in Tanzania.

SUSTAINABLE
DEVELOPMENT

OVERVIEW

SUSTAINABLE DEVELOPMENT PRINCIPLES

The Company continues to demonstrate its commitment to sustainable development by putting into practice the principles set out by the International Council of Metals and Mining. These were adopted from an early stage and continue to act as a guide to how the Company operates and looks to develop in the future.

This approach is reflected in the day-to-day approach of the Company 'doing things the right way' wherever the community is concerned, particularly in the following areas:

- Adopting Zero Harm, by protecting people and property
- Repairing or mitigating physical impacts resulting from our operations
- Designing sustainably and with the lowest impact practicable
- Being open and accessible in our community engagement
- Sharing future benefits with the community
- Helping to develop the skills we will need in the future.

ZERO HARM

Maintaining the safety of staff, contractors and the wider community is of paramount importance. The Company is proud of its safety record and, as reported in the Chief Executive's Statement, there have again been no major incidents over the last year. Everything possible will be done to maintain this record moving forward and to ensure that the correct systems and controls are in place as activity ramps up and the safety risks increase.

The Company also recognises that Zero Harm equally applies to protecting, restoring and where possible improving, the environment in the areas in which we operate. This commitment extends to activity that is directly related to the Company such as the ongoing exploratory drilling programme, and in supporting initiatives delivered by other organisations of relevance to the Company.

Restoring and improving the sites where the Company has been active is an important commitment. The exploratory drilling sites that enabled the polyhalite resource to be successfully defined have all been carefully restored, other than those currently maintained for operational reasons. This approach will be similarly adopted at the drilling sites along the proposed route of the MTS.

The extensive surveys and investigations necessary to help the Company to understand the potential environmental impacts that may arise during the construction and operation of each element of the York Potash Project have been completed or are well advanced. There will be an Environmental Statement completed for each planning submission. These will provide a comprehensive account of the potential environmental impacts and will identify measures to prevent, reduce or offset the impacts of the Project where appropriate. The Company is committed to undertaking all the required and recommended measures both during construction and when the Project is operational.

SM1 with coring rig on site

SM1 fully restored and returned back to agricultural use

LOW IMPACT MINE DESIGN

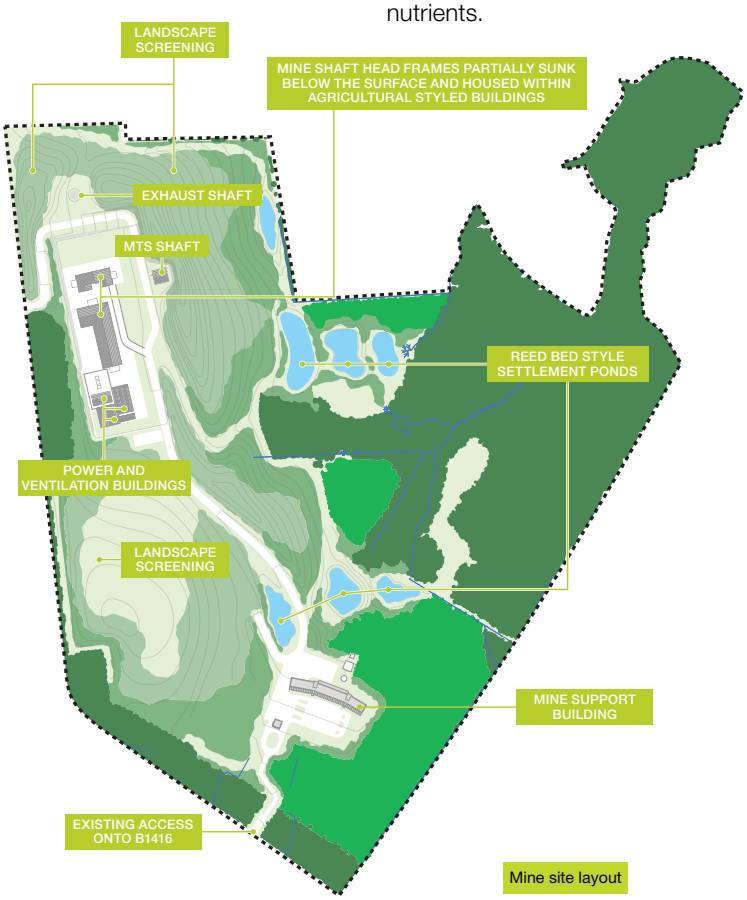
The Company is acutely aware of the sensitive and protected nature of the National Park that sits above its mineral reserve. As a result a number of major project development decisions throughout the evolution of the York Potash Project have been made to reduce its impact and to embed mitigations into the fundamentals of its designs.

The most prominent of the decisions taken by the Company was to process the minerals at the port area rather than at the mine. This was done to minimise the industrial footprint within the boundary of the National Park and to place those processes that could be separated from the mine, in a more suitable industrial location. Although it is more common in the mining industry for processing of mineral ores to occur at the mineral extraction point, the Company's commitment means that it can utilise existing infrastructure at one of the nearby ports for as much of its heavy industrial process as possible.

The second major mitigation commitment relates to production transport methodologies for the mineral. Road transport was discounted from the start, given the sensitive nature of the area and a lack of suitable major road infrastructure for operational mineral transport. Early investigations were made into the possibility of using rail infrastructure in the area. However, this was also discounted at a concept stage because of the intrusive implications of running freight trains on the North Yorkshire Moors Railway (a heritage line) and through small villages across a wide area of the National Park. Initially the Company pursued a buried pipeline transport system but when the mitigation of this system's environmental impacts and extent of operational surface facilities began to become apparent, the outcome was unacceptable to the Company and the new MTS was developed. The decision to adopt the MTS enabled a 70% reduction in the construction impact across the Project.

The third commitment related to the mine siting and has been to minimise the visual impact of whatever surface infrastructure would have to be located within the boundary of the National Park. The Company was clear from the outset that European-protected moorland sites would be avoided. Prominent sites, particularly in valleys, were also to be avoided in favour of sites that used natural topography or screening to shield the operation. Reducing the impact of the minehead generally, but specifically in respect of visual concerns, has been a consistent theme in the Company's philosophy. This is further demonstrated by the way in which the minehead infrastructure has been designed with sub-surface infrastructure and measures to reduce light and noise pollution. This commitment has resulted in a mine that, once operational, will have almost no residual landscape and visual impact and a MTS that will be essentially invisible.

The final major decision to reduce the total impact of the Project was to move to a development model based on the most sustainable product with the lowest carbon footprint. The initial development plan for the Project was to build a large energy intensive processing plant at Wilton, Teesside, to process the polyhalite mineral to extract high grade sulphate of potash and associated by-products. After extensive analysis and engagement with customers the Company decided to pursue a 100% polyhalite bulk strategy as the most sustainable and value creating strategy. This decision will result in the York Potash Project having one of the lowest carbon footprints in the global fertilizer industry and producing a product that, when priced appropriately, can help bring widespread balanced fertilization to the UK and global food production industry. The polyhalite products of the Project have been certified for organic use and have repeatedly been shown to outperform traditional sources of potash and synthetic versions of the same nutrients.



Mine site layout

COMMUNITY ENGAGEMENT

The company has continued its commitment to open and accessible community engagement in the last financial year. With widespread interest and support for the York Potash Project, this engagement has taken many forms, including presentations to schools or business groups, ongoing liaison with local landowners and meetings with key statutory bodies. The Company has produced and distributed two update newsletters in the previous year to keep the community informed of developments on the Project, in addition to its regulatory announcements, press releases or web/social media updates.

In particular, the Company has continued to be active in engaging with local communities closest to the proposed mine infrastructure. Its representatives regularly attend parish council meetings to provide updates and to respond to questions and the team have attended over 60 in the financial year. This process will continue as the Company embarks on its extensive and wide-ranging pre-application consultation programme for all aspects of the Project.

EDUCATION AND SKILLS

The Company remains committed to its ongoing programme of engagement with local schools, colleges, universities and those involved in the skills agenda. Since 2012 an Education and Skills Manager has been employed to oversee this work, with the aim of encouraging the skills that the York Potash Project will require in future years.

During the past financial year this work has involved continuing to engage with a wide range of education institutions, particularly in activities aimed at raising awareness amongst young people of the opportunities at York Potash and science, technology, engineering and maths (STEM) careers more generally. Ten of the Company's staff members have committed to becoming STEM Ambassadors, part of a government initiative to promote careers in science.

York Potash sponsors Scarborough Engineering Week

York Potash undergraduates

A rolling programme of workshops, seminars, presentations and careers events has seen the Company present to hundreds of young people in the last year. In addition the Company has worked with schools to develop learning resources and delivered these in a classroom setting to support the enrichment of the curriculum.

Six young people have spent time on work experience during the last year and the Company makes efforts to accommodate undergraduates and new graduates on work placements whenever possible. A business management student who spent a year with York Potash on an industrial placement is now a permanent employee and a valued member of the team.

Involvement in Scarborough Engineering Week continues to play an important role in the Company's mix of education and skills work. York Potash was again the headline sponsor of the event in 2013 and has committed to do the same for the 2014 event in October. The event continues to grow in terms of reach and prestige and this year saw 2,750 students attend the event (up from 1,700 the previous year). The ongoing level of goodwill shown by local and regional companies to help stage the four day event continues to impress and the Company is proud to play its part.

TALENT DEVELOPMENT PROGRAMME

The Company continues to employ four office-based apprentices and is recruiting a fifth. These individuals cover IT, finance and administrative disciplines and have all been making good progress in their careers with the Company. This programme will expand as the York Potash Project moves towards and through construction.

The aim remains to have 50 engineering apprentices in place during the construction period. The initial cohort of 20 was due to be taken on in September 2013, although this was deferred until delays to the approval process are resolved. The management team remain hopeful that this programme will be able to be restarted in time for a September 2015 intake.

Graduate bursaries are also part of the talent development programme and the five students, who all study earth sciences or engineering degrees continue to make good progress. The final year beckons for four of the Company's students, whilst one of the geology students graduates this year. With construction (and therefore specific geology roles) not expected to commence until 2015, a six month contract has been offered in another department in the Company.

York Potash trainees

YORK POTASH FOUNDATION

The development of the York Potash Foundation (the Foundation) has moved on considerably in the last financial year. The concept, which was approved by the Board even prior to the commencement of the mine planning process in 2012, was developed to ensure a community fund would be in place to share the benefits of the York Potash Project.

Much as local mineral rights owners are entitled to a royalty when mining occurs in their area, the Foundation will receive a royalty of 0.5% of the Project's revenue. At full production (and based on a product price of $150/tonne) the Foundation could expect to receive payments of up to £6 million per year. An initial start-up payment of £2 million would be made by the Company during the construction period.

The Foundation has deliberately been set up as an independent body and this was done as part of the Board's desire to set up a robust structure that could not be dismantled in the future should either the ownership or management structure change. A contract has now been signed between this organisation and York Potash Ltd, which commits the Company to the royalty payments.

The governance of the Foundation is detailed in its articles of association – a document that cannot be changed without the express consent of the three 'members'. Whilst YPL is one of these members, the other two are independent. Whilst YPL may appoint three trustees to administer the Foundation, the independent members may appoint a majority of four trustees.

The trustees, who are all volunteers, are now in place and putting together the structures that it will need to function effectively as soon as funding begins. This includes practicalities from setting up a bank account to agreeing a business plan and early funding priorities. The trustees are also working towards seeking charitable status – a move that will further 'asset-lock' its revenue for the sole purpose of its stated objectives.

The Foundation's funding of community projects must align with its objectives and the area of benefit is defined as the Boroughs of Scarborough and Redcar & Cleveland, together with the North York Moors National Park. There is some scope for contributions to charities or locations outside this area to maintain flexibility, but it must also invest 5% of its revenue in low risk investments to ensure a legacy after mine funding ceases.

Further details on the Foundation, its work and its progress will be made available via the Project website: www.yorkpotash.co.uk.

THE FOUNDATION OBJECTIVES ARE TO:

- **Advance education including by supporting projects and training that benefit people from the area of benefit by enhancing their skills;**
- **Promote the general health and well-being of the community;**
- **Advance environmental protection and improvement including by enhancing the local landscape;**
- **Advance citizenship and community development including by improving community facilities to bring people in the area of benefit together; and**
- **Relieve those in need because of financial hardship by virtue of being out of work, particularly the long-term unemployed, by helping them to gain skills.**

York Potash Foundation trustees

PRINCIPLE 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 Project is tracked against a project schedule and 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, and all key planning consents for the Project and in due course commencement of construction and production.

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 of the Project.

In total the Company has completed over 16,000m of drilling and this, along with information from additional historic holes, has been used by SRK Consulting (UK) Ltd (SRK) to derive the resource estimates. Following the announcement in May 2013 confirming an increase in the total mineral resource for the Project, in September 2013 independent consultants SRK confirmed that an ore reserve estimate could be reported comprising a Probable Ore Reserve of 250 million tonnes of polyhalite with a mean grade of 87.8% polyhalite. The Ore Reserve is backed up by a 'Life of Mine plan' (LoM) which extends for 50 years at a mining rate of 5mtpa. Further exploration from underground, undertaken as part of normal mining operations, should enable additional Mineral Resource to be upgraded to the Measured and Indicated categories although there is a risk that because by its very nature mineralisation is not homogenous, this estimate may not be representative of the broader ore body. The ore reserve has been reported using the guidelines and definitions set out in the 2004 edition of the JORC Code.

Other aspects of the development risk of the Project will be assessed during the DFS which will run throughout the remainder of 2014. This 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 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 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 mitigate and de-risk the Project before construction commences. 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 YPP to reduce the time required to reach first production.

The revised strategy of mining and marketing polyhalite directly as a fertilizer has simplified the production process and so lowered the risk of delays in the construction part of the Project.

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 the Project 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 790km^2 representing almost 95% of the 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 or 'approvals' 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 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. However 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 does have the ability to go to appeal to the Planning Inspectorate if the onshore mining planning application is refused. Permits are also required for the harbour infrastructure, materials handling and mineral transport 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 harbour and mineral transport system. The Company has purchased the land area for the majority of the mine site and has options in place for the harbour and materials handling sites. Additionally, the Company has a number of agreements in place with land owners along the route of the mineral transport system.

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 the Group. 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. As at the year end, the Company had secured offtake agreements, MoU's and letters of intent for 4.8 million tonnes per annum of polyhalite, which accounts for 74% of the 6.5mtpa phase 1 production target, these agreements go some way to reducing market exposure. As the Project will be at the bottom of the cost curve, and therefore buffered from periodic market fluctuations, this reduces the exposure to price risk.

LIQUIDITY RISK

There is a risk that the Company will have insufficient funds to develop its projects. To successfully develop any of its projects 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 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 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 Pound 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, South African Rand and Australian Dollars during the period of DFS and into construction. 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 is a unique multi-nutrient mineral that is potentially able to compete against a wide range of fertilizer products in global fertilizer markets. The primary competitors for polyhalite are potassium bearing minerals classed as "potash" but polyhalite could also be a substitute for a significant share of the sulphur-bearing minerals.

The potash market has been historically dominated by two major marketing suppliers having control of 75 per cent of global trade in the most common potash product, muriate of potash. Following the announcement from Uralkali in July 2013 confirming its decision to step out of the BPC trade venture with Belaruskali and pursue a volume over price strategy, potash prices dropped significantly and a deferral of potash purchases had a negative pricing effect on the entire fertilizer industry. In December 2013 Uralkali announced a change of ownership and publicly stated that they would back renewing a form of partnership with Belaruskali. Since then, spot prices in most markets have started to improve and this will be further reinforced by increasing global potash demand.

The market for sulphate of potash and potassium magnesium sulphate, two products more similar to the characteristics of polyhalite, is supply constrained and therefore differs significantly to the MOP market. The situation between Belaruskali and Uralkali had no significant effect on the market prices of these products due to an increased demand.

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 deposit, and samples taken across the drilling programme at the YPP, by its very nature mineralisation is not homogenous and there is a risk that 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 and the ore reserve has been prepared by independent specialist consultants SRK.

Polyhalite has only been mined in small volumes to date, well below the proposed initial development production rate of six and a half 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, which has led to the securing of offtake agreements, letters of intent and MoU's as referred to under Commodity Price Risk. 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.

By order of the Board

NA King
Company Secretary
6 August 2014

GOVERNANCE

BOARD OF DIRECTORS

RUSSELL SCRIMSHAW

NON-EXECUTIVE CHAIRMAN (65)

In addition to his Chairmanship of Sirius, Russell Scrimshaw is Non-Executive Chairman of ASX-listed Cleveland Mining Company Limited, a Non-Executive Director of the Garvan Institute (a leading Australian based genomic medical research Institute) and Executive Chairman of Torrus Capital Pty Ltd.

He is also 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.

Previously Russell Scrimshaw was Deputy CEO and Executive Director of Fortescue Metals Group Ltd (FMG) and was a member of the FMG Board from 2003 until 2011, 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 Pty Ltd, Alcatel, IBM and Amdahl USA.

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

CHRIS FRASER

MANAGING DIRECTOR AND CEO (40)

Chris Fraser has almost 20 years' experience in the mining industry with a particular focus on financing and strategic developments. He is the founder of the York Potash Project and has led its development since 2010 and has been Managing Director and CEO of the Company since January 2011.

During his finance career prior to founding York Potash and joining the Company he worked for Citigroup, Rothschild and KPMG and demonstrated market leading expertise in all aspects of the financing and development of major mining projects. His finance career at Citigroup culminated in him being appointed Head of Metals and Mining Investment Banking for Australia in 2006 and Managing Director in 2008.

In these roles he led Citigroup 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 FMG. In addition he has provided strategic advice to many of the world's leading mining companies.

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 (45)

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 worked 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 both the Institute of Chartered Accountants England and Wales and Australia, 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 and will be leaving the Board in August 2014.

CHRIS CATLOW

NON-EXECUTIVE DEPUTY CHAIRMAN (53)

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, 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 (59)

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.

KEITH CLARKE

NON-EXECUTIVE DIRECTOR (62)

Keith Clarke was Chief Executive Officer of W.S. Atkins Plc, the UK's largest design and engineering consultancy for eight years to July 2011 and previously held CEO roles with Skanska UK and Kvaerner Construction Group. He also acted as Director of Sustainability and Chairman of Atkins' Middle East business until April 2012.

He is Chair of Trustees for Forum for the Future, Non-Executive Director for Engineering UK and Future Cities Catapult, Vice President of the Institute of Civil Engineering and adviser to both Infrastructure UK and the Government of Qatar.

Keith Clarke joined the Board in December 2013. He is Chairman of the Nominations Committee and a member of the Audit Committee.

BOARD OF DIRECTORS

STEPHEN PYCROFT

NON-EXECUTIVE DIRECTOR (56)

Stephen Pycroft is Executive Chairman of Mace, a leading international consultancy and construction company. Having joined Mace in 1993 and been appointed a Group Board Director in 1995, Stephen was appointed Chief Operating Officer before taking over as CEO at the end of 2004 and Chairman in 2008.

Stephen has led Mace to achieve phenomenal growth with turnover increasing from £90 million in 2001 to £1.1 billion in 2012. Under Stephen's leadership Mace has evolved into an international consultancy and construction group, with a reputation for quality and delivery, employing over 4,000 people worldwide. Stephen's experience includes delivering some of the UK's most iconic projects, most notably The Shard, the London Eye and the 2012 London Olympic and Paralympic village. Stephen stepped down as CEO at the end of 2012 but remains on the Mace Board as Executive Chairman.

Stephen Pycroft joined Sirius Minerals in March 2014.

PETER WOODS

NON-EXECUTIVE DIRECTOR (77)

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, about which he has authored a number of papers in geological and mining publications.

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 to 1999.

Peter Woods has run 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 Code for Small and Mid Size Companies published by the Quoted Companies Alliance in May 2013, of which the Company is a member.

THE BOARD

The Board comprised two Executive Directors and six Non-Executive Directors for the year 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 page 42–44.

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. Jason Murray will be leaving the Board and his role as the Finance Director and CFO during August 2014. The remaining four Non-Executive Directors are Peter Woods, Lord Hutton, Keith Clarke and Stephen Pycroft. Keith Clarke was appointed as a director and Sir David Higgins resigned from the Board on 23 December 2013 and Stephen Pycroft was appointed as a director and Michael Mainelli resigned from the Board on 18 March 2014.

The Board considers Lord Hutton, Keith Clarke and Stephen Pycroft 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 Director's 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, approximately 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. Russell Scrimshaw and Chris Fraser will be retiring by rotation at the forthcoming Annual General Meeting.

The Company had an Audit Committee, Remuneration Committee and Nominations Committee in place for the year. 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, Keith Clarke and Russell Scrimshaw. Chris Catlow is Chairman of the committee. The committee consists entirely of Non-Executive Directors and Keith Clarke is 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. 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 8 to the consolidated accounts and this disclosure forms part of this report. Notably this year the committee approved the Company's Short Term Incentive Plan (STIP) and Long Term Incentive Plan (LTIP) to ensure that executives incentives are aligned with shareholders' interests.

CORPORATE GOVERNANCE STATEMENT

NOMINATIONS COMMITTEE

The members of the Nominations Committee were Michael Mainelli and Russell Scrimshaw until Michael Mainelli left the Board on 18 March 2014. Michael Mainelli was Chairman of the committee and has been replaced by Keith Clarke. The committee consists entirely of Non-Executive Directors and Michael Mainelli was and Keith Clarke is deemed to be independent. The duties of the committee include evaluating the balance of skills, knowledge and experience of the Board before any appointments are made. The committee meets 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.

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 reports 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 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.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

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

	SCHEDULED BOARD MEETINGS	AUDIT COMMITTEE MEETINGS	REMUNERATION COMMITTEE MEETINGS	NOMINATIONS COMMITTEE MEETINGS
RJ SCRIMSHAW	5/5	1/1	1/1	2/2
CN FRASER	5/5			
JH MURRAY	5/5			
CJ CATLOW	5/5	3/3	1/1	
SIR DAVID HIGGINS	3/4	2/2		
LORD HUTTON	5/5		1/1	
PROF M MAINELLI	5/5	3/3		2/2
PJE WOODS	5/5			
KEF CLARKE	1/1	1/1		

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 2014 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 38.

PRINCIPAL RISKS AND UNCERTAINTIES

A review of the Group's principal risks and uncertainties is set out on page 37–40.

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 page 90–93.

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' SUMMARY

The Directors present their annual report and audited consolidated financial statements for the year ended 31 March 2014.

RESULTS AND DIVIDENDS

The loss of the Group for the year was £7,978,000 (2013: £8,588,000). The loss of the Company for the year was £6,297,000 (2013: £10,901,000).

The Directors do not recommend a payment of a dividend for the year (2013: £nil).

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.

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	Leaving Board in August 2014
CJ CATLOW	Non-Executive Deputy Chairman	
SIR DAVID HIGGINS	Non-Executive Director	Resigned 23 December 2013
LORD HUTTON	Non-Executive Director	
PROF MR MAINELLI	Non-Executive Director	Resigned 18 March 2014
PJE WOODS	Non-Executive Director	
KEF CLARKE	Non-Executive Director	Appointed 23 December 2013
SG PYCROFT	Non-Executive Director	Appointed 18 March 2014

DIRECTORS' INTERESTS

As at 31 March 2014, 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 COMPANY HELD	NUMBER OF WARRANTS HELD
CN FRASER	122,000,600	6.55	
CJ CATLOW	100,000,000	5.37	
RJ SCRIMSHAW	37,319,218	2.00	833,333
SG PYCROFT	24,807,870	1.33	1,250,000
PJE WOODS	4,199,916	0.23	
JH MURRAY	3,825,714	0.20	270,833
KEF CLARKE	416,666	0.02	208,333

SUBSTANTIAL SHAREHOLDINGS

Shareholdings as at 30 June 2014 of 3% or more are as follows:

	PERCENTAGE OF THE COMPANY HELD
DIRECTORS	15.7
CAPITAL RESEARCH & MANAGEMENT	9.80
HARGREAVES LANSDOWN	9.15
BARCLAYS	6.35
HALIFAX SHARE DEALING	5.99
TD DIRECT INVESTING	5.97
JUPITER ASSET MANAGEMENT	4.69

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 37–40.

EVENTS AFTER THE REPORTING YEAR

On 8 April 2014 the Company issued 1,198,095 new ordinary shares, of 0.25p each which had vested in April 2014 under the Company's LTIP to executive directors and employees of the Company. As part of the issue of ordinary shares under the LTIP, CN Fraser was issued 285,714 ordinary shares and JH Murray was issued 217,381 ordinary shares.

On 8 May 2014 the Company issued 7,558,140 new ordinary shares of 0.25p each to the Company's investor pursuant to a notice of exercise in respect of convertible securities previously issued on 23 January 2014 at a price of 8.6p per share.

On 12 May 2014 the Company issued 1,162,791 new ordinary shares of 0.25p each to the Company's investor pursuant to a notice of exercise in respect of convertible securities previously issued on 23 January 2014 at a price of 8.6p per share.

On 2 June 2014 the Company issued 900,000 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 2 June 2014 the Company received notification that JH Murray sold 1,117,381 ordinary shares at a price of 11.62p per ordinary share, and that the Golden Pond superannuation fund, of which JH Murray is beneficiary, purchased 1,117,381 ordinary shares at a price of 11.62p per share.

On 6 August 2014 the Company announced that the role of CFO would be relocated to the UK and the Sydney office would be closed. As a result Jason Murray will be leaving the Company and resigning as a director in August 2014.

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:

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

The Directors have appointed PricewaterhouseCoopers LLP as auditors to the Company.

A resolution in respect of the reappointment 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 £17,000 to local and national charities.

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

NA King
Company Secretary
6 August 2014

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.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the 'Board of Directors' section confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

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 2014 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 50, 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 2014 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

6 August 2014

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2014

	Notes	**2014 £000s**	2013 £000s
Revenue		**-**	-
Administrative expenses		**(9,115)**	(15,175)
Summary of administrative expenses:			
Impairment charge	4		(2,947)
Other administrative costs		**(9,115)**	(12,228)
Operating loss	5	**(9,115)**	(15,175)
Finance income	6	**49**	603
Finance costs	7	**(1,063)**	-
Loss before taxation		**(10,129)**	(14,572)
Taxation	9	**2,151**	5,984
Loss for the financial year		**(7,978)**	(8,588)
Loss per share:			
Basic and diluted	10	**(0.5)p**	(0.6)p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2014

	Notes	**2014 £000s**	2013 £000s
Loss for the financial year attributable to owners of the parent		**(7,978)**	(8,588)
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		**210**	(53)
Other comprehensive income/(loss) for the year		**210**	(53)
Total comprehensive loss for the year		**(7,768)**	(8,641)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

ASSETS	Notes	2014 £000s	2013 £000s
Non-current assets			
Property, plant and equipment	11	**2,116**	926
Intangible assets	12	**92,814**	73,743
Total non-current assets		**94,930**	74,669
Current assets			
Other receivables	14	**1,046**	958
Cash and cash equivalents	16	**48,404**	17,980
Loans	17	**-**	915
Total current assets		**49,450**	19,853
TOTAL ASSETS		**144,380**	94,522
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**4,658**	3,359
Share premium account		**197,797**	147,763
Share based payment reserve	19	**11,404**	10,345
Accumulated losses		**(86,360)**	(79,392)
Foreign exchange reserve		**7,374**	7,164
Total equity		**134,873**	89,239
Non-current liabilities			
Deferred tax liability	20	**-**	659
Current liabilities			
Loan from third parties	17	**5,340**	-
Trade and other payables	21	**4,167**	4,624
Total liabilities		**9,507**	5,283
TOTAL EQUITY AND LIABILITIES		**144,380**	94,522

The financial statements on pages 54–56 were issued and approved by the Board of Directors on 6 August 2014 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 2014

	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 1 April 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 for the year		-	-	-	(8,588)	(53)	(8,641)
Exercised options	18	11	525	-	-	-	536
Share based payments	19	-	-	2,654	-	-	2,654
At 31 March 2013		3,359	147,763	10,345	(79,392)	7,164	89,239
Loss for the financial year		-	-	-	(7,978)	-	(7,978)
Foreign exchange differences on translation of foreign operations		-	-	-	-	210	210
Total comprehensive (loss)/income for the year		-	-	-	(7,978)	210	(7,768)
Convertible loan	17	368	9,562	-	1,010	-	10,940
Share issue		897	42,147	897	-	-	43,941
Share issue costs		-	(2,180)	-	-	-	(2,180)
Share based payments	18	27	-	162	-	-	189
Exercised options	19	7	505	-	-	-	512
At 31 March 2014		**4,658**	**197,797**	**11,404**	**(86,360)**	**7,374**	**134,873**

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2014

	Notes	**2014 £000s**	2013 £000s
Cash outflow from operating activities	22	**(7,950)**	(6,849)
Cash flow from investing activities			
Purchase of intangible assets	12	**(17,424)**	(30,116)
Purchase of plant and equipment	11	**(1,461)**	(857)
Repayment of loan to third party	17	**915**	585
Net cash used in investing activities		**(17,970)**	(30,388)
Cash flow from financing activities			
Proceeds from loan	17	**15,748**	-
Proceeds from issue of shares	18	**43,557**	536
Share issue costs		**(2,180)**	-
Finance (costs)/income		**(1,014)**	603
Net cash generated from financing activities		**56,111**	1,139
Net increase/(decrease) in cash and cash equivalents		**30,191**	(36,098)
Cash and cash equivalents at beginning of the year	16	**17,980**	54,271
Effect of foreign exchange rate changes		**233**	(193)
Cash and cash equivalents at end of the year	16	**48,404**	17,980

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

ASSETS	Notes	2014 £000s	2013 £000s
Non-current assets			
Property, plant and equipment	11	**31**	61
Intangible assets	12	**3**	7
Investments in subsidiaries	13	**79,619**	78,406
Total non-current assets		**79,653**	78,474
Current assets			
Other receivables	14	**142**	163
Loans to subsidiaries	15	**14,356**	342
Cash and cash equivalents	16	**46,577**	10,256
Total current assets		**61,075**	10,761
TOTAL ASSETS		**140,728**	89,235
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	18	**4,658**	3,359
Share premium account		**197,797**	147,763
Share based payment reserve	19	**11,404**	10,345
Accumulated losses		**(78,398)**	(73,111)
Total equity		**135,461**	88,356
Current liabilities			
Loan from third party		**4,591**	-
Trade and other payables	21	**676**	879
Total liabilities		**5,267**	879
TOTAL EQUITY AND LIABILITIES		**140,728**	89,235

The financial statements on pages 57–59 were issued and approved by the Board of Directors on 6 August 2014 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 2014

	Notes	Share capital £000s	Share premium account £000s	Share based payments reserve £000s	Accumulated losses £000s	Equity shareholders' funds £000s
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		11	525	-	-	536
Share based payment reserve		-	-	2,654	-	2,654
At 31 March 2013		3,359	147,763	10,345	(73,111)	88,356
Loss for the year and total comprehensive income		-	-	-	(6,297)	(6,297)
Convertible loan		368	9,562	-	1,010	10,940
Share issue		897	42,147	897	-	43,941
Share issue costs		-	(2,180)	-	-	(2,180)
Exercised options	18	7	505	-	-	512
Share based payment reserve	19	27	-	162	-	189
At 31 March 2014		**4,658**	**197,797**	**11,404**	**(78,398)**	**135,461**

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.

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2014

	Notes	**2014 £000s**	2013 £000s
Cash outflow from operating activities	22	**(3,787)**	(5,821)
Cash flow from investing activities			
Purchase of intangible assets	12	**-**	(6)
Purchase of plant and equipment	11	**-**	(35)
Plant and equipment transferred to group company	11	**-**	17
Investments in subsidiary companies	13	**(1,213)**	(409)
Loans to subsidiary companies	15	**(14,014)**	(37,264)
Net cash used in investing activities		**(15,227)**	(37,697)
Cash flow from financing activities			
Proceeds from loan	17	**15,000**	-
Proceeds from issue of shares	18	**43,557**	536
Share issue costs		**(2,180)**	-
Loan from subsidiary company		**-**	(1,104)
Finance (costs)/income		**(1,042)**	514
Net cash generated/(used in) from financing activities		**55,335**	(54)
Net increase/(decrease) in cash and cash equivalents		**36,321**	(43,572)
Cash and cash equivalents at beginning of year	16	**10,256**	53,828
Effect of foreign exchange rate changes		**-**	-
Cash and cash equivalents at end of the year	16	**46,577**	10,256

NOTES TO THE FINANCIAL STATEMENTS

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 2014.

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 96.

GOING CONCERN

The Group incurred a loss for the year after taxation of £7,978,000 and as at 31 March 2014, its assets exceeded its liabilities by £134,873,000. 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 to prove the availability and economic viability of polyhalite resources
- 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 the planning permission outcome and the positive impact this 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 and January 2014 the group secured finance of £10m and £5m respectively through a convertible security and in March 2014, the Group secured £43m of additional capital through a placement of shares.

In the event of a delay to planning permission, 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 potentially have an impact going forward:

- IAS 32 (Amendment) 'Financial Instruments: Presentation' (effective from 1 January 2014);
- IFRS 9 'Financial Instruments' (effective from 1 January 2015);

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 2014 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 £6,297,000 (2013: £10,901,000).

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 (i.e. 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 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 land is not depreciated.

Residual value and remaining useful life of assets are reviewed and adjusted as appropriate at each balance sheet date. Gains or losses arising on disposals are determined by comparing the proceeds with the carrying asset amount and are recognised within the appropriate area in the income statement.

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 reporting 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 recognised.

FOREIGN CURRENCIES

The presentation and functional currency of the Group 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	1.80 (2013: 1.46)	1.70 (2013: 1.53)
US Dollars to Sterling	1.66 (2013: 1.52)	1.59 (2013: 1.58)
Canadian Dollars to Sterling	1.84 (2013: 1.55)	1.67 (2013: 1.58)

FINANCE INCOME/FINANCE COSTS

Finance income is recognised in the income statement over the period in which it falls due. Finance expenses are recognised in the income statement as they become payable.

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, 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.

CONVERTIBLE DEBT INSTRUMENT

Convertible debt is assessed according to the substance of the contractual arrangements and is classified into liability and equity elements on the basis of these contractual characteristics.

At inception each element of the instrument is assigned a fair value based on appropriate valuation techniques with the aggregate fair value over the whole instrument being equal to the funds raised.

Those elements identified as an equity instruments are recorded in equity within the share based payment reserve. Equity instruments identified are not subsequently re-measured. Debt elements are fair valued at each measurement date with any movement in fair value being recorded in the income statement.

On conversion, the fair value of the host debt contract is re-measured. The portion being converted is extinguished in liabilities and recorded in equity as share capital and share premium to the extent the latter reflects the debt's fair value at inception. Any surplus is credited to the income reserve.

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 12).

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 2014							
Operating (loss)/profit	(3,413)	13	-	338	(10)	(6,043)	**(9,115)**
Finance costs	(8)	-	-	-	-	(1,055)	**(1,063)**
Finance income	31	-	-	1	-	17	**49**
(Loss)/profit before taxation	(3,390)	13	-	339	(10)	(7,081)	**(10,129)**
Tax credits	2,151	-	-	-	-	-	**2,151**
(Loss)/profit for the year from continuing operations	(1,239)	13	-	339	(10)	(7,081)	**(7,978)**
Total assets	97,144	85	-	100	-	47,051	**144,380**
Total liabilities	(4,142)	(77)	-	(9)	-	(5,279)	**(9,507)**
Net assets	93,002	8	-	91	-	41,772	**134,873**
Capital expenditure	(20,537)	-	-	-	-	29	**(20,508)**
Depreciation and amortisation	185	-	-	-	-	39	**224**
Share based payment cost	(1,213)	-	-	-	-	649	**564**

	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)/profit	(3,171)	(1,821)	6	(3,146)	19	(7,062)	**(15,175)**
Finance costs	-	-	-	-	-	-	**-**
Finance income	80	-	-	3	-	520	**603**
(Loss)/profit before taxation	(3,091)	(1,821)	6	(3,143)	19	(6,542)	**(14,572)**
Tax credits	5,473	-	-	511	-	-	**5,984**
(Loss)/profit 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**

4. SUMMARY OF ADMINISTRATIVE EXPENSES

The Company made impairment charges in respect of its loans receivable from Auspotash Corporation and Sirius Minerals (Australia) Pty Limited (see notes 13 and 15). The total expense recognised within the income statement in relation to impairment charges is £23,174 (2013: £2,947,000).

5. OPERATING LOSS IS STATED AFTER CHARGING:

	2014 £000s	2013 £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 £30,000 in respect of the Company (2013: £20,000))	**60**	50
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**	30
– Tax compliance	**12**	2
– Other tax services	**28**	-
Group impairment charges	**-**	2,947
Depreciation of property, plant and equipment	**198**	178
Amortisation of intangible assets	**26**	20
Operating lease charges	**334**	272
Research and development	**-**	-
Foreign exchange gains/(losses)	**388**	(158)

6. FINANCE INCOME

	2014 £000s	2013 £000s
Bank interest received	**33**	531
Loan interest received	**16**	72
	49	603

7. FINANCE COSTS

	2014 £000s	2013 £000s
Interest on convertible loan	**1,056**	-
Loan interest on mortgage paid	**7**	-
	1,063	-

8. STAFF NUMBERS AND COSTS (INCLUDING DIRECTORS)

Group	**2014 Number**	2013 Number
Average monthly number of staff (including Directors)	**61**	51

Company	2014 Number	2013 Number
Average monthly number of staff (including Directors)	**16**	13

Staff costs (including Directors) during the year were:

Group	£000s	£000s
Wages and salaries	**5,193**	5,236
Social security costs	**799**	603
Other pension costs	**9**	94
Other benefits	**249**	243
Compensation for loss of office	**38**	-
Relocation	**85**	83
	6,373	6,259

At the year-end, £2,087,000 (2013: £2,699,000) was capitalised as intangible exploration costs.

Company	2014 £000s	2013 £000s
Wages and salaries	**1,953**	1,478
Social security costs	**324**	198
Other pension costs	**1**	5
Other benefits	**206**	203
Relocation	**5**	83
	2,489	1,967

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 2014					
RJ Scrimshaw	50	-	-	-	**50**
CN Fraser	360	-	-	50	**410**
JH Murray	350	-	-	9	**359**
CJ Catlow	25	-	-	-	**25**
Sir David Higgins	19	-	-	-	**19**
Lord Hutton	25	-	-	-	**25**
Prof MR Mainelli	25	-	-	-	**25**
PJE Woods	25	-	-	-	**25**
K Clarke	7	-	-	-	**7**
SG Pycroft	1	-	-	-	**1**
	887	**-**	**-**	**59**	**946**

During the year, there were no contributions to pension schemes for the Directors (2013: £5,000). Details of the share options granted to the Directors during the year are given in note 19. Other benefits include health insurance and tax due on benefits.

	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**

Highest paid director:

	2014 £000s	2013 £000s
Total emoluments and amounts (excluding shares receivable under long term incentive schemes)	**410**	506

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	0.0450	6 April 2010	5 April 2015
	6 April 2010 *	25,000	0.0450	19 January 2011	5 April 2015
RJ Scrimshaw	16 December 2010*	12,500	0.2500	16 December 2010	15 December 2015
	16 December 2010*	12,500	0.3500	16 December 2010	15 December 2015
	16 December 2010*	12,500	0.4500	16 December 2010	15 December 2015
CN Fraser	26 Sept 2012*	10,000	0.3000	26 September 2014	26 September 2017
	26 Sept 2012*	10,000	0.4500	26 September 2015	26 September 2018
Lord Hutton	30 January 2012	1,800	0.3000	30 January 2015	29 January 2022
JH Murray	22 May 2012	10,000	0.3000	1 July 2012	1 July 2015
	22 May 2012	10,000	0.4500	1 July 2013	1 July 2017
KEF Clarke	23 December 2013	1,800	0.3000	23 December 2016	23 December 2023
SG Pycroft	18 March 2014	1,800	0.3000	18 March 2017	18 March 2024

*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:

	2014 £000s	2013 £000s
Short-term employee benefits	**1,097**	1,186
Termination benefits	**-**	83
	1,097	1,269

9. TAXATION

	2014 £000s	2013 £000s
Corporation tax		
Current year	**-**	-
Deferred tax	**-**	-
Effect of change in tax rate	**-**	(256)
Release of deferred tax on impairment	**-**	(511)
Offset of deferred tax asset	**(660)**	(5,217)
	(660)	(5,984)

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

	2014 £000s	2013 £000s
Loss on ordinary activities before taxation	**(10,129)**	(14,572)
Loss on ordinary activities multiplied by the standard rate of corporation taxation in the UK of 23% (2013: 24%)	**(2,330)**	(3,497)
Taxation effects of:		
Expenses not deductible for tax purposes	**50**	2
Effect of change in tax rate	**(659)**	(256)
Release of deferred tax on impairment	**-**	(511)
Offset of deferred tax asset	**-**	(5,217)
Trading losses utilized	**78**	(183)
Trading losses not utilized	**2,203**	3,672
Research & development tax credit	**(1,492)**	
Capital allowances in excess of depreciation	**(1)**	-
Depreciation in excess of capital allowances	**-**	6
Tax credit for the year	**(2,151)**	(5,984)

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

Taxation in the Consolidated Comprehensive Income Statement includes a tax credit of £1.5M in relation to a Research and Development claim.

The Group has unused tax losses of £32,602,000 (2013: £22,684,000). 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.

10. 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.

	2014	2013
	£000s	£000s
Loss for the purposes of basic earnings per share being net loss attributable to equity shareholders of the parent	**(7,978)**	(8,588)
Loss for the purpose of diluted earnings per share	**(7,978)**	(8,588)

	2014	2013
	Number	Number
	000s	000s
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,435,723**	1,340,885

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:

	2014	2013
	Number	Number
	000s	000s
Number of shares		
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,503,154**	1,387,323
Basic and diluted loss per share	**(0.5)p**	(0.6)p

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, therefore basic and diluted earnings per share are the same.

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold property £000s	Computer equipment £000s	Furniture & fixtures £000s	Plant & machinery £000s	Motor vehicles £000s	Leasehold improvements £000s	Total £000s
Cost							
At 1 April 2012	-	66	45	86	58	59	314
Additions	309	157	227	6	52	106	857
Reclass	-	-	29	-	-	(29)	-
Expensed to income statement	-	-	-	-	-	(6)	(6)
Foreign exchange movement	-	1	2	-	-	-	3
At 1 April 2013	309	224	303	92	110	130	1,168
Additions	1,456	3	1	1	-	-	1,461
Reclass	-	-	-	-	-	-	-
Impairments		(6)	(21)				(27)
Expensed to income statement	-	(7)	(3)	(13)	-	-	(23)
Foreign exchange movement	-	(9)	(20)	-	-	-	(29)
At 31 March 2014	1,765	205	260	80	110	130	2,550
Accumulated Depreciation							
At 1 April 2012	-	18	8	18	8	9	61
Charge expensed to income statement	-	47	55	31	22	23	178
Reclass	-	-	9	-	-	(9)	-
Foreign exchange movement	-	-	-	-	-	-	-
Expensed to income statement	-	-	-	-	-	3	3
At 1 April 2013	-	65	72	49	30	26	242
Charge expensed to income statement	-	62	66	19	21	30	198
Foreign exchange movement	-	(3)	(3)	-	-	-	(6)
At 31 March 2014	-	124	135	68	51	56	434
Net book value							
At 31 March 2014	**1,765**	**81**	**125**	**12**	**59**	**74**	**2,116**
At 31 March 2013	309	159	231	43	80	104	926
At 1 April 2012	-	48	37	68	50	50	253

Company	Computer equipment £000s	Furniture & fixtures £000s	Leasehold improvements £000s	Total £000s
Cost				
At 1 April 2012	34	-	59	93
Additions	21	1	13	35
Reclass	-	29	(29)	-
Transferred to group company	(19)	2	-	(17)
Expensed to income statement	-	-	(6)	(6)
At 1 April 2013	36	32	37	105
Additions	-	-	-	-
Reclass	-	-	-	-
Transferred to group company	-	-	-	-
Expensed to income statement	-	(4)	-	(4)
At 31 March 2014	36	28	37	101
Accumulated Depreciation				
At 1 April 2012	8	-	9	17
Charge expensed to income statement	10	3	11	24
Reclass	-	9	(9)	-
Transferred to group company	(1)	1	-	-
Expensed to income statement	-	-	3	3
At 1 April 2013	17	13	14	44
Charge expensed to income statement	11	9	6	26
At 31 March 2014	28	22	20	70
Net book value				
At 31 March 2014	8	6	17	31
At 31 March 2013	19	19	23	61
At 1 April 2012	26	-	50	76

Operating lease expenditure of £334,000 (2012: £272,000) relating to the lease of property is charged to the income statement (see note 5).

12. INTANGIBLE ASSETS

Group	Exploration costs and rights £000s	Goodwill £000s	Software £000s	Total £000s
Cost				
At 1 April 2012	95,149	9,079	48	104,276
Additions	30,085	-	31	30,116
Foreign exchange movement	152	-	-	152
At 31 March 2013	125,386	9,079	79	134,544
Additions	19,097	-	-	19,097
Foreign exchange movement	-	-	-	-
As at 31 March 2014	144,483	9,079	79	153,641
Accumulated provision for permanent diminution in value				
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)
Impairment	-	-	-	-
Amortisation	-	-	(26)	(26)
At 31 March 2014	(58,339)	(2,436)	(52)	(60,827)
Net book value				
31 March 2014	**86,144**	**6,643**	**27**	**92,814**
31 March 2013	67,047	6,643	53	73,743

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% 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%, 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 2014.

IMPAIRMENT

There were impairment charges in the year in the company (Sirius Minerals PLC) of £4,000 (2013: £2,947,000).

Company	Software £000s
Cost	
At 1 April 2012	4
Additions	6
At 31 March 2013	10
Additions	-
At 31 March 2014	10
Accumulated provision for permanent diminution in value	
At 1 April 2012	(1)
Amortisation	(2)
At 31 March 2013	(3)
Impairment	(4)
At 31 March 2014	(7)
Net book value	
31 March 2014	**3**
31 March 2013	7

13. INVESTMENTS IN SUBSIDIARIES

Company	**2014 £000s**	2013 £000s
At 1 April 2013	**78,406**	27,717
Additions	**1,213**	53,084
Impairment	**-**	(2,395)
At 31 March 2014	**79,619**	78,406

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 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%
Dakota Salts LLC *	USA	Resource evaluation and exploration	100%
CO_2 Energy Storage Limited *	USA	Environmental solutions	100%

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

14. OTHER RECEIVABLES

	2014 £000s	2013 £000s
Group		
Other receivables	**536**	737
Prepayments	**510**	221
	1,046	958
Company		
Other receivables	**12**	55
Prepayments	**130**	108
	142	163

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 (2013: £nil).

At the year-end, no receivables were either impaired (2013: £nil) or past due but not impaired (2013: £nil).

15. LOANS TO SUBSIDIARIES

Company	2014 £000s	2013 £000s
At 1 April 2013	**342**	15,753
Additions	**15,113**	40,622
Transferred to group company	**-**	(52,675)
Impairment	**(1,099)**	(3,358)
At 31 March 2014	**14,356**	342

Company	2014 £000s	2013 £000s
Sirius Minerals Holdings Limited	**14,356**	342
	14,356	342

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.

16. CASH AND CASH EQUIVALENTS

	2014 £000s	2013 £000s
Group		
Cash at bank	**48,404**	17,980

	2014 £000s	2013 £000s
Company		
Cash at bank	**46,577**	10,256

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 cash and cash equivalents approximate to their fair value.

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

	2014 £000s	2013 £000s
Group		
Sterling	**47,935**	17,348
Euros	**71**	77
US Dollars	**127**	146
Canadian Dollars	**43**	93
Australian Dollars	**228**	316
	48,404	17,980

	2014 £000s	2013 £000s
Company		
Sterling	**46,494**	10,054
Euros	**63**	77
US Dollars	**17**	97
Australian Dollars	**3**	28
	46,577	10,256

17. LOANS

	2014 £000s	2013 £000s
Group		
Loan to third party	**-**	915

The loan to third party was repaid in full in August 2013.

	2014 £000s	2013 £000s
Group		
Convertible loan	**4,592**	
Loan from third parties	**748**	-

During the year the company secured a third party, variable interest only mortgage to support the purchase of the mine head site in York Potash Limited, the loan is renewable annually.

On 12 August 2013 the Group secured financing of up to £25m with an institutional investor. Under the agreement, up to £25m was to be made available via four tranches of interest free convertible securities which are convertible into ordinary shares of the Company. The first tranche of £10m was executed in August 2013 and a further £5m executed in January 2014. A further two tranches can be activated at 120 day intervals by mutual consent with the lender with a minimum of £1m and a maximum of £5m per tranche. Each convertible security has a maturity of 18 months. At 31 March 2014, £10.6m was fully converted, the amount of loan not converted was £4.6m.

The convertible loan will be held at fair value as a derivative liability with fair value movements being recorded through the income statement. The share options have been recorded in equity.

18. SHARE CAPITAL

	2014 £000s	2013 £000s
Allotted and called up		
1,863,331,072 (2013: 1,343,583,310) ordinary shares of 0.25p each	**4,658**	3,359

On 21 May 2013 the Company issued 2,397,022 new ordinary shares of 0.25p each to Company employees under the Company's short term incentive plan.

On 21 May 2013 the Company issued 1,500,000 new ordinary shares of 0.25p each to Jason Murray, Executive Director pursuant to share awards under his contract of employment which had vested.

On 14 June 2013 the Company issued 500,000 new ordinary shares of 0.25p each at a price of 4p per share, realising £20,000, following the exercise of share options.

On 10 July 2013 the Company issued 2,500,000 new ordinary shares of 0.25p each at a price of 19.7p per share, realising £492,500, following the exercise of share options.

On 12 August 2013 the Company issued 3,495,936 new ordinary shares of 0.25p each as a commitment and commencement fee in connection with a convertible securities facility that the Company entered into on 11 August 2013. On 24 January 2014 the Company issued 205,224 new ordinary shares of 0.25p each as a commitment fee in connection with a new convertible security issued by the Company under the convertible securities facility entered into on 11 August 2013

Throughout the year, pursuant to notices served by the Company's investor under the convertible securities facility entered into on 11 August 2013 the Company issued the following new ordinary shares of 0.25p each:

Issue price	Number of shares	Weighted average price
At 5–8 pence	84,381,529	6.0p
8–10 pence	33,833,410	8.4p
10–12 pence	6,314,442	11.1p
12–14 pence	22,485,541	12.2p
Total	**147,014,922**	**7.8p**

On 30 August 2013 the Company issued 3,432,588 new ordinary shares of 0.25p each in connection with certain consultancy arrangements and an employee incentive payment.

On 10 March 2014 the Company issued 358,702,070 new ordinary shares of 0.25p each to various parties in connection with a placing at a price of 12p per ordinary share. In connection with the placing of new ordinary shares the Company also issued 179,321,029 warrants, exercisable into new ordinary shares in the Company.

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 2013	203,700	0.2316	-
Granted during the year	11,166	0.2499	-
Forfeited/lapsed	(40,743)	0.2471	-
Exercised during the year	(3,000)	0.1708	0.2370
At 31 March 2014	**171,123**	**0.2301**	
Exercisable at 31 March 2014	155,926	0.2019	

	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	-

Details of the share options granted during the year are as follows:

	Tranche 1	Tranche 2	Tranche 3
Recipient	Senior Manager	Senior Manager	Keith Clarke
Grant date	16 April 2013	29 July 2013	23 December 13
Share price at date of grant (£)	0.220	0.205	0.100
Exercise price (£)	0.308	0.350	0.300
Volatility rate	79.64%	93.55%	117.68%
Expected life (years)	5	5	5
Risk free rate	0.75%	1.24%	1.92%
Dividend yield	0.00%	0.00%	0.00%
Vesting date	16 April 2016	29 July 2016	23 December 16
Number of options (000s)	16	1,000	1,800
Fair value of options at date of grant (£000s)	£2	£129	£126

	Tranche 4	Tranche 5	Tranche 6	Tranche 7
Recipient	Investor	SG Pycroft	Senior Manager	Senior Manager
Grant date	13 August 2013	18 March 2014	1 May 2013	20 May 2013
Share price at date of grant (£)	0.1325	0.110	0.255	0.250
Exercise price (£)	0.195	0.300	0.305	0.350
Volatility rate	122.51%	78.31%	68.84	74.55
Expected life (years)	3	5	5	5
Risk free rate	1.51%	1.75%	0.72%	0.92%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Vesting date	13 August 2013	18 March 2017	1 May 2015	20 May 2016
Number of options (000s)	6,000	1,800	150	400
Fair value of options at date of grant (£000s)	£525	£86	£20	£54

The fair values of the options are calculated by use of the Black Scholes model. The inputs into the model are noted in the table above. Expected volatility was determined by calculating the historical volatility of the share price of the Company over the previous 50 days.

The options 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 options outstanding at the year-end had a weighted average remaining contractual life of 6.1 years (2013: 4.4 years).

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 £942,000 of which £51,000 was expensed to the income statement (2013: £1,931,000). The fair value of the options that were exercised during the year is £255,000 (2013: £238,000) and the fair value of the options that were forfeited during the year is £3,832,000 (2013: £nil). The fair value of options that were granted in the prior year but expensed during the year is £1,606,000 (2013: £644,000).

The total expense recognised within the income statement in the year in relation to share options is £580,000 (2013: £2,337,000).

WARRANTS

Details of warrants in the Company issued during the year are as follows:

Recipient	Various Investors
Grant date	14 March 2014
Share price at date of issue (£)	0.1100
Exercise price (£)	0.188
Volatility rate	85.07%
Expected life (years)	1.5
Risk free rate	1.81%
Dividend yield	0.00%
Vesting date	14 March 2014
Number of options (000s)	179,351
Fair value of options at date of grant (£000s)	£4,978

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 2013	12,000	-
Granted during the year	5,592	-
Exercised during the year	(1,500)	
Forfeited during the year	(6,483)	
At 31 March 2014	9,609	-
Exercisable at 31 March 2014	-	-

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 £1,289,000 of which £583,000 was expensed to the income statement (2013: £317,000). The fair value of the shares that were issued during the year is £233,000 (2013: £nil) and the fair value of the share awards that were forfeited during the year is £1,486,000 (2013: £nil).

The total expense recognised within the income statement in the year in relation to share awards is £742,000 (2013: £317,000).

19. SHARE BASED PAYMENTS

The total expense recognised within the income statement in relation to equity settled share based payment transactions in the year is £199,000 (2013: £2,654,000).

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

	2014 £000s	2013 £000s
Equity settled share based payments – directors	**7,798**	7,954
Equity settled share based payments – senior managers	**2,305**	1,090
Equity settled share based payments – employees	**20**	20
Equity settled share based payments – consultants	**169**	169
Equity settled share based payments – previous employees, consultants and advisers	**1,112**	1,112
	11,404	10,345

20. DEFERRED TAX LIABILITIES

Group	**2014 £000s**	2013 £000s
At 1 April 2013	**659**	6,628
Release of deferred tax on impairment	**-**	(511)
Effect of change in tax rate	**-**	(256)
Reduction in liability due to asset	**(659)**	(5,217)
Foreign exchange movement	**-**	15
At 31 March 2014	**-**	659

21. TRADE AND OTHER PAYABLES

Group	2014 £000s	2013 £000s
Trade payables	**1,428**	1,969
Taxation and social security	**182**	248
Other payables	**33**	69
Accruals	**2,524**	2,338
	4,167	4,624

Company	2014 £000s	2013 £000s
Trade payables	**94**	175
Taxation and social security	**126**	153
Other payables	**-**	-
Accruals	**456**	551
	676	879

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	2014 £000s	2013 £000s
Loss before tax	**(10,129)**	(14,572)
Depreciation	**198**	187
Assets expensed to income statement	**50**	-
Finance (income)/expense	**1,014**	(603)
Amortisation	**26**	20
Impairment	**-**	2,947
Share based payments	**1,086**	2,654
Loan conversion into shares	**531**	-
Tax credit	**1,492**	-
Operating cash flow before changes in working capital	**(5,732)**	(9,367)
Decrease/(increase) in receivables	**(88)**	746
(Decrease)/increase in payables	**(2,130)**	1,772
Net cash outflow from operating activities	**(7,950)**	6,849

Company	2014 £000s	2013 £000s
Loss before tax	**(6,297)**	(10,901)
Depreciation	**26**	33
Finance (income)/expense	**1,042**	(514)
Assets expensed to income statement	**3**	-
Amortisation	**-**	2
Impairment	**4**	2,395
Share based payments	**1,086**	2,654
Loan conversion into shares	**531**	-
Operating cash flow before changes in working capital	**(3,605)**	(6,331)
Decrease/(increase) in receivables	**21**	(47)
(Decrease)/increase in payables	**(203)**	557
Net cash outflow from operating activities	**(3,787)**	(5,821)

23. RELATED PARTY TRANSACTIONS

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.

Details of short-term employee benefits to the Directors, the key management personnel of the Company, are given in note 8.

During the year the Company was charged £25,000 (2013: £25,000) by Z/Yen Group Limited for the services of Prof MR Mainelli (see note 8).

During the year Mr CN Fraser purchased certain assets from the Company for £9,970 which, is equivalent to their net book value as at 31 December 2013.

During the year the Company loaned £15,196,000 (2013: £40,622,000) to its subsidiaries for working capital purposes (see note 14). The Company impaired its loans to Auspotash Corporation and Sirius Minerals (Australia) Pty Limited. The total impairment charge was £1,098,649 (2013: £3,358,000). At the year-end, the Company had a loan receivable balance of £14,439,000 due from its subsidiaries (2012: £342,000) (see note 15).

24. FINANCIAL INSTRUMENTS

CLASSIFICATION OF FINANCIAL INSTRUMENTS

IFRS 7 (Financial Instruments: Disclosures) requires financial instruments to be grouped into a fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

The three levels of the hierarchy are:

- Level 1 – Quoted prices (unadjusted) based on active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices)
- Level 3 – Inputs for the asset or liability that are not based on observable market data

The convertible loan has been assessed to be a level 2 financial liability. All other 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:

	2014 £000s	2013 £000s
Group		
Other receivables	**536**	737
Cash and cash equivalents	**48,404**	17,980
Loan to third party	**-**	915
	48,940	19,632

	2014 £000s	2013 £000s
Company		
Other receivables	**12**	55
Cash and cash equivalents	**46,577**	10,256
Loans to subsidiaries	**14,440**	342
	61,029	10,653

INTEREST RATE RISK

The Group's interest bearing assets comprise cash and cash equivalents earning interest at a variable rate. The Group borrowing at the year-end was £5,340,000 (2013: £nil), and the Company borrowing at the year-end was £4,591,000 (2013: £nil).

The Group's cash and cash equivalents earned interest from various instant access deposits and fixed term deposits in Sterling. 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 2014 and 31 March 2013.

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 2014			
6 months or less	1,643	2,524	4,167
Total contractual cash flows	1,643	2,524	4,167
Total amount of financial liabilities measured at amortised cost	1,643	2,524	4,167

	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 payables £000s	Accruals £000s	Loan from subsidiary £000s	Total £000s
Company				
As at 31 March 2014				
6 months or less	220	456	84	760
Total contractual cash flows	220	456	84	760
Carrying amount of financial liabilities measured at amortised cost	220	456	84	760

	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

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 £75,867 (2013: £259,000) to the Group's results and £23,887 (2013: £11,000) to the Group's financial position as at 31 March 2014.

25. COMMITMENTS & CONTINGENT LIABILITIES

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	**2014 £000s**	2013 £000s
No later than 1 year	**334**	328
Later than 1 year and no later than 5 years	**441**	706
	775	1,034

Company	**2014 £000s**	2013 £000s
No later than 1 year	**43**	43
Later than 1 year and no later than 5 years	**53**	73
	96	116

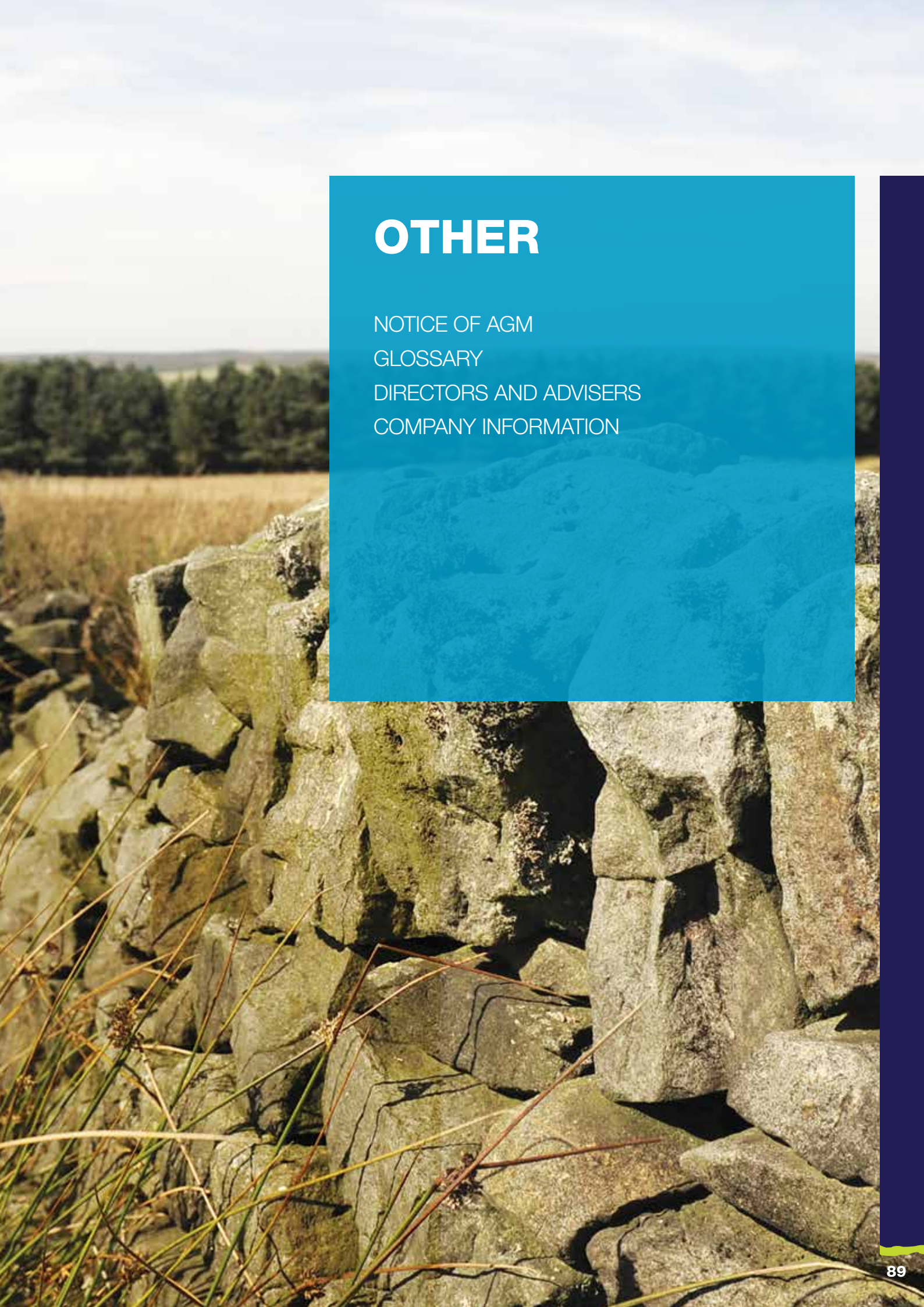
CONTINGENT LIABILITIES

The group has an outstanding enquiry with HMRC regarding the VAT treatment of historical isolated transactions which was unresolved as at 31 March 2014.

26. POST BALANCE SHEET EVENT

In connection with the placing of new ordinary shares announced on 6 March 2014, on 14 March 2014 the Company issued 179,321,029 warrants based on one warrant per two shares subscribed for in the placing. Each warrant is exercisable into one new ordinary shares in the Company with an exercise price of 18p per share. The warrants have subsequently been listed on the Channel Islands Securities Exchange from 3 June 2014.

The Group has commission payment liabilities which became due to external sales and marketing agencies in July 2014 as a result of successful sales targets being reached. These liabilities total $1million (USD), and will be paid over the two year period from July 2014.



OTHER

NOTICE OF AGM
GLOSSARY
DIRECTORS AND ADVISERS
COMPANY INFORMATION

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, YO24 1AA, on Tuesday 23 September 2014 at 11.30am for the following purposes:

To consider and, if thought fit, to pass resolutions 1 to 8, which are proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

1. To receive the accounts of the Company for the year ended 31 March 2014 and the reports of the Directors and auditors.
2. To re-elect Russell Scrimshaw as a Director of the Company.
3. To re-elect Christopher Fraser as a Director of the Company.
4. To elect Keith Clarke as a Director of the Company.
5. To elect Stephen Pycroft as a Director of the Company.
6. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company until the conclusion of the next annual general meeting in 2015.
7. To authorise the Directors to fix the auditors' remuneration.
8. That the Directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot Ordinary Shares in the Company and to grant rights to subscribe for, or to convert any security into, Ordinary Shares in the Company (Rights) up to an aggregate nominal amount of £2,471,260.04, provided that this authority shall expire on the date being five years from the conclusion of this annual general meeting, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot Ordinary Shares and Rights pursuant to any such offer or agreement as if this authority had not expired; and all authorities vested in the Directors on the date of this notice of meeting to allot Ordinary Shares and grant Rights that remain unexercised at the commencement of this meeting be and are hereby revoked.

By order of the Board

NA King
Company Secretary
20 August 2014

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 21 September 2014 or, if this meeting is adjourned, 6.00pm on the day two days prior to the adjourned meeting shall be entitled to attend, speak 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 21 September 2014 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 in accordance with these notes and the notes to the proxy form and signed; and
- sent or delivered to the Company's registrars, Capita Asset Services, PXS1 34 Beckenham Road, Beckenham Kent BR3 4ZF; and
- received by the Company's registrars at the above address by no later than 11.30am on 21 September 2014 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 or other duly authorised person. The original of any power of attorney or any other authority under which the proxy form is signed (or a notarially 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 23 September 2014 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's (EUI) specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) no later than 11.30am on 21 September 2014 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 Uncertified Securities Regulations 2001 (as amended).

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 the Company's registrars Capita Asset Services, PXS1 34 Beckenham Road, Beckenham Kent BR3 4ZF telephone: 0871 664 0300 (calls cost 10 pence per minute plus network extras) lines are open Monday–Friday, 9.00am–5.30pm (from outside the UK +44 (0) 208 639 3399). 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 Capita Asset Services. 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 or other duly authorised person. The original of any power of attorney or any other authority under which the revocation notice is signed (or a notarially 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 21 September 2014 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 the Company's registrars Capita Asset Services, PXS1 34 Beckenham Road, Beckenham Kent BR3 4ZF.

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 Capita Asset Services on 0871 664 0300 (calls cost 10 pence per minute plus network extras) lines are open Monday–Friday, 9.00am–5.30pm (from outside the UK +44 (0) 208 639 3399); or
- by email to ssd@capitaregistrars.com.

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

The resolutions proposed are ordinary resolutions. These resolutions will be passed if, on a vote on a show of hands, more than 50% of the votes cast for or against are in favour.

(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 2014 and the reports of the Directors and auditors.

(XVI) Resolutions 2 and 3: The Company's articles of association require that at every annual general meeting, one-third of eligible Directors or, if their number is not a multiple of three, then the number nearest to and not exceeding one-third shall retire from office, and that in any event each Director shall retire from office at least once every three years. Accordingly, both Russell Scrimshaw and Christopher Fraser shall retire from office at this year's annual general meeting and, as permitted by the articles of association, both shall stand for re-election by the shareholders. The relevant experience and background for Russell Scrimshaw and Christopher Fraser can be found in the Board of Directors section of the Company's Annual Report 2014. The experience of both Russell and Chris in the resources sector and in leading the Company and York Potash Project to the stage it is at to date are seen by the Board as invaluable.

(XVII) Resolutions 4 and 5: Keith Clarke was appointed a Director of the Company on 23 December 2013 and Stephen Pycroft was appointed a Director of the Company on 18 March 2014. Both Directors are required by the Company's articles of association to retire at the first annual general meeting following their appointment. Accordingly both Directors shall retire at this year's annual general meeting and, as permitted by the articles of association, both shall stand for election for the first time by the shareholders. The relevant experience and background for Keith Clarke and Stephen Pycroft can be found in the Board of Directors section of the Company's Annual Report 2014. The experience of both Keith and Stephen in managing large construction projects as well as their leadership of large UK businesses are recognised by the Board as experience and skill sets which will be invaluable in assisting the Company and York Potash Project through its current stage of development.

(XVIII) Resolutions 6 and 7: 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. PricewaterhouseCoopers LLP have indicated their willingness to continue as the Company's auditors. Resolution 6 is to re-appoint the auditors and Resolution 7 authorises the Directors to determine their remuneration.

(XIX) Resolution 8: Under section 551 of the Companies Act 2006, the Directors require shareholders' authority to allot shares. The grant of this authority will provide Directors with the authority to allot up to approximately 33% of the number of Ordinary Shares in issue as at 4 August 2014 plus an amount equal to outstanding commitments in relation to the issue of Ordinary Shares pursuant to warrants and options already granted by the Company. This amount reflects accepted UK market practice in relation to the numbers of shares which Directors of listed companies should be able to allot.

Section 561 of the Companies Act 2006 requires that subject to certain limited exceptions, where Ordinary Shares are to be allotted for cash they must first be offered to existing shareholders on a pre-emptive basis (i.e. pro-rata to their existing holdings). This means that, if granted, this allotment authority will allow Directors to allot Ordinary Shares up to the maximum permitted amount either:

- for cash, but only on a pre-emptive basis to existing shareholders (e.g. by way of a rights issue or open offer) or on a non pre-emptive basis where the number of shares to be issued fall within pre-existing Shareholder authorities for Directors to issue shares without the need to offer them first to existing Shareholders; or
- for non-cash consideration on either a pre-emptive or non pre-emptive basis (for example, they could be allotted to a third party in return for assets or shares).

GLOSSARY

BPC	Belarusian Potash Company. Marketing arm of Moscow-based Uralkali and Belaruskali of Belarus
CAGR	Compound Annual Growth Rate
CAPEX	Capital expenditure
DFS	Definitive Feasibility Study
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
EXCO	Executive Committee of Sirius Minerals Plc
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
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
MOP/MURIATE OF POTASH	Muriate of Potash. Common name for potassium chloride. See potassium chloride
MT	Million metric tonnes
MTS	Mineral transport system
MTPA	Million metric tonnes per annum
NPA	National Park Authority
NPK	Fertilizers made up of a combination of nitrogen (N), phosphorus (P) and potassium (K)
NPV	Net Present Value
NYMNPA	North York Moors National Park Authority

OPEX	Operating expenditure
PFS	Pre-Feasibility Study
PINS	Planning Inspectorate
PPA	Planning Performance Agreement
PPM	Parts per million
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. 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
RCBC	Redcar & Cleveland Borough Council
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
T	Metric tonne
TCT	Yunnan TCT Yong-Zhe Company Limited
WACC	Weighted Average Cost of Capital
YPL	York Potash Limited
YPP	York Potash Project

DIRECTORS AND ADVISERS

DIRECTORS

RJ Scrimshaw (Non-Executive Chairman)
CN Fraser (Managing Director and CEO)
JH Murray (Finance Director and CFO) – resigned August 2014
CJ Catlow (Non-Executive Deputy Chairman)
Lord Hutton (Non-Executive Director)
KEF Clarke (Non-Executive Director)
SG Pycroft (Non-Executive Director)
PJE Woods (Non-Executive Director)

SECRETARY

NA King

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***Office closure announced in 2014**

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COMPANY REGISTRATION NUMBER

04948435