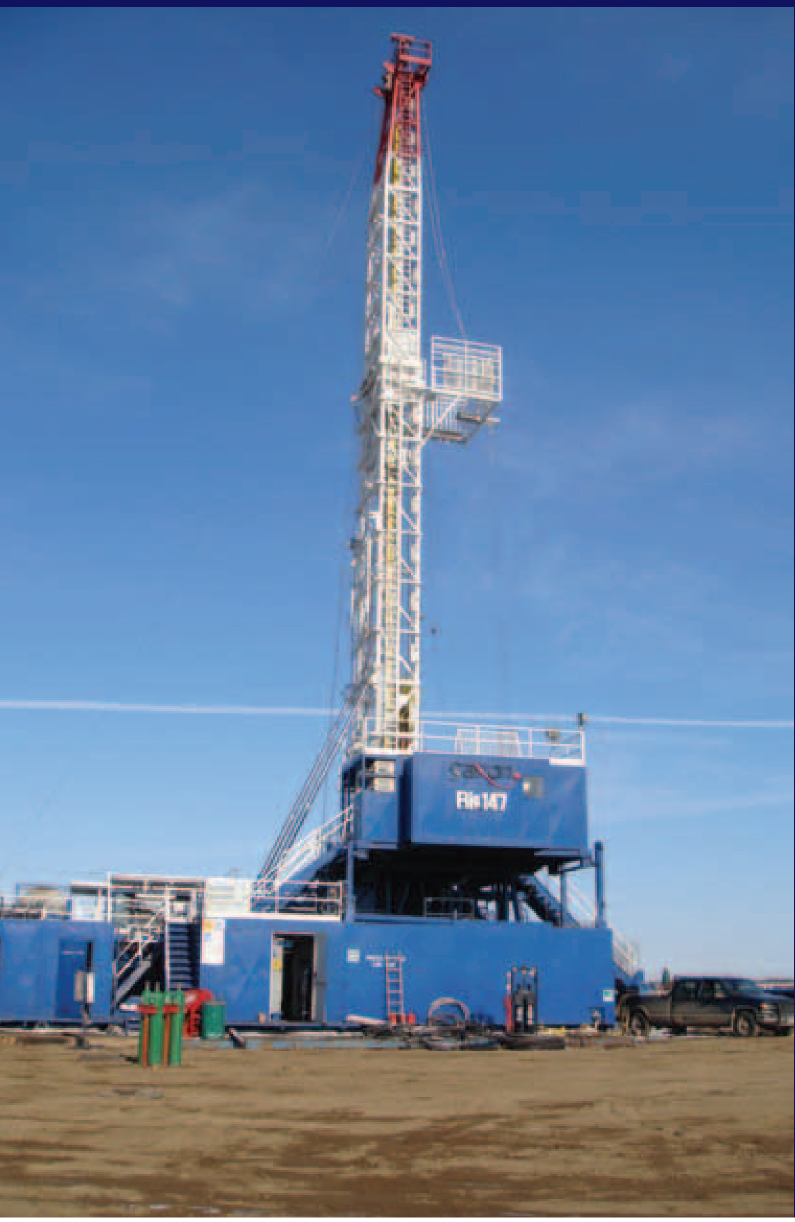
Sirius Minerals Plc

Report and Consolidated Accounts
For the year ended
31 March 2011

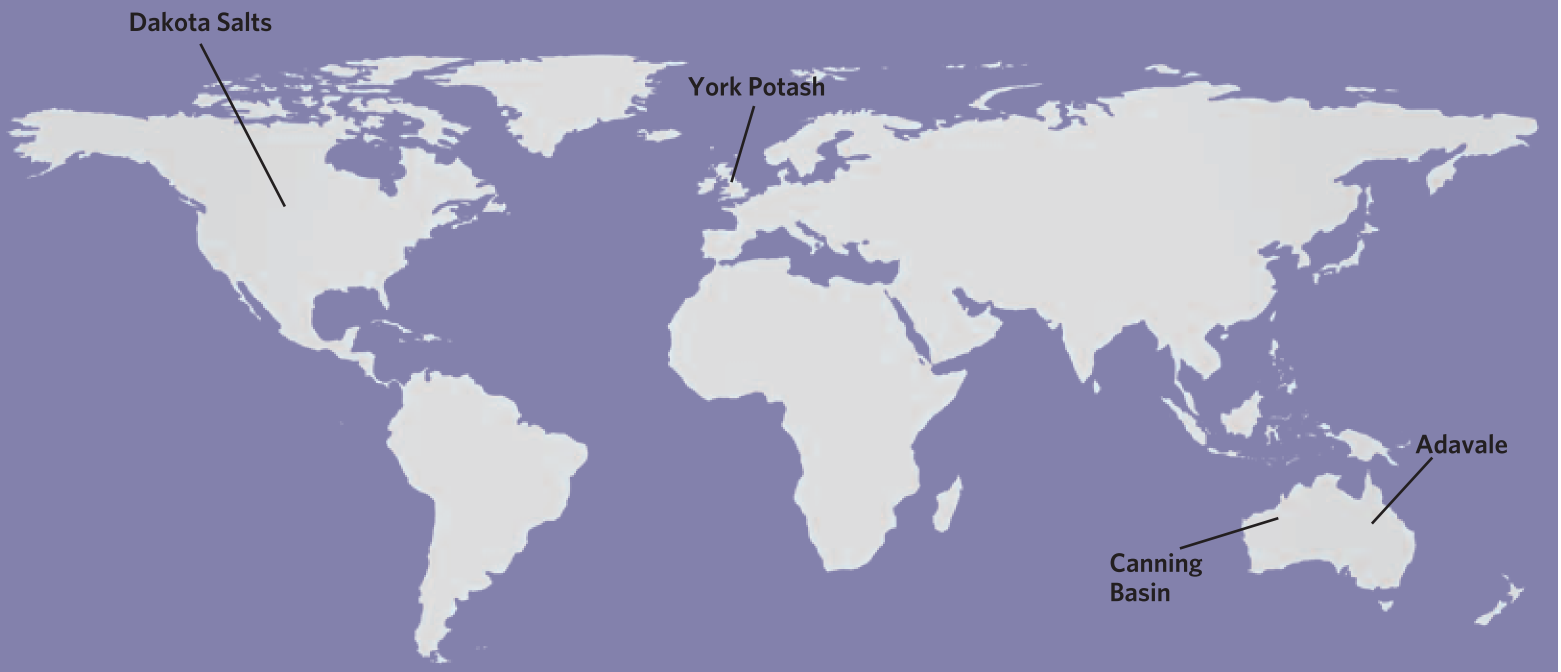



THE NEW POTASH POWERHOUSE

SIRIUS minerals

Sirius Minerals is a globally diversified potash development company. Its primary focus is to bring on stream major potash mining facilities through the acquisition and development of projects overlying recognised potash deposits. Its flagship project is the York Potash Project in the United Kingdom. It is also progressing earlier stage projects in the United States (North Dakota), and Australia (Queensland and Western Australia).

The Company was formed in 2004 and listed on the London Stock Exchange's AIM market in August 2005. Its shares are also traded in the United States on the OTCQX through the use of a sponsored ADR facility.



" The world's potash requirements have never been greater and show no sign of slowing in the future."

Highlights

- £24.3 million raised through three separate placings. High quality institutions now hold some 15% of the Company's issued share capital
- Acquisition of York Potash Limited in January 2011
- JORC Exploration Targets[1] established for the York Potash Project of between 3.3 and 6.0 billion tonnes of 67% to 94% polyhalite (19% to 27% K_2SO_4) and of between 330 million and 400 million tonnes of 35% to 40% KCl
- Board strengthened with the appointments of Chris Fraser, Andrew Lindsay, Russell Scrimshaw and Peter Woods
- Operational management team expanded
- Ongoing evaluation activity at Sirius' Adavale and Canning Basin properties in Australia and first hole drilled at Dakota Salts in North Dakota
- Planning applications for the first four drill sites at the York Potash Project approved by the North York Moors National Park Authority
- Concept Study for York Potash commissioned
- Drilling programme commencing at York Potash

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[1] These estimates of quality and grade are conceptual in nature and there has been insufficient exploration to define a Mineral Resource on the property, and it is uncertain if further exploration will result in the discovery of a Mineral Resource on the property reportable to an AIM standard.

Chairman's Statement

Christopher Catlow
Chairman

"I am pleased to report your Company is now well funded and is on the way towards achieving its goal of becoming the New Potash Powerhouse"

Dear Shareholder,

When I wrote to you last year in my first Chairman's Statement, I set out the case for the Company's decision to focus on developing into a New Potash Powerhouse based upon multiple projects in OECD countries. A year on, with increasing global potash consumption and accelerating food price inflation becoming an international issue, I am convinced we have set the correct strategic direction and I am pleased to report that we are now making good progress down that path.

Increased pressure continues to be placed on a diminishing arable land bank as a result of population growth, rapid urbanisation in the developing nations and the transition to higher protein and higher value diets around the globe. These, amongst other factors, are contributing to the increasing long-term demand for potassium enriched fertilisers to improve the productivity of farmland in both developing and developed nations alike.

Of late the investment community has deepened its understanding of the fertiliser sector and potash in particular, not least as a result of the unsuccessful BHP Billiton bid for Potash Corporation of Saskatchewan in August 2010 and the subsequent acquisition of PotashOne by K+S AG. This improved understanding is leading investors to better appreciate the range of potassium based fertilisers that are required in the market. A new lexicon of terms has become common place such as polyhalite, muriate of potash (MOP) and sulphate of potash (SOP). The debates are now no longer based simply on the scale and risks associated with any potential project, but on the likely make-up and related value of the contained potash.

How has all this impacted our Company in the year under review?

Quite simply, it led the Board to better rank and prioritise the Company's portfolio of assets. It also helped us recognise the value of securing projects focused on premium potash products such as SOP given that they can trade at up to a 50% premium to the more common MOP products.

"The integration of the York Potash Project following the acquisition announced on 17 January 2011 is proceeding well. The project is being moved forward on many fronts"

We were delighted to finalise negotiations to acquire York Potash Ltd in January 2011. The York Potash Project in the UK undoubtedly has the potential to rapidly become a "tier one" company-making asset. It provides Sirius with a world-class project that has every chance of becoming a major potash production centre and a significant contributor to both the North Yorkshire and United Kingdom economies. The product suite from the sylvite and polyhalite is extensive and potentially includes SOP, MOP, magnesium hydroxide, magnesium oxide and gypsum.

Upon the acquisition of York Potash, its founder and major shareholder Chris Fraser agreed to become our Managing Director and CEO. He brings to Sirius considerable resource development and capital raising experience, is an excellent team builder with boundless energy and leads by example. Chris is already building a talented management team around him that will stand Sirius in good stead in the years to come.

Your Company has a suite of other assets that also have considerable promise. Whilst we did not hit the jackpot in drilling our first hole in North Dakota, we confirmed the presence of potash and have established a new mineral province. In Australia we have conducted extensive analysis of existing data and are confident that we will achieve exploration success. Our innovative technological initiatives are beginning to show promise in synergistic ways and we anticipate a rewarding future in this area too.

I believe that the success of an organisation depends on its culture, which comes from the top. We will build Sirius from the outset on a strong culture of innovation, can-do approach and urgency to ensure that our projects are developed quickly and in the most effective manner.

To that end, we significantly strengthened our Board during the year with the appointments of Russell Scrimshaw in December 2010, Andrew Lindsay in January 2011 and Peter Woods in May 2011. Russell was until recently Deputy Chief Executive of Fortescue Metals Group Ltd and brings a wealth of relevant experience to the table, particularly with his marketing experience and his knowledge of China. Meanwhile Andrew joined us as Finance Director and CFO having had the same role at European Nickel for the last seven years. Before that he was at Anglo American. Finally we were delighted to welcome Peter Woods to the Board as a non-executive director. Peter brings immense local and industry knowledge in relation to our York Potash Project having been Chief Geologist at the neighbouring Boulby mine and a prominent citizen in North Yorkshire for many years.

I would also like to thank Jonathan Harrison, who stepped down from the Board in January 2011, for his tireless efforts on behalf of the Company in its formative years in his role as Finance Director.

For the year to 31 March 2011 the Company generated a consolidated loss of £7.1 million, some £3.3 million larger than last year, which reflects the increased level of activity in the Company this year and a £4.8 million charge for share based payments. As at the end of the year the group held £21.0 million in cash having completed a £20.0 million placing, before expenses in March 2011.

Following this successful placing, which saw some 15% of the Company's shares placed with institutional shareholders, I am pleased to report your Company is now well funded and on the way towards achieving its goal of becoming the New Potash Powerhouse.

Since the financial year end we have commissioned a Concept Study for York Potash, which is planned to be completed by the end of the year, and have also started our drill programme with the intention of announcing a resource in the first quarter of 2012.

The coming year promises to be an exciting one for all of us at Sirius.

Chris Catlow
Chairman

Chief Executive Officer's Report

Chris Fraser
Managing Director and CEO

"York Potash holds options on mineral rights over a substantial portion of the largest known polyhalite deposit at mineable depths in the world"

Strategic Overview
Sirius's goal is to become a significant potash producer. It will build several projects utilising the latest construction and operating technology to build economically competitive, sustainable mines.

With the acquisition of the York Potash Project in January 2011 the Company acquired a project with enormous potential to become one of the world's most significant potash producers. Sirius will focus its efforts to add shareholder value by concentrating on advancing York Potash to production as quickly as possible.

Consistent with its stated strategy, the Company's other projects will continue to be moved forward in parallel, but on a balanced risk reward basis. In addition the Company will continue to seek out and review other potash opportunities that can add value for its shareholders and that align with its diversified geographical strategy.

The Company has embarked on a programme of recruitment of experienced and motivated employees to bring York Potash into production. A team is being built globally to deliver the Company's goal of becoming the ***NEW POTASH POWERHOUSE.***

Sustainable Development
Sirius is committed to sustainable development. At the same time as progressing its core projects, the Company is also investing in research and development to improve the long-term economic returns of its potash projects through sustainable innovations while reducing their carbon footprint. As part of this commitment to sustainable development Sirius has adopted the ten sustainable development principles issued by the International Council of Metals and Mining ("ICMM") in 2003. The following summarises those principles:

1. Implement and maintain ethical business practices and sound systems of corporate governance.
2. Integrate sustainable development considerations within the corporate decision making process.
3. Uphold fundamental human rights and respect cultures, customs and values in dealing with employees and others who are affected by our activities.
4. Implement risk management strategies based on valid data and sound science.

5. Seek continual improvement of our health and safety performance.

6. Seek continual improvement of our environmental performance.

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

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

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

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

York Potash Project

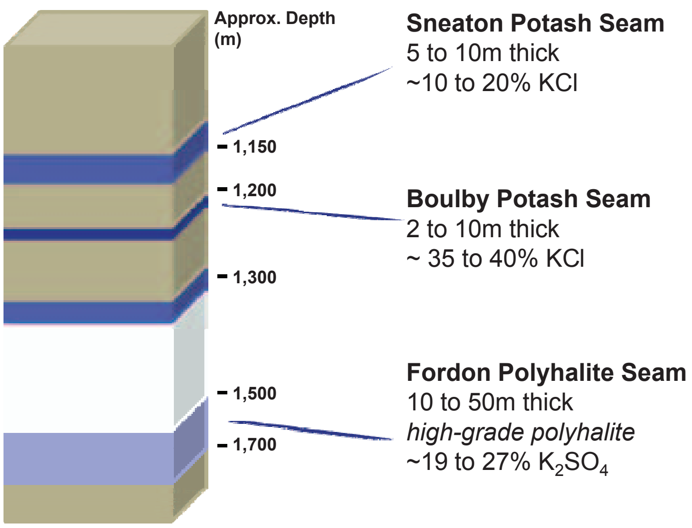
The Company acquired the entire share capital of York Potash in January 2011 for the issue of 150 million new ordinary shares, which together with an acquired outstanding loan, valued the company at £25.3 million, including £6.6m of goodwill. York Potash has options over a substantial mineral rights portfolio both onshore in North Yorkshire and in the adjacent offshore area underneath the North Sea.

Based on a significant amount of historical information including over 97,000 metres of historic drilling and extensive 2D seismic work in the project area, completed in previous potash and oil and gas exploration, the Company and its advisers are targeting three separate known seams of potash in the following order of priority:

- *Fordon Seam*: the very large and potentially high grade polyhalite (potassium sulphate or K_2SO_4) target;

- *Boulby Seam:* a high grade sylvite (potassium chloride or KCl) target with known significant localised variability in thickness and grade; and

- *Sneaton Seam:* a thicker, but lower grade sylvite target.



Conceptual geological stratigraphy at York Potash

To the north of the York Potash Project, ICL Fertilizers, through its subsidiary Cleveland Potash Ltd, has historically focused its mining on the Boulby Seam at the Boulby mine to produce MOP. Recently, however, they have commenced mining polyhalite from the Fordon Seam more than 1.5 kilometres offshore under the North Sea. In addition, in April 2011 Cleveland was successfully awarded a £15 million grant from HM Government's Regional Growth Fund. This grant was awarded to secure a positive decision from ICL to begin the world's first commercial production of polyhalite from a plant in the Tees Valley. Sirius believes these are all positive endorsements of its strategy to focus on polyhalite as its priority target.

Polyhalite is a complex hydrated sulphate mineral ($K_2SO_4.MgSO_4.2CaSO_4.2H_2O$), which can be processed into various potassium based fertilisers as well as being a valuable source of magnesium minerals. Although there are currently no commercial scale operations based on polyhalite, extensive research was done into various process routes in the 1930s and 1940s. In addition, ICL has recently made patent applications on further process routes focused on the production of potassium nitrate.

Polyhalite is potentially a valuable source of minerals including:

- **Raw polyhalite:** can be simply crushed for use as a direct application organic fertiliser;
- **Sulphate of Potash (SOP):** there are several known routes to produce commercial quantities of SOP from polyhalite. As part of its Concept Study announced in July 2011, Sirius will be working to decide which process route is the most attractive economically and environmentally. More about the benefits of SOP is set out below in the Potash Market section;
- **NOP:** Potassium nitrate is a high value fertiliser product trading at prices above SOP due to its excellent solubility and lack of chloride ions. It also has industrial applications;
- **Various potassium and magnesium fertiliser compounds:** these combine the potassium sulphate with the important micro-nutrient magnesium and are typically used where soils are magnesium deficient;
- **Magnesium hydroxide ($Mg(OH)_2$):** a compound that is increasingly seen as an environmentally sustainable and safer alternative to caustic soda in the water treatment and paper milling industries. In addition, it is a valuable feedstock for the production of other magnesium compounds; and
- **Magnesium oxide (MgO):** is used in global steel and other industries for refractory bricks in kilns and furnaces.

In January 2011, based on the available information on the then mineral rights position of 608km^2 (now over 621km^2), FWS Consultants, a Competent Person under JORC, established in-situ JORC Exploration Targets[1] at the York Potash Project of between **3.3 and 6.0 billion tonnes of 67% to 94% polyhalite (19% to 27% K_2SO_4) and of between 330 million and 400 million tonnes of 35% to 40% KCl**.

These estimates have been adjusted to exclude ore under urban areas and for known faults and dykes. In the case of the polyhalite the estimate assumes only a five metre extraction thickness out of an apparent higher grade zone of between ten and fifteen metres. In addition, the Company has increased and continues to increase its mineral rights position by entering into option agreements with additional landowners in the

Drilling at York Potash

project area. As a result the Company believes that this is potentially a conservative Exploration Target for the polyhalite.

The Company plans to drill up to ten holes in the first phase of the exploration programme and expects to release a resource statement in the first quarter of 2012. The geological model of the deposit will be constantly updated as new data are generated and if necessary the drill programme will be adjusted based on this data.

The leading industrial potash and mineral salts focussed engineering firm Ercosplan was appointed in June 2011 to conduct a Concept Study on the project. The Company also appointed Hatch and Murphy Pipelines to assist on certain aspects of the Concept Study. Murphy Pipelines will specifically focus on the slurry pipeline transport options for the project. Hatch has provided some highly experienced individuals to support the Sirius team to analyse and consider the various options for the project, but specifically to evaluate the project's polyhalite processing options. The Concept Study, integrating the work of all three consultants, is due to be completed before the end of the year.

The Concept Study will also consider shaft sinking, mining and by-product processing and will provide estimates of capital and operating costs, project implementation schedules and timelines. Assuming a positive outcome of this study the Company plans to immediately advance onto further studies to refine the estimates and develop detailed project designs.

Sirius is committed to pursuing innovation. Innovation in all phases of the project will be embraced to ensure the latest technologies are reviewed, tested and if

1 These estimates of quantity and grade are conceptual in nature and there has been insufficient exploration to define a Mineral Resource on the property, and it is uncertain if further exploration will result in the discovery of a Mineral Resource on the property reportable to an AIM standard.

appropriate incorporated into the project designs and implementation plans. This will ensure the mine that the Company builds will be as sustainable and as efficient as possible while ensuring that in the decades to come it is seen as a leading example in the global mining industry.

Dakota Salts

Having acquired the outstanding balance of Dakota Salts in 2009 the Company continued to increase its land position in Burke County in North Dakota. Following extensive geological studies during 2010 a drill site location was identified, based on the historical data available. In August 2010 Dakota Salts was granted an Exploration Permit to drill a hole to a depth of over 2,700 metres and in November drilling commenced on the hole EBY-1.

Drilling was carried out by Schlumberger Water Services USA Inc (SWS) and the Company's North American geological consultants North Rim Exploration Limited (North Rim), with Saxon Energy Services as the drill contractor. Following completion of the hole to a depth of 2,794 metres the core was analysed at the Saskatchewan Research Council laboratory. North Rim reviewed the results and determined that the hole had intersected 8.5 metres of the Esterhazy member from 2,702 metres with a weighted average K_2O grade of 11.8% and 8.6% carnallite.

In light of the Company's intense focus on the York Potash Project and the nature of the result of EBY-1, Sirius is continuing to consider its options on how best to add value for its shareholders from its investment in North Dakota. The Company believes the potash potential of the Prairie Evaporites in North Dakota remain a promising exploration target in the global search for potash.

Adavale

The Company currently holds exploration permits covering over 600km^2 of land overlying the prospective Boree Salt Member, a formation with significant salt and potash potential. These properties lie some 50km south of the town of Blackall in central Queensland.

RPS Boyd PetroSearch (Boyd) has conducted a full interpretation of the existing seismic and petroleum drilling data for the permit land on behalf of the Company. This work was carried out in two phases and has now been completed. Phase I involved the interpretation of publicly available 2D seismic data and Phase II involved digitising the available raster data of seismic lines within the project area and integrating these with the initial interpretation to produce a new robust interpretation of the Boree Salt Member.

Boyd calculated that approximately 100 billion tonnes of salts exist within the Company's northern exploration permits, which is approximately 100% more than the Company's original estimate. Furthermore, Boyd did not identify any fatal flaws in the current programme to explore for potash and following this work a site has been identified that is considered very prospective for potash formation.

The key challenges in the area are the availability of water in sufficient quantities and securing access to infrastructure. One potential source of water is from the waste water of coal seam gas producers in the area, if a process can be developed to clean their water sufficiently for use in the project's processing plant. This would be a symbiotic solution as it would also solve a serious problem for the coal seam gas producers. Furthermore it may be possible to share infrastructure links with the coal seam gas and coal mining industry, and this will be investigated.

In August 2010 the Company entered into a Memorandum of Understanding (MOU) with Sino-Agri Mining Industry Co. Ltd (Sino-Agri), a division of China's second largest fertiliser distributor, to develop the Adavale project. The MOU contained an exclusivity period of 180 days to conclude a full agreement. This expired in February 2011. In light of the transformational acquisition of York Potash earlier in the year the Company is now taking the opportunity to consider its overall strategic approach to China as the world's largest consumer of potash and the source of substantial amounts of investment funds.

Canning Basin

In October 2010 the Company instructed Boyd to conduct a full review of existing and newly acquired 2D seismic data, together with the exploration data gathered by Rio Tinto Exploration during 2008 and 2009 for its Derby Salts tenements in Western Australia. Derby Salts's five exploration licences cover some 1,236km^2 of claims in the Kimberley region of Western Australia overlying the Canning Basin.

The Company announced Boyd's summary findings in May 2011. Boyd had established that the Mallowa Salts are continuous with minimal disturbance, with salt mineralisation ranging from approximately 179 to 630 metres in thickness over a number of representative lines at a depth ranging from approximately 500 to 1,300 metres. There was no evidence of major faulting within the licence areas and five potential drill targets were identified.

These results warrant further study and the Company is now working with its consultants to plan the next phase of exploration work.

Research and Development

Research and development on several environmental technologies provides a useful second horizon of value

Chief Executive Officer's Report continued

for the Company's activities. The nature of the studies are intended to provide direct potential economic benefits to the Company and with the acquisition of York Potash the Company is considering further research programmes suited for application at this project.

In April 2010 Dakota Salts was awarded a grant by the Industrial Commission of North Dakota of US$225,000 (payable in 2011/12) to carry out feasibility studies on using salt caverns for compressed air energy storage (CAES) from wind energy in North Dakota, one of the windiest states in the United States. The project seeks to determine whether specifically created caverns in the salt and potash seams are viable or whether legacy caverns from previous mining operations need to be used. Other factors such as the proximity of the caverns to key infrastructure are also being considered.

The Company is working on the project with Electric Power and Research Institute (EPRI), Schlumberger Ltd and Tetra Tech Inc. Schlumberger is currently developing a model to determine the sustainability of the CAES concept under the parameters that have been determined by EPRI.

In September 2010 the Company and the University of Queensland completed a nine month proof-of-concept study exploring an innovative approach to carbon sequestration using salt solutions. This newly developed method converts salt and CO_2 into sodium carbonates (e.g. bicarbonate of soda), which can be safely stored in empty underground mine caverns preventing that CO_2 from entering the atmosphere.

Sirius and the University of Queensland designed this technology to work in conjunction with potash solution mining. Besides providing a long-term storage solution for CO_2, another attractive feature of this process is that it uses the sodium rich salt solution generated from the solution mining of potash, providing both a storage solution for sodium and clean water that can be pumped back down into the cavern. The Company and University of Queensland are applying for patents and have also applied for a grant from the Australian Research Council to continue the programme.

Preparing the drill bit

Funding activity

During the year the Company raised £24.3 million in three separate placings. The first of these was in September 2010 when £3.0 million was raised from international investors and existing shareholders at 6.0 pence per share. A further £1.3 million was injected into the Company by Mr Russell Scrimshaw who was appointed as non-executive director in December 2010.

Following the acquisition of York Potash the Company's new management raised £20 million through a placing of 153.8 million new ordinary shares at 13 pence per share in March 2011 to institutional investors in the United Kingdom, the United States and Australia. This placing brought onto the Company's share register the Company's first substantial institutional shareholders. The intention is to increase the proportion of the Company's issued share capital held by institutions so as to provide the Company with a stable shareholder base with the capacity to fund the Company through to production.

Of the £20 million raised in the last placing some £13.5 million was planned to be expended on York Potash, with a substantial majority of the funds being used to fund the exploration programme that is currently underway. Of the balance some £1.5 million is for expenditure on the Company's other projects and the rest is to cover the issue costs and for working capital and corporate expenditure.

The year ahead

The next twelve months in the life of Sirius will be transformational. The Company is growing and undertaking activities on a scale it has never done before. This work is planned to deliver significant shareholder value as quickly as possible. Sirius is now well set on its strategy to be the ***NEW POTASH POWERHOUSE***.

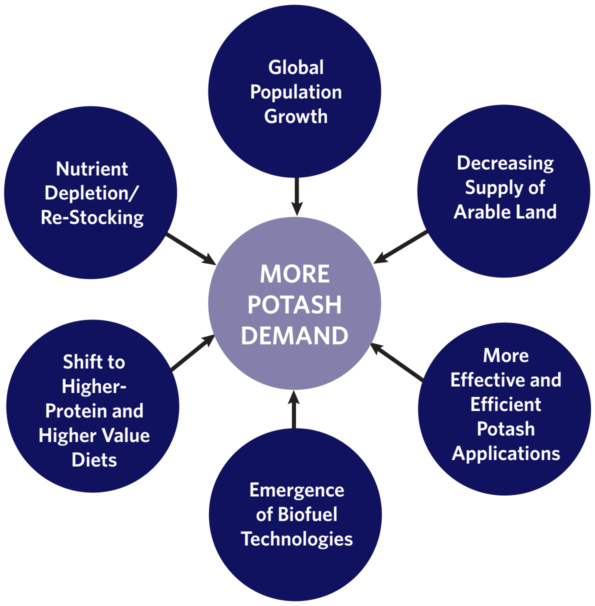
Chris Fraser
Managing Director and CEO

Potash Market

Potash is the common term for a group of potassium containing salts, the most common of which is potassium chloride. Potassium is one of the three elements required by all plant life to grow, the other elements being nitrogen and phosphorus (or phosphate in its natural form). Potash occurs in large rock deposits in a limited number of areas of the world, most commonly as sylvite and sylvinite, but also as polyhalite, carnallite, kainite, langbenite and alunite.

The application of potash improves the take-up by plants of nitrogen and phosphorus and reduces water loss, slows crop diseases, assists photosynthesis and increases drought resistance, yields, and shelf life.

The world's potash requirements have never been greater and show no signs of slowing in the future. High global population growth, urbanisation, changes in diet and the ever decreasing supply of arable land places ever greater pressure on farmers to increase crop yields. In addition, crops in parts of the world are suffering from years of under-application of potash and the over-use of nitrogen as a lower cost, but unsustainable substitute. There is no commercial potassium substitute for potash.



Global supply and demand dynamics continue to drive the need for more abundant, sustainable and higher quality food sources such as fruit and vegetables and protein. The United Nations estimates that each year the world population grows by 70-75 million people, which will result in over one billion extra mouths to feed by 2030. Inside this population boom is a growing middle class in countries such as India, China and other developing nations moving to higher protein diets and demanding more fruit and vegetables. This rising demand, along with the decrease of arable land on a per capita basis, the emergence of potash hungry biofuel crops and historical nutrient depletion have caused the potash industry to struggle to keep pace with demand.

Potash production and reserves are concentrated in only a few countries with Canada, Russia and Belarus holding nearly 90% of the world's reserves. The largest markets for potash are China (20%), Brazil (16%), the USA (15%) and India (14%) with the largest consumption by crop being fruit and vegetables, corn, rice, sugar crops, soybeans and wheat, in that order.

China

China is a key driver of the potash market producing only 20% of its own potash requirements. With diet changing to more meat, fruit and vegetables plus massive urbanisation, a decreasing amount of arable land and historical under-application, China already accounts for 20% of global demand. Meat consumption has increased seven-fold in 30 years and continues apace and while population growth is relatively modest the steady rapid growth in GDP per capita leads to ever increasing demands for better quality food.

India

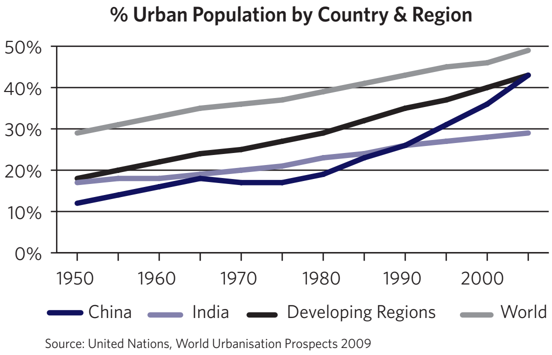
India has similar characteristics to China, but has a much more rapid rate of population growth and poorer soil conditions. India's population has increased by 500 million people in the last 30 years, putting huge pressure on its resources and is still increasing at 1.3% per year. India is the world's second largest producer of sugar, rice, wheat, fruit and vegetables with the majority consumed domestically. Currently India is the world's largest phosphate importer and has almost no domestic potash production. Potash imports have tripled in the last 20 years and the Government heavily subsidises fertiliser usage to improve yields.

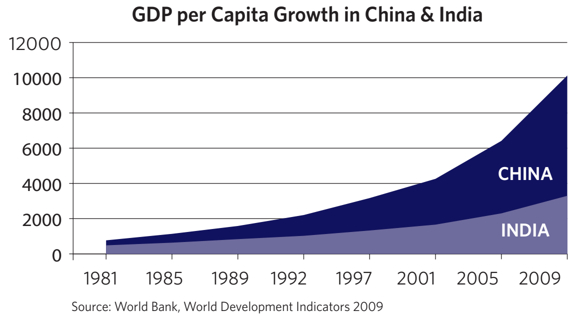
China and India's collective demand grew 8% per annum between 1993 and 2008, which is twice that of the rest of the world.

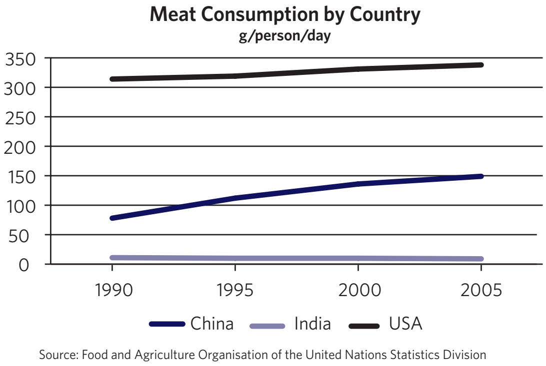
Brazil

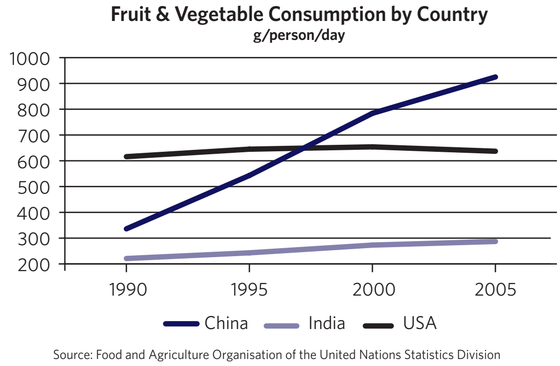
Brazil is by far the biggest user of potash in Latin America as its soil is potassium deficient. This makes it the world's third largest consumer of potash. Brazil has to import 90% of its requirements for the production of sugar cane, soybean, rice and corn. It also produces 27% of the world's meat exports putting more strain on crops destined for livestock.

Potash Market continued









Asia (excluding China and India)
There has been significant economic growth in other Asian countries over the past decade leading to increased demand for more Western style diets similar to what is being seen in China and the need for higher yielding crops to meet that demand. Asia is a world-leading producer in rice, rubber and palm oil, but has limited arable land per capita. As a result of these factors there has been a 40% increase of fertiliser application in the region over the last two decades.

North America
North America is an agricultural powerhouse producing approximately 40% of the world's corn, soybeans wheat and cotton. Biofuels crops, such as corn, now compete for land and boost the requirements for significantly higher yields.

Europe
Although Europe is a significant consumer of potash, overall growth is subdued. Eastern Europe is less intensively cultivated than Western Europe and Russia and Ukraine represent over 40% of the total agricultural land while consuming only 18% of the total. As the continent's largest producers of fruit and vegetables, Spain and Italy are large users of SOP with 33% of total potash consumption in these countries being in the form of SOP compared with the global average of 10%.

The Key Potash Products

The most common form of potash is potassium chloride, or Muriate of Potash (MOP) which occurs naturally as sylvite, sylvinite and carnallite. In 2010 it accounted for some 90% of the world's supply of over 52 million tonnes and contains around 60 – 62% potassium oxide (K_2O). It is widely applied in all types of farming and is primarily used for row crops. However, the chloride ion in MOP can be detrimental to some plants, especially many fruits and vegetables, and it also inhibits plant growth in dry soils and saline areas. The soil's chloride content has to be managed carefully by farmers as it can build up and cause low quality crops.

Sulphate of Potash (SOP) production in 2010 was approximately 5 to 6 million tonnes and accounts for some 10% of the world's supply of potash. SOP has historically attracted a premium to the MOP price due to its limited availability and its historically higher production cost. Some 60% of SOP is produced from the reaction of sulphuric acid and MOP in the Mannheim Furnace process.

SOP contains 50 – 53% K_2O and can be used in every application that MOP can, and is preferred in many circumstances such as in arid, saline and heavily cultivated soils and for the growth of potatoes, beans, fruits, vegetables, nuts, tobacco and other crops.

Muriate of Potash (MOP – KCl)
Most common form of potash
Suitable for row crops
Contains chloride ions
Not suitable for arid, saline nor heavily cultivated soils
Careful management needed

Sulphate of Potash (SOP – K_2SO_4)
Enhances yield
Improves quality
Extends shelf life
Suitable for a wider range of crops
Suitable for arid, saline and heavily cultivated soils
Outperforms or equals MOP on all crops

Fruit and vegetables are large users of SOP

Principal Risks and Uncertainties

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

Progress towards the development of the York Potash Project will be tracked against milestones such as the announcement of resource figures and completion of the Concept Study and other engineering and environmental studies, and in due course receiving planning consent for the mine. Resource figures will be prepared to JORC standards.

In addition the Company monitors its share price performance relative to the market and its peers. Since last year's annual report share price performance has been strong, but with weakness during the last six months.

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

Exploration and production risk
Exploration and development 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 orebody. 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 its projects, the most advanced of which is York Potash.

The Company is conducting an exploration drilling programme at York Potash to assess and quantify the extent of the potash resources, and to bring them to a level of certainty categorised according to international standards universally accepted within the mining industry. Other aspects of the development risk of the project are assessed during a sequence of ever more detailed and accurate engineering studies of which a concept study is currently underway. If the results of this study are positive the Company will conduct a pre-feasibility, then feasibility study on the project before moving to construction. There is no certainty that these studies will be positive or that the project will be developed into a commercial mining operation.

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 the risk that the mineral and exploration rights that the Company holds not being valid is low.

In the United Kingdom mineral rights and surface rights do not always go together and the land registry system is focussed 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.

Permitting risk

A large number of permits and licences 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 necessary actions to be successful in its applications.

Potash price risk

There is a risk that the potash price could fall to levels at which it would not be economically viable to develop any or all of the Company's projects. The potash price has fluctuated over recent years and can be expected to do so over the coming years as well. While the Company does not expect the potash price to decline to levels at which its projects are not viable there is a risk that this could occur either before construction of the project, or once it is in operation. However, current price trends are positive.

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.

Currency risk

At present the Company raises funds in sterling and the considerable majority of its expenditure is also in sterling. However, the Company expects an increasing proportion of its expenditure to be incurred in Euros, US Dollars, Canadian Dollars and Australian Dollars during the period of project evaluation and development. Once in production sales will largely be determined in US Dollars, but priced in the European market in Euros. The Company constantly assesses its currency exposure and currently holds funds in its key currencies, roughly in proportion to its expected exposure.

Board

Chris Catlow, Non-Executive Chairman (50)
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 most recently was CFO and then Business Development Director of the ASX-listed iron ore mining company Fortescue Metals Group Ltd (FMG) having joined shortly after its formation in 2003. During his seven years at FMG the company grew to become Australia's third largest iron ore producer behind Rio Tinto and BHP Billiton.

He 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 Indo Mines Limited and Allied Healthcare Group Limited both listed on the ASX.

Chris Catlow was appointed Chairman of Sirius Minerals in April 2010.

Chris Fraser, Managing Director and CEO (37)
Chris Fraser has over 15 years' finance experience in the mining industry. During this time he worked for Citigroup, Rothschild and KPMG and has market leading expertise in all aspects of the financing and development of major mining projects. At Citigroup he led the bank to become one of the leading investment banking franchises in the mining industry in Australia. In particular he was the lead adviser on the US$2.5 billion initial development capital financing for Fortescue Metals Group Ltd (FMG). He has provided strategic advice to many of the world's leading mining companies including BHP Billiton, Rio Tinto, WMC Resources and Paladin Energy. In 2010 he founded York Potash Ltd to undertake the exploration and development of the York Potash Project.

Chris Fraser joined the Board in January 2011.

Richard Poulden, Non-Executive Deputy Chairman (59)
Following a law degree from Oxford University, Mr Poulden qualified as a Barrister after which he moved into merchant banking where he worked for Samuel Montagu & Co Limited. He then studied for an MBA at the London Business School before joining the international management consultancy firm, Arthur D Little, where he worked in their European strategy practice and was co-founder of their Financial Industries Group.

He has founded or co-founded successful companies in healthcare, retail and natural resources and in all these sectors he has executed successful strategies for growth by acquisition. He is CEO of PCG Entertainment Plc, a director of MoneySwap Plc and Chairman of Black Swan Plc.

Richard Poulden is a founding member of the Board.

Andrew Lindsay, Finance Director and CFO (48)
Andrew Lindsay has over 25 years' experience in the mining industry. Between 2003 and 2010 he was the Finance Director at European Nickel plc. Prior to European Nickel, Andrew Lindsay held a series of business development and corporate finance management roles within the Anglo-American Group between 1985 and 2002 based in the United Kingdom, South Africa, Australia and Chile.

Andrew Lindsay joined the Board in January 2011.

Professor Michael Mainelli, Non-Executive Director (52)
Michael Mainelli is Chairman of Z/Yen, the UK's leading risk/reward group, where he has worked since 1994. He started his career as a research scientist and then spent seven years as a partner in a leading accountancy firm directing much of their consultancy work in the UK and overseas. Michael Mainelli has worked for public, private and not-for-profits companies, led several privatisation projects, was Chief Scientist of the DTI Foresight Challenge award-winning Financial Laboratory, and Corporate Development Director on the board of Europe's largest R&D organisation – the 12,000 strong Defence Evaluation and Research Agency of the UK's Ministry of Defence.

Michael Mainelli brings independent advice to the Board and is the Chairman of the Audit Committee and the Remuneration Committee. He joined the Board in May 2005.

Russell Scrimshaw, Non-Executive Director (62)
Russell Scrimshaw was until recently an Executive Director of Fortescue Metals Group Ltd (FMG) and has been a member of the FMG Board since 2003. He is now a non-executive director. He has played an integral role in the commercial development of FMG and its Pilbara project. He is an Associate Member of the Australian Society of Certified Practicing Accountants, an Adjunct Professor of Mining Economics at China Central South University in Changsha, China and a non-executive director of ASX-listed Cleveland Mining Company Limited.

Russell Scrimshaw joined the Board in December 2010.

Derek Stonley, Non-Executive Director (69)
Derek Stonley graduated from Cambridge with a BA in Natural Sciences and has over 40 years' experience in the mining sector. From 1980-1987, he held senior positions at BP Minerals International Limited in exploration in Europe and North America for stratiform copper and lead-zinc, diamonds, gold and copper-gold porphyries. From 1987-2002 he worked for Rio Tinto on the exploration and assessment of projects in Africa, Russia and Europe for iron ore, diamonds, gold and bauxite. Since 2002 he has been running his independent consultancy with particular focus in Africa and Europe.

Derek Stonley brings independent advice to the Board, reviews business opportunities for the Group and is a member of the Audit Committee and the Remuneration Committee. He joined the Board in May 2005.

Peter Woods, Non-Executive Director (73)
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. 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 Peter Woods has the valuable experience of serving as one of the Secretary of State's Appointees on the North York Moors National Park Planning Committee from 1996 to 1999 and has lived in the area, on and off, for over 40 years. He joined the Board in April 2011.

Directors' Report

The Directors present their annual report and audited consolidated accounts for the year ended 31 March 2011.

Principal activities and review of business

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

On 28 September 2010, the name of the Company changed from Sirius Exploration Plc to Sirius Minerals Plc.

A review of the business of the Group is set out in the Chief Executive Officer's report on pages 4 to 8.

Results and dividends

The loss of the Group for the year was £7,090,000 (2010: £3,839,000). The loss of the Company for the year was £6,704,000 (2010: £3,169,000).

The directors do not recommend a payment of a dividend for the year (2010: £nil).

Directors

The Directors of the Company during the year were:

CJ Catlow	Non-executive chairman	Appointed 6 April 2010
CN Fraser	Managing director and CEO	Appointed 17 January 2011
AM Lindsay	Finance director and CFO	Appointed 17 January 2011
RO'D Poulden	Non-executive deputy chairman	
Dr JPN Badham	Non-executive director	Passed away 19 June 2010
JC Harrison	Non-executive director	Resigned 17 January 2011
Prof MR Mainelli	Non-executive director	
RJ Scrimshaw	Non-executive director	Appointed 20 December 2010
DCW Stonley	Non-executive director	

On 18 April 2011, PJE Woods was appointed as a non-executive director.

Financial risk management

Details of the Group's financial instruments and its policies with regard to financial risk management are given in note 25 to the consolidated accounts.

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 Operating Environment, Principal Risks and Uncertainties report on pages 12 and 13.

Creditor payment policy

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

At the year end, the number of creditor days of the Group was 30 (2010: 92).

Statement regarding disclosure of information to the auditors

Each director of the Group has confirmed that, in fulfilling their duties as a director, they are aware of no relevant audit information of which the Group's auditors are not aware and that they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditors

A resolution in respect of the re-appointment of Nexia Smith & Williamson as the Group's auditors will be proposed at the forthcoming Annual General Meeting.

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

J Sembi
Company Secretary
Date: 2 August 2011

Corporate Governance Statement

The Board recognises the importance of sound corporate governance and intends to ensure that the Company adopts policies and procedures which reflect the principles of the UK Corporate Governance Code that are consistent with the Corporate Governance Guidelines for Smaller Quoted Companies published by the Quoted Companies Alliance in September 2010, of which the Company is a member.

The Board

The Board comprises two executive directors and six non-executive directors. The Chairman, Chris Catlow is non-executive. The Deputy Chairman, Richard Poulden is also non-executive. The executive directors are Chris Fraser, the Managing Director and CEO and Andrew Lindsay, the Finance Director and CFO. The remaining four non-executive directors are Michael Mainelli, Russell Scrimshaw, Derek Stonley and Peter Woods.

The Board meets regularly during the year, at least on a bi-monthly basis, 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.

The Company has established an Audit Committee and a Remuneration and Nominations Committee, both with formally delegated responsibilities by way of terms of reference.

Audit Committee

The members of the Audit Committee are Michael Mainelli and Derek Stonley. Michael Mainelli is chairman of the committee. The committee consists entirely of non-executive directors. Its duties include reviewing the Company and Group financial statements, reviewing the effectiveness of the Company's internal controls and risk management systems and, overseeing the relationship with the external auditor. The committee meets at least three times a year. The executive directors attend meetings by invitation.

Remuneration and Nominations Committee

The members of the Remuneration and Nominations Committee are Michael Mainelli and Derek Stonley. Michael Mainelli is chairman of the committee. The committee consists entirely of non-executive directors. Its duties include reviewing the remuneration and service contracts of executive directors, reviewing the design of all share incentive plans and, evaluating the balance of skills, knowledge and experience on the Board before any appointments are made. The committee meets at least once a year. Directors' remuneration for the year is given in note 7 to the consolidated accounts and this disclosure forms part of this report.

The performance of the Board, committees and individual directors are evaluated annually. 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 reporting to the Board on a regular basis where business plans, budgets and authorisation limits for the approval of significant expenditure including investment are appraised and agreed. The Board also seeks to ensure that there is a proper organisational and management structure with clear responsibilities and accountability.

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

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 2011 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 of the Group consider it appropriate to draw up the accounts on a going concern basis.

Corporate Governance Statement continued

Key Performance Indicators
The Group's approach to KPIs is set out on page 12.

Operating Environment, Principal Risks and Uncertainties
A review of the Group's operating environment, principal risks and uncertainties is set out on pages 12 and 13.

Communication With Shareholders
The Annual General Meeting, annual report and audited accounts, interim financial statements and other announcements issued through the Regulatory News Service are the primary vehicles through which the Company communicates with its shareholders.

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

J Sembi
Company Secretary

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have elected to prepare the Group and Company accounts in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company accounts, as applied in accordance with provisions of the Companies Act 2006. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these accounts, 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 IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the accounts; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and of 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 corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Sirius Minerals Plc

We have audited the accounts of Sirius Minerals Plc for the year ended 31 March 2011 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and the related notes 1 to 27. 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 company accounts, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the accounts

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

Opinion on accounts

In our opinion:

- the accounts give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2011 and of the group's loss for the year then ended;
- the group accounts have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the company accounts 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; and
- the accounts have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company accounts 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.

Natasha Lee

Natasha Lee
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

Date: 2 August 2011

Consolidated Income Statement

for the year ended 31 March 2011

	Notes	**2011 £000s**	2010 £000s
Continuing operations			
Revenue		**-**	–
Administrative expenses		**(7,713)**	(3,840)
Exceptional administrative expenses:			
Impairment charge	4	**(732)**	(462)
Acquisition costs	4	**(48)**	(174)
Share based payments – share options	4	**(4,768)**	(1,659)
Exploration costs expensed	4	**(497)**	(398)
Other administrative costs		**(1,668)**	(1,147)
Operating loss	5	**(7,713)**	(3,840)
Finance income	6	**45**	1
Loss before taxation		**(7,668)**	(3,839)
Taxation	8	**578**	–
Loss for the financial year		**(7,090)**	(3,839)
Loss per share:			
Basic and diluted	9	**(1.0)p**	(1.0)p

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2011

	2011 £000s	2010 £000s
Loss for the year	**(7,090)**	(3,839)
Other comprehensive income		
Exchange differences on translating foreign operations	**1,161**	5,575
Other comprehensive income for the year, net of tax	**1,161**	5,575
Total comprehensive (loss)/income for the year	**(5,929)**	1,736

Total comprehensive (loss)/income shown above is fully attributable to equity shareholders of the Company in both years.

Consolidated Statement of Financial Position

as at 31 March 2011

ASSETS	Notes	**2011 £000s**	2010 £000s
Non-current assets			
Plant and equipment	10	**36**	1
Intangible assets	11	**91,197**	54,292
		91,233	54,293
Current assets			
Other receivables	14	**307**	55
Cash and cash equivalents	16	**21,010**	1,782
Available-for-sale financial assets	17	**-**	729
		21,317	2,566
TOTAL ASSETS		**112,550**	56,859
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**2,581**	1,658
Share premium account		**95,658**	47,959
Share based payment reserve	19	**6,343**	1,575
Retained earnings		**(10,700)**	(3,610)
Foreign exchange reserve		**6,733**	5,572
Total equity		**100,615**	53,154
Non-current liabilities			
Deferred tax liability	20	**9,701**	3,233
Current liabilities			
Trade and other payables	22	**2,234**	472
Total liabilities		**11,935**	3,705
TOTAL EQUITY AND LIABILITIES		**112,550**	56,859

The accounts were approved by the Board of Directors on 2 August 2011 and were signed on its behalf by:

AM Lindsay
Finance Director and CFO

Consolidated Statement of Changes in Equity

for the year ended 31 March 2011

	Share capital £000s	Share premium account £000s	Share based payments reserve £000s	Retained earnings £000s	Foreign exchange reserve £000s	Equity share-holders' funds £000s	Minority interests £000s	Total equity £000s
At 31 March 2009	329	2,122	1	(2,059)	(3)	390	341	731
Loss for the financial year	–	–	–	(3,839)	–	(3,839)	–	(3,839)
Foreign exchange differences on translation of foreign operations	–	–	–	–	5,575	5,575	–	5,575
Total comprehensive income for the year	–	–	–	(3,839)	5,575	1,736	–	1,736
On acquisition	–	–	–	2,021	–	2,021	(341)	1,680
Share capital issued in the year	1,329	45,961	–	–	–	47,290	–	47,290
Share issue costs	–	(124)	–	–	–	(124)	–	(124)
Share based payments	–	–	1,841	–	–	1,841	–	1,841
Exercise options	–	–	(267)	267	–	–	–	–
At 31 March 2010	1,658	47,959	1,575	(3,610)	5,572	53,154	–	53,154
Loss for the financial year	–	–	–	(7,090)	–	(7,090)	–	(7,090)
Foreign exchange differences on translation of foreign operations	–	–	–	–	1,161	1,161	–	1,161
Total comprehensive income for the year	–	–	–	(7,090)	1,161	(5,929)	–	(5,929)
Share capital issued in the year	923	48,626	–	–	–	49,549	–	49,549
Share issue costs	–	(927)	–	–	–	(927)	–	(927)
Share based payments	–	–	4,809	–	–	4,809	–	4,809
Exercised options	–	–	(41)	–	–	(41)	–	(41)
At 31 March 2011	**2,581**	**95,658**	**6,343**	**(10,700)**	**6,733**	**100,615**	**-**	**100,615**

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 2011

	Notes	**2011 £000s**	2010 £000s
Cash outflow from operating activities	23	**(622)**	(1,979)
Cash flow from investing activities			
Purchase of intangible assets	11	**(3,148)**	(315)
Purchase of plant and equipment	10	**(37)**	(3)
Acquisition of subsidiary, net of cash acquired	12	**(372)**	1,174
Net cash (used in)/generated from investing activities		**(3,557)**	856
Cash flow from financing activities			
Proceeds from issue of shares	18	**24,342**	2,764
Share issue costs	18	**(927)**	–
Finance income		**45**	–
Net cash generated from financing activities		**23,460**	2,764
Net increase in cash and cash equivalents		**(19,281)**	1,641
Cash and cash equivalents at beginning of the year	16	**1,782**	9
Effect of foreign exchange rate changes		**(53)**	132
Cash and cash equivalents at end of the year	16	**21,010**	1,782

Company Statement of Comprehensive Income

for the year ended 31 March 2011

	2011 £000s	2010 £000s
Loss for the year	**(6,704)**	(3,169)
Other comprehensive income/(loss) for the year, net of tax	**-**	-
Total comprehensive loss for the year	**(6,704)**	(3,169)

Company Statement of Financial Position

as at 31 March 2011

ASSETS	Notes	2011 £000s	2010 £000s
Non-current assets			
Plant and equipment	10	**1**	–
Investments in subsidiaries	13	**69,539**	44,217
		69,540	44,217
Current assets			
Other receivables	14	**103**	50
Loans to subsidiaries	15	**3,785**	1,038
Cash and cash equivalents	16	**20,871**	455
Available-for-sale financial assets	17	**-**	732
		24,759	2,275
TOTAL ASSETS		**94,299**	46,492
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	18	**2,581**	1,658
Share premium account		**95,658**	47,959
Share based payment reserve	19	**6,343**	1,575
Retained earnings		**(11,658)**	(4,954)
Total equity		**92,924**	46,238
Current liabilities			
Loans from subsidiaries	21	**1,104**	–
Trade and other payables	22	**271**	254
Total liabilities		**1,375**	254
TOTAL EQUITY AND LIABILITIES		**94,299**	46,492

The accounts were approved by the Board of Directors on 2 August 2011 and were signed on its behalf by:

AM Lindsay
Finance Director and CFO

Company Statement of Changes in Equity

for the year ended 31 March 2011

	Share capital £000s	Share premium account £000s	Share based payments reserve £000s	Retained earnings £000s	Equity share-holders' funds £000s
At 31 March 2009	329	2,122	1	(2,052)	400
Loss for the year and total comprehensive income	–	–	–	(3,169)	(3,169)
Share capital issued in the year	1,329	45,961	–	–	47,290
Share issue costs	–	(124)	–	–	(124)
Share based payment reserve	–	–	1,841	–	1,841
Exercised options	–	–	(267)	267	–
At 31 March 2010	1,658	47,959	1,575	(4,954)	46,238
Loss for the year and total comprehensive income	–	–	–	(6,704)	(6,704)
Share capital issued in the year	923	48,626	–	–	49,549
Share issue costs	–	(927)	–	–	(927)
Share based payment reserve	–	–	4,809	–	4,809
Exercised options	–	–	(41)	–	(41)
At 31 March 2011	**2,581**	**95,658**	**6,343**	**(11,658)**	**92,924**

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 2011

	Notes	2011 £000s	2010 £000s
Cash outflow from operating activities	23	**(1,200)**	(1,271)
Cash flow from investing activities			
Purchase of intangible assets	11	**-**	(11)
Purchase of plant and equipment	10	**(1)**	-
Investment in subsidiary	12	**(373)**	-
Loans to subsidiary companies	15	**(2,571)**	(1,038)
Net cash used in investing activities		**(2,945)**	(1,049)
Cash flow from financing activities			
Proceeds from issue of shares	18	**24,342**	2,764
Share issue costs	18	**(927)**	-
Loan from subsidiary company	21	**1,104**	-
Finance income		**42**	4
Net cash generated from financing activities		**24,561**	2,768
Net increase in cash and cash equivalents		**20,416**	448
Cash and cash equivalents at beginning of year	16	**455**	7
Cash and cash equivalents at end of the year	16	**20,871**	455

Notes to the Consolidated Accounts

for the year ended 31 March 2011

1. Accounting policies

Basis of preparation

The annual accounts of Sirius Minerals Plc ("the Company") and its subsidiaries ("the Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") applied in accordance with the provisions of the Companies Act 2006.

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 accounts have been prepared on the basis of the recognition and measurement principles of IFRS that were applicable at 31 March 2011.

The accounts have been prepared under the historical cost convention except for the revaluation of certain financial instruments. The principal accounting policies set out below have been consistently applied to all periods presented.

Going concern

The Group has incurred trading losses during the year ended 31 March 2011. The Directors have reviewed the financial performance of the Group since 31 March 2011 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 of the Group consider it appropriate to draw up the accounts on a going concern basis. The accounts do not include any adjustments that would result if the going concern assumption was no longer deemed appropriate.

International Financial Reporting Standards in "issue" but not yet effective

At the date of authorisation of these consolidated accounts, 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 accounts, the following may have a material impact going forward:

- IAS 24 (Revised) 'Related Party Transactions' (effective from 1 January 2011);
- IFRS 9 'Financial Instruments' (effective from 1 January 2013);
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective from 1 July 2010);
- IFRS 7 (Amendment) 'Disclosures – Transfer of Financial Assets' (effective from 1 July 2011);
- IAS 12 (Amendment) 'Deferred Tax: Recovery of Underlying Assets' (effective from 1 July 2011);
- IFRS 10 'Consolidated Financial Statements' (effective from 1 January 2013);
- IFRS 11 'Joint Arrangements' (effective from 1 January 2013);
- IFRS 12 'Disclosure of Interests in Other Entities' (effective from 1 January 2013);
- IAS 28 'Investments in Associates and Joint Ventures' (effective from 1 January 2013);
- IFRS 13 'Fair Value Measurement' (effective from 1 January 2013);

New and amended standards adopted by the Group

The Group has adopted the following new and amended IFRSs as of 1 April 2010:

- IAS 36 (Amendment) 'Impairment of Assets' (effective from 1 January 2010):

  The revised standard requires that goodwill acquired in a business combination be allocated to each of the acquirer's cash-generating units or groups of cash-generating units that represent the lowest level within the entity at which goodwill is monitored for internal management purposes and are not larger than an operating segment as defined by paragraph 5 of IFRS 8 Operating Segments; before aggregation. The Group has applied this revised standard from 1 April 2010.

- IAS 38 (Amendment) 'Intangible Assets' (effective from 1 January 2010):

  The revised standard allows entities to estimate the fair values of intangible assets acquired in a business combination using techniques including discounting estimated future net cash flows from the asset. The Group has applied this revised standard from 1 April 2010.

- IFRS 2 (Amendment) 'Group Cash-Settled and Share-Based Payment Transactions' (effective from 1 January 2010):

  The revised standard requires that when an entity receives goods or services in a share-based payment arrangement, the entity must account for those goods and services no matter which entity in the Group settles the transaction and whether the transaction is settled in shares or cash. An entity must also measure the goods or services it received as either an equity-settled or cash-settled share-based payment transaction assessed from its own perspective. The Group has applied this revised standard from 1 April 2010.

Basis of consolidation

The Group's consolidated accounts incorporate the accounts 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 accounts 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 accounts.

As a consolidated income statement is published, a separate income statement for the parent Company is omitted from the Group accounts by virtue of section 408 of the Companies Act 2006. The loss for the Company for the year was £6,704,000 (2010: £3,169,000).

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 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 reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Plant and equipment

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 tangible fixed assets and is calculated on a straight-line basis to allocate cost, other than assets in the course of construction, over the estimated useful lives, as follows:

Computer equipment	33.3% per annum
Fixtures & furniture	33.3% per annum

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.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets 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.

Foreign currencies

The reporting 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 profit and loss account.

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 accounts were:

	Balance sheet date	**Average rate**
Australian Dollars to Sterling	1.56 (2010: 1.64)	1.65 (2010: 1.88)
US Dollars to Sterling	1.60 (2010: 1.51)	1.55 (2010: 1.59)
Canadian Dollars to Sterling	1.56 (2010: 1.54)	1.58 (2010: 1.74)

Investments

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

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale financial assets, or are not classified in any of the other three financial asset categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Unlisted share investments are carried at fair value where it can be reliably obtained, otherwise they are stated at cost less impairment.

Segment reporting

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

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

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

Other receivables

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 receivable. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate.

Cash and cash equivalents

Cash and cash equivalents comprise on demand deposits held with banks, with an original maturity of three months or less.

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 accounts. 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.

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 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.

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 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

Early stage research and development expenditure relating to carbon sequestration and compressed air energy storage are expensed.

2. Critical accounting estimates and judgements

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

Impairment of exploration and evaluation assets

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

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

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

Goodwill

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

Share based payments

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

3. Segmental analysis

Management has determined the operating segments by considering the business from both a geographic and product perspective. For management purposes, the Group is currently organised into two operating divisions: resource evaluation and exploitation and environmental improving solutions. These divisions are the business segments for which the Group reports its segment information internally to the Board of Directors. The Group's operations are predominantly in the United Kingdom, the United States of America and Australia.

3. Segmental analysis continued

	UK Resource evaluation and exploration £000s	United States of America Resource evaluation and exploration £000s	United States of America Environmental solutions £000s	Australia Resource evaluation and exploration £000s	Australia Environmental solutions £000s	Unallocated £000s	Total £000s
Year ended 31 March 2011							
Operating loss	(301)	(406)	(18)	(124)	(4)	(6,860)	**(7,713)**
Finance costs	–	–	–	–	–	–	**-**
Finance income	–	–	–	3	–	42	**45**
Loss before taxation	(301)	(406)	(18)	(121)	(4)	(6,818)	**(7,668)**
Taxation	–	–	–	529	49	–	**578**
(Loss)/profit for the year from continuing operations	(301)	(406)	(18)	408	45	(6,818)	**(7,090)**
Total assets	32,406	5,067	177	53,578	301	21,021	**112,550**
Total liabilities	(6,930)	(1,481)	(3)	(3,123)	(7)	(391)	**(11,935)**
Net assets	25,476	3,586	174	50,455	294	20,630	**100,615**
Capital expenditure	25,652	2,882	–	166	–	37	**28,737**
Depreciation and amortisation	–	–	–	1	–	1	**2**
Impairment charge	–	–	–	–	–	732	**732**
Share based payment costs	–	–	–	–	–	4,768	**4,768**
Acquisition costs	–	–	–	–	–	48	**48**
Exploration expensed	365	132	–	–	–	–	**497**

Notes to the Consolidated Accounts continued

for the year ended 31 March 2011

3. Segmental analysis continued

	United States of America Resource evaluation and exploration £000s	United States of America Environmental solutions £000s	Australia Resource evaluation and exploration £000s	Australia Environmental solutions £000s	Macedonia Resource evaluation and exploration £000s	Unallocated £000s	Total £000s
Year ended 31 March 2010							
Operating loss	(466)	(50)	(119)	(34)	(1)	(3,170)	**(3,840)**
Finance costs	-	-	-	-	-	-	**-**
Finance income	-	-	-	-	-	1	**1**
Loss before taxation	(466)	(50)	(119)	(34)	(1)	(3,169)	**(3,839)**
Taxation	–	–	–	–	–	–	**-**
Loss for the year from continuing operations	(466)	(50)	(119)	(34)	(1)	(3,169)	**(3,839)**
Total assets	2,238	189	52,960	235	4	1,233	**56,859**
Total liabilities	(161)	(25)	(3,258)	(8)	-	(253)	**(3,705)**
Net assets	2,077	164	49,702	227	4	980	**53,154**
Capital expenditure	1,301	172	44,202	212	12	–	**45,899**
Depreciation and amortisation	–	–	2	–	–	3	**5**
Impairment charge	–	–	22	–	440	–	**462**
Share based payment costs	–	–	–	–	–	1,659	**1,659**
Acquisition costs	–	–	–	–	–	174	**174**
Exploration expensed	331	–	11	34	22	–	**398**

4. Exceptional administrative expenses

During the year, the Group issued 74,793,000 (2010: 57,756,000) share options valued at £4,865,000 (2010: £1,659,000). The total expense recognised within the income statement in relation to equity settled share based payment transactions of £4,768,000 (2010: £1,659,000) includes options that were exercised and forfeited during the year (see note 19).

During the year, the Group made an impairment charge of £729,000 in relation to the investment in unlisted equity securities, as it was not listed as a company during the year, as expected. Also, the Group made an impairment charge of £3,000 (2010: £440,000) in relation to Sirius Exploration Balkan DOOEL, a subsidiary of the Company, as it was unsuccessful in a tender process for the Kadiica prospect. The subsidiary is fully impaired at the year-end. In 2010, the Group made a further impairment charge of £22,000 in Auspotash Pty Limited, a subsidiary of Auspotash Corporation due to its de-registration.

The Group expensed £48,000 (2010: £174,000) of costs in relation to the acquisition of York Potash Limited (2010: Auspotash Corporation).

The Group expensed £497,000 (2010: £398,000) of exploration costs.

5. Operating loss is stated after charging:

	2011 £000s	2010 £000s
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of the Group's consolidated accounts (including £18,000 in respect of the Company (2010: £16,000))	**38**	28
Fees payable to the Company's auditors and their associates for other services to the Group		
– The audit of the Company's subsdiaries pursuant to legislation	**5**	–
– Tax services	**4**	6
Impairment	**3**	462
Depreciation	**2**	5
Research and development	**28**	44
Foreign exchange gains	**(37)**	(23)

6. Finance income and costs

	2011 £000s	2010 £000s
Bank interest received	**45**	1

7. Staff numbers and costs (including Directors)

	2011 Number	2010 Number
Average number of staff (including Directors)	**7**	5

Staff costs (including Directors) during the year were:

	2011 £000s	2010 £000s
Wages and salaries	**324**	225
Social Security	**5**	–
Pension	**2**	–
Other benefits	**2**	–
	333	225

Directors emoluments during the year were:

	2011 £000s	2010 £000s
CJ Catlow	**29**	–
CN Fraser	**55**	–
AM Lindsay	**42**	–
RO'D Poulden	**60**	120
JPN Badham	**-**	25
JC Harrison	**53**	60
Prof MR Mainelli	**10**	10
RJ Scrimshaw	**3**	–
DCW Stonley	**10**	10
	262	225

Directors' emoluments includes fees and other benefits. There were no contributions to pension schemes (2010: £nil). Details of the share options issued to the Directors during the year are given in note 19.

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:

	2011 £000s	**2010 £000s**
Short-term employee benefits	**267**	225
Share based payments	**1,368**	–
	1,635	225

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	26 March 2010	50,000	0.0450	26 March 2010	25 March 2015
CN Fraser	17 January 2011	10,000	0.1970	17 January 2011	31 December 2013
AM Lindsay	17 January 2011	4,000	0.1970	17 January 2012	31 December 2013
	30 March 2011	1,747	0.2000	30 March 2012	29 March 2014
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

Notes to the Consolidated Accounts continued

for the year ended 31 March 2011

8. Taxation

	2011 £000s	2010 £000s
Corporation tax		
Current year	**(49)**	–
Deferred tax		
Effect of change in tax rate	**(529)**	–
	(578)	–

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

	2011 £000s	2010 £000s
Loss on ordinary activities before taxation	**(7,668)**	(3,839)
Loss on ordinary activities multiplied by the standard rate of corporation taxation in the UK of 28% (2010: 28%)	**(2,147)**	(1,075)
Taxation effects of:		
Expenses not deductible for tax purposes	**1,722**	598
Effect of change in tax rate	**(529)**	–
Trading losses utilised	**(13)**	99
Trading losses not utilised	**438**	378
Research and development	**(49)**	–
Tax credit for the year	**(578)**	–

The Group has unused tax losses of £4,535,000 (2010: £3,016,000). The related deferred tax asset has not been recognised in the accounts due to the uncertainty surrounding its recoverability. The deferred tax asset can be recovered against suitable future trading profits.

During the year, the deferred tax liability on the acquisition of Auspotash Corporation brought forward from 2010 was reduced by £529,000 to reflect a change in the rate of tax in Canada from 33.5% to 28.5% (see note 20).

9. Loss per share

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

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

	2011 £000s	2010 £000s
Loss for the purposes of basic earnings per share being net loss attributable to equity shareholders of the parent	**(7,090)**	(3,839)
Loss for the purpose of diluted earnings per share	**(7,090)**	(3,839)

	2011 Number 000s	2010 Number 000s
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	733,827	397,016

Earnings per share

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:

	2011 Number 000s	2010 Number 000s
Number of shares		
Weighted average number of ordinary shares for the purposes of diluted earnings per share	790,939	398,412
Basic and diluted loss per share	(1.0)p	(1.0)p

10. Plant and equipment – Group and Company

	Group Computer equipment £000s	**Group Fixtures & furniture £000s**	**Group Total £000s**	**Company Computer equipment £000s**
Cost				
At 1 April 2009	5	–	5	5
Additions	2	–	2	–
At 1 April 2010	7	–	7	5
Additions	12	25	37	1
At 31 March 2011	19	25	44	6
Depreciation				
At 1 April 2009	1	–	1	1
Charge for the year	5	–	5	4
At 1 April 2010	6	–	6	5
Charge for year	1	1	2	–
At 31 March 2011	7	1	8	5
Net book value				
At 31 March 2011	12	24	36	1
At 31 March 2010	1	–	1	–

11. Intangible assets – Group

	Exploration costs and rights £000s	Goodwill £000s	Total £000s
Cost			
At 1 April 2009	1,441	–	1,441
Additions	255	–	255
Additions acquired on acquisition of subsidiary	45,642	2,240	47,882
Foreign exchange movement	5,162	288	5,450
Transfer to available-for-sale financial assets	(54)	–	(54)
As at March 2010	52,446	2,528	54,974
Additions	3,148	–	3,148
Additions acquired on acquisition of subsidiary	25,552	6,644	32,196
Foreign exchange movement	1,602	(38)	1,564
As at 31 March 2011	82,748	9,134	91,882
Provision for permanent diminution in value			
At 31 March 2009	(220)	–	(220)
Impairment	(462)	–	(462)
At 31 March 2010	(682)	–	(682)
Impairment	(3)	–	(3)
At 31 March 2011	(685)	–	(685)
Net book value			
31 March 2011	82,063	9,134	91,197
31 March 2010	51,764	2,528	54,292

Goodwill

The goodwill acquired during the year as part of the business combination relating to York Potash Limited 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 Limited has been assessed by reference to value in use. The valuation is based on cash flow projections that incorporate best estimates of recoverable reserves and resources, forecasted selling prices, production rates, future capital expenditure and production costs over the life of the tenements.

The cash flow projections are based on long term plans covering the expected life of the operation. The expected life is more than 25 years. The valuations are particularly sensitive to changes in assumptions about volumes of production, selling prices 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 12 per cent, which is considered to be appropriate for a project of this nature and size, has been applied to the pre-tax cash flows.

No reasonably possible change in the key assumptions on which York Potash Limited's recoverable amount is based would cause its value to fall short of its carrying amount as at 31 March 2011.

The recoverable amount of the goodwill on the acquisition of Auspotash Corporation in September 2009, has also been assessed by reference to value in use. The valuation is based on cash flow projections that incorporate best estimates of forecasted selling prices, production rates, future capital expenditure and production costs over the life of the tenements.

The cash flow projections are based on long term plans covering the expected life of the operation. The expected life is approximately 20 years. The valuations are particularly sensitive to changes in assumptions about volumes of production, selling prices 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 12 per cent, which is considered to be appropriate for a project of this nature and size, has been applied to the pre-tax cash flows.

No reasonably possible change in the key assumptions on which Auspotash Corporation's recoverable amount is based would cause its value to fall short of its carrying amount as at 31 March 2011.

Impairment

The impairment charge to exploration costs and rights of £3,000 relates to Sirius Exploration Balkan DOOEL (see note 4).

11. Intangible assets – Company

	Exploration costs and rights £000
Cost	
At 1 April 2009	699
Additions	15
Transfer to available-for-sale financial assets	(54)
At 31 March 2010 and 31 March 2011	660
Provision for permanent diminution in value	
At 1 April 2009	(221)
Impairment	(439)
At 31 March 2010 and 31 March 2011	(660)
Net book value	
31 March 2011	–
31 March 2010	–

12. Business combinations

On 14 May 2010, the Company paid £197,000 for an option to acquire 100% of the issued share capital of York Potash Limited; a company incorporated in the UK with options to acquire mineral rights in North Yorkshire.

On 16 January 2011, the Company exercised this option and issued 150,000,000 new ordinary shares of 0.25p each to the shareholders of York Potash Limited as consideration for the company. The market value of each of the shares issued on the date of acquisition was 16.75p. Therefore, the fair value of the shares issued was £25,125,000.

The Company also repaid a loan to York Potash Limited from Sigiriya Capital Pty Limited, a company related to CN Fraser, for £176,000.

This transaction has been accounted for by the acquisition method of accounting.

	£000s
Fair value of share consideration	25,125
Add fair value of cash consideration	197
	25,322
Less fair value of net assets acquired	(18,678)
Goodwill	6,644

The goodwill balance results from the requirement to recognise a deferred tax liability calculated on the difference between the provisional fair value of the assets and liabilities acquired and their related tax basis.

	IFRS carrying values £000s	Fair value adjustments £000s	Fair value of net assets acquired £000s
Exploration rights	–	25,552	25,552
Trade and other receivables	35	–	35
Cash and cash equivalents	1	–	1
Trade and other payables	(266)	–	(266)
Deferred tax liability	–	(6,644)	(6,644)
Net assets	(230)	18,908	18,678

Cash flows arising from acquisitions are as follows:

	£000s
Cash consideration	(197)
Repayment of loan	(176)
Net cash acquired with subsidiary	1
Net cash outflow arising on acquisition	(372)

Transaction costs of £48,000 in relation to the acquisition of York Potash Limited have been recognised as an expense within the income statement.

The loss before tax of York Potash Limited from the date of acquisition to the year-end date was £301,000. If the acquisition had been completed on the first day of the financial year, Group loss for the year would have been £7,538,000. York Potash Limited contributed no revenue to the Group.

13. Investments in subsidiaries – Company

	2011 £000s	2010 £000s
At 1 April	**44,217**	370
Additions	**25,322**	43,850
Transfer from available-for-sale financial assets	**-**	(3)
At 31 March	**69,539**	44,217

The addition of £25,322,000 relates to the acquisition of York Potash Limited (see note 12).

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 Limited	UK	Resource exploration	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 Limited	100%
Queensland Potash Pty Limited	Australia	Resource exploration *	100%
Adavale Holdings Pty Limited	Australia	Resource exploration	100%
Derby Salts Pty Limited	Australia	Resource exploration	100%
Bicarb Sequestration Pty Limited	Australia	Environmental solutions	100%
CO_2 Energy Storage Pty Limited	Australia	Environmental solutions	100%
Sirius Minerals (Australia) Pty Limited	Australia	Australian head office	100%
Dakota Salts LLC	USA	Resource exploration	100%
CO_2 Energy Storage Limited	USA	Environmental solutions	100%

* This investment is held indirectly by the Company.

Notes to the Consolidated Accounts continued

for the year ended 31 March 2011

14. Other receivables

	2011 £000s	2010 £000s
Group		
Other debtors	**260**	21
Prepayments	**47**	34
	307	55
Company		
Other debtors	**56**	16
Prepayments	**47**	34
	103	50

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

No bad and doubtful debt charges have been recognised by the Group in the income statement during the year (2010: £nil).

At 31 March 2011, no receivables were either impaired (2010: £nil) or past due but not impaired (2010: £nil).

15. Loans to subsidiaries – Company

	2011 £000s	2010 £000s
Dakota Salts LLC	**2,666**	677
Adavale Holdings Pty Limited	**288**	84
Queensland Potash Pty Limited	**9**	9
CO_2 Energy Storage Limited	**177**	138
CO_2 Energy Storage Pty Limited	**19**	17
Bicarb Sequestration Pty Limited	**114**	113
York Potash Limited	**454**	–
Sirius Minerals (Australia) Pty Limited	**45**	–
Derby Salts Pty Limited	**13**	–
	3,785	1,038

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

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

At 31 March 2011, none of the above loans were either impaired (2010: £nil) or past due but not impaired (2010: £nil).

for the year ended 31 March 2011

16. Cash and cash equivalents

	2011	2010
	£000s	£000s
Group		
Cash at bank	**21,010**	1,782

Cash and cash equivalents	**2011**	2010
	£000s	£000s
Company		
Cash at bank	**20,871**	455

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

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

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

	2011	2010
	£000s	£000s
Group		
Sterling	**18,855**	417
US Dollars	**1,074**	99
Canadian Dollars	**32**	645
Australian Dollars	**1,049**	621
	21,010	1,782

	2011	2010
	£000s	£000s
Company		
Sterling	**18,851**	417
US Dollars	**1,045**	38
Australian Dollars	**975**	–
	20,871	455

17. Available-for-sale financial assets

	2011 £000s	2010 £000s
Group		
Unlisted investment	-	729

During the year, the investment in unlisted equity securities for £729,000 was impaired (see note 4).

	2011 £000s	2010 £000s
Company		
Unlisted investment	-	732

During the year, the investment in unlisted equity securities for £729,000 was impaired (see note 4).

The remaining balance of £3,000 in relation to the investment in Sirius Exploration Balkan DOOEL, has been impaired (see note 4).

18. Share capital

	2011 £000s	2010 £000s
Allotted and called up		
1,032,578,000 (2010: 663,300,000) ordinary shares of 0.25p each	**2,581**	1,658

On 27 August 2010, the Company issued 2,000,000 new ordinary shares of 0.25p each to CIC Mining Resources Limited for the provision of services under the Services Framework Agreement dated 5 May 2010. The market price of a share in the Company on this date was 4.125p.

On 17 September 2010, the Company issued 50,000,000 new ordinary shares of 0.25p each at a price of 6p per share, realising £3,000,000. Costs in relation to the share issue were £91,000.

On 22 September 2010, the Company issued 306,000 new ordinary shares of 0.25p each at a price of 4.5p per share, realising £14,000, following the exercise of share options.

On 16 December 2010, the Company issued 12,500,000 new ordinary shares of 0.25p each at a price of 10.4p per share to Scrimshaw Nominees Pty Limited, realising £1,300,000. Scrimshaw Nominees Pty Limited acts as trustee for the Scrimshaw Family Trust, which is related to RJ Scrimshaw.

On 16 January 2011, the Company issued 150,000,000 new ordinary shares of 0.25p each to the shareholders of York Potash Limited as consideration for 100% of the issued share capital of York Potash Limited. 112,501,000 shares were issued to C&J Fraser Investments Pty Limited as trustee of The Fraser Family Trust, which is related to CN Fraser, and 4,200,000 shares were issued to PJE Woods. Costs in relation to the share issue were £121,000.

On 10 March 2011, the Company issued 153,846,000 new ordinary shares of 0.25p each at a price of 13p per share, realising £20,000,000. Costs in relation to the share issue were £715,000.

On 17 March 2011, the Company issued 625,000 new ordinary shares of 0.25p each at a price of 4.5p per share, realising £28,000, following the exercise of share options.

19. Share based payments

The Company issued warrants in relation to its flotation on AIM in August 2005. Each warrant was convertible into one ordinary share at an exercise price of 5p per share, from the date of issue. 2,293,000 warrants expired on 1 August 2006. The remaining 200,000 warrants expired on 1 August 2010.

During the year, the movement in warrants was as follows:

	Number of warrants	Weighted average exercise price
	000s	£
At 31 March 2010	200	0.05
Expired during the year	(200)	0.05
At 31 March 2011	–	–

The fair value at the date of grant, of the warrants that expired during the year was £1,000.

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

	Number of options	Weighted average exercise price
	000s	£
At 31 March 2010	57,981	0.0271
Issued during the year	74,793	0.2560
Exercised during the year	(931)	0.0450
Forfeited during the year	(1,500)	0.0450
At 31 March 2011	130,343	0.1706
Exercisable at 31 March 2011	113,550	0.1664

Notes to the Consolidated Accounts continued

for the year ended 31 March 2011

Details of the options issued during the year are as follows:

	Tranche 1	Tranche 2	Tranche 3
Purpose	Consultants	RJ Scrimshaw	RJ Scrimshaw
Grant date	27 August 2010	16 December 2010	16 December 2010
Number of options (000s)	8,500	12,500	12,500
Exercise price (£)	0.0450	0.2500	0.3500
Share price at date of grant (£)	0.0412	0.1300	0.1300
Fair value of options at date of grant (£000s)	£249	£1,198	£1,130
Expiry date	26 August 2015	15 December 2015	15 December 2015
Exit rate	0.00%	0.00%	0.00%
Risk free rate	3.98%	2.46%	2.46%
Volatility rate	83.44%	113.52%	113.52%
Dividend yield	0.00%	0.00%	0.00%

	Tranche 4	Tranche 5	Tranche 6
Purpose	RJ Scrimshaw	CN Fraser	AM Lindsay
Grant date	16 December 2010	17 January 2011	17 January 2011
Number of options (000s)	12,500	10,000	4,000
Exercise price (£)	0.4500	0.1970	0.1970
Share price at date of grant (£)	0.1300	0.1675	0.1675
Fair value of option at date of grant (£000s)	£1,077	£955	£305
Expiry date	15 December 2015	31 December 2013	31 December 2013
Exit rate	0.00%	0.00%	0.00%
Risk free rate	2.46%	2.56%	2.56%
Volatility rate	113.52%	94.70%	94.70%
Dividend yield	0.00%	0.00%	0.00%

	Tranche 7	Tranche 8	Tranche 9
Purpose	Senior Manager	Senior Manager	AM Lindsay
Grant date	17 January 2011	10 March 2011	30 March 2011
Number of options (000s)	2,000	2,000	1,747
Exercise price (£)	0.1970	0.1970	0.2000
Share price at date of grant (£)	0.1675	0.1378	0.1300
Fair value of option at date of grant (£000s)	£152	£136	£108
Expiry date	31 December 2013	28 February 2014	29 Mar 2014
Exit rate	0.00%	0.00%	0.00%
Risk free rate	2.56%	2.61%	2.60%
Volatility rate	94.70%	88.75%	88.75%
Dividend yield	0.00%	0.00%	0.00%

	Tranche 10	Tranche 11
Purpose	Senior Managers	Consultants
Grant date	30 March 2011	30 March 2011
Number of options (000s)	8,397	649
Exercise price (£)	0.2000	0.2000
Share price at date of grant (£)	0.1300	0.1300
Fair value of option at date of grant (£000s)	£520	£40
Expiry date	29 Mar 2014	29 Mar 2014
Exit rate	0.00%	0.00%
Risk free rate	2.60%	2.60%
Volatility rate	88.75%	88.75%
Dividend yield	0.00%	0.00%

All of the options except tranches 6, 7, 9, 10 and 11 were fully vested on the date of issue. Tranches 6 and 7 vest on 17 January 2012 and tranches 9, 10 and 11 vest on 30 March 2012.

The fair value of the options is measured by use of the Black Scholes model. The inputs into the model are noted in the tables above. Expected volatility was determined by calculating the historical volatility of the share price of similar potash companies over the previous 5 years.

The options outstanding at 31 March 2011 had a weighted average remaining contractual life of 4.5 years (2010: 4 years). The weighted average price of options exercised during the year is 4.5p (2010: 3.79p).

The aggregate of the fair values of the options granted during the year is £4,865,000 (2010: £1,841,000). The fair value of the options that were exercised during the year is £41,000 (2010: £267,000) and the fair value of the options that were forfeited during the year is £56,000 (2010: £nil).

The total expense recognised within the income statement in relation to share options in the year is £4,768,000 (2010: £1,659,000).

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

	2011	2010
	£000s	£000s
Equity settled share based payments – warrants	**-**	1
Equity settled share based payments – directors	**5,662**	1,224
Equity settled share based payments – senior managers	**178**	–
Equity settled share based payments – consultants	**193**	–
Equity settled share based payments – professional advisers	**128**	167
Equity settled share based payments – asset acquisition	**182**	183
Total share based payment reserve	**6,343**	1,575

20. Deferred tax liabilities – Group

	2011	2010
	£000s	£000s
At 1 April	**3,233**	–
Additions	**6,644**	3,233
Credit to income statement	**(536)**	–
Foreign exchange movement	**360**	–
At 31 March	**9,701**	3,233

As a result of the acquisition of York Potash Limited, it was required to recognise a deferred tax liability calculated on the difference between the provisional fair value of the assets and liabilities acquired and their related tax basis (see note 12). The deferred tax liability recognised in relation to York Potash Limited was £6,644,000.

During the year, the deferred tax liability on the acquisition of Auspotash Corporation brought forward from 2010 was adjusted to reflect a change in the rate of tax in Canada from 33.5% to 28.5% (see note 8).

21. Loans from subsidiaries – Company

	2011	2010
	£000s	£000s
	1,104	–

All loans are interest free and repayable on demand. The Directors consider that the carrying amount of borrowings approximates to their fair values.

22 Trade and other payables

Group	2011 £000s	2010 £000s
Trade payables	**1,891**	284
Other payables	**79**	33
Accruals	**264**	155
	2,234	472

Company	2011 £000s	2010 £000s
Trade payables	**162**	124
Accruals	**109**	130
	271	254

The Directors consider that the trade and other payables carrying amount approximates to their fair values.

23. Cash outflow from operating activities – Group

	2011 £000s	2010 £000s
Loss before tax	**(7,668)**	(3,839)
Depreciation	**2**	5
Finance income	**(45)**	(1)
Impairment	**732**	462
Share based payments – share options	**4,768**	1,659
Share based payments – equity settled transactions	**83**	–
Operating cash flow before changes in working capital	**(2,128)**	(1,714)
(Increase)/decrease in receivables	**(167)**	86
Decrease/(increase) in payables	**1,673**	(351)
Net cash outflow from operating activities	**(622)**	(1,979)

Cash outflow from operating activities – Company	2011 £000s	2010 £000s
Loss before tax	**(5,975)**	(3,169)
Depreciation	**-**	3
Finance income	**(42)**	(4)
Impairment	**3**	439
Share based payments	**4,768**	1,659
Share based payments – equity settled transactions	**83**	–
Operating cash flow before changes in working capital	**(1,163)**	(1,072)
(Increase)/decrease in receivables	**(53)**	59
Decrease/(increase) in payables	**16**	(258)
Net cash outflow from operating activities	**(1,200)**	(1,271)

24. Related party transactions

On 16 December 2010, the Company issued 12,500,000 new ordinary shares of 0.25p each at a price of 10.4p per share to Scrimshaw Nominees Pty Limited, realising £1,300,000 (see note 18). Scrimshaw Nominees Pty Limited acts as trustee for the Scrimshaw Family Trust, which is a related party to RJ Scrimshaw.

Also on 16 December 2010, the Company issued 12,500,000 share options at an exercise price of 25p per share, 12,500,000 share options at an exercise price of 35p per share and, 12,500,000 share options at an exercise price of 45p per share to Scrimshaw Nominees Pty Limited (see note 19). Scrimshaw Nominees Pty Limited acts as trustee of The Scrimshaw Family Trust, which is a related party to RJ Scrimshaw.

On 16 January 2011, the Company issued 112,501,000 new ordinary shares of 0.25p each to C&J Fraser Investments Pty Limited as trustee of The Fraser Family Trust, which is a related party to CN Fraser and, 4,200,000 new ordinary shares of 0.25p each to PJE Woods. The shares were issued to C&J Fraser Investments Pty Limited, PJE Woods and other shareholders of York Potash Limited as consideration for 100% of the issued share capital of York Potash Limited (see note 12).

On the same date, the Company repaid a loan to York Potash Limited from Sigiriya Capital Pty Limited, which is a related party to CN Fraser, for £176,000.

On 17 January 2011, the Company issued 10,000,000 share options at an exercise price of 19.7p per share to CN Fraser (see note 19).

Also on 17 January 2011, the Company issued 4,000,000 share options at an exercise price of 19.7p per share to AM Lindsay (see note 19).

On 18 January 2011, AM Lindsay purchased 582,000 ordinary shares of 0.25p each in the market, at an average price of 17p per share.

On 30 March 2011, the Company issued 1,747,000 share options at an exercise price of 20p per share to AM Lindsay (see note 19).

During the year, the Company was charged £29,000 (2010: nil) by Broadscope Pty Limited for the services of CJ Catlow (see note 7).

During the year, the Company was charged £60,000 (2010: £120,000) by Pacific Corporate Management Limited for the services of RO'D Poulden (see note 7).

During the year, the Company was charged £52,000 (2010: £60,000) by Easy Business Consulting Limited for the services of JC Harrison (see note 7). JC Harrison resigned as a director on 17 January 2011.

During the year, the Company was charged £10,000 (2010: £10,000) by Z/Yen Group Limited for the services of Prof MR Mainelli (see note 7).

During the year, the Company was charged £10,000 (2010: £10,000) by Derek Stonley Consulting for the services of DCW Stonley (see note 7).

During the year, the Company loaned £2,747,000 (2010: £1,038,000) to its subsidiaries for working capital purposes (see note 15). At the year-end, the Company had a loan receivable balance of £3,785,000 due from its subsidiaries (2010: £1,038,000).

During the year, Sirius Minerals (Australia) Pty Limited, a subsidiary of the Company, elected to purchase fixtures and furniture from and to reimburse certain employee costs of Sigiriya Capital Pty Limited, totalling £83,000 (2010: £nil). Sigiriya Capital Pty Limited is a related party to CN Fraser. At the year-end, Sirius Minerals (Australia) Pty Limited had a payable balance of £83,000 (2010: £nil) due to Sigiriya Capital Pty Limited.

During the year, Auspotash Corporation, a subsidiary of the Company, loaned £1,104,000 (2010: £Nil) to the Company for distribution to other subsidiaries for working capital purposes (see note 21). At the year-end, the Company had a payable balance of £1,104,000 (2010: £nil) due to Auspotash Corporation.

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

25. Financial instruments

The Group's financial instruments comprise cash and cash equivalents, loans and items such as trade payables and trade receivables which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and foreign currency exchange rate risk. The Directors believe the Group is not exposed to any material equity price risk. Given the size of the Group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board are implemented by the Company's finance department.

Classification of financial instruments

With the exception of investments held by the Company, which are held at cost, all other Group and Company financial assets as disclosed in notes 14 to 17 are classified as loans and receivables and their carrying values approximate to their fair values. All of the Group and Company's financial liabilities are held at amortised cost.

Capital management

The Group's and Company's objectives when managing capital are to safeguard the Group's and Company's ability to continue as a going concern, to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group and Company defines capital as being share capital plus reserves. The Board of Directors monitor the level of capital as compared to the Group's and Company's commitments and adjusts the level of capital as if 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 and cash and cash equivalents. The Group has implemented policies that require appropriate credit checks. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually 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:

	2011	2010
	£000s	£000s
Group		
Other receivables	**260**	21
Cash and cash equivalents	**21,010**	1,782
Available-for-sale financial assets	**-**	729
	21,270	2,532

The total of other receivables and cash and cash equivalents constitutes all of the financial assets within the IAS 39 category loan and receivables held by the Group.

	2011	2010
	£000s	£000s
Company		
Other receivables	**56**	16
Cash and cash equivalents	**20,871**	455
Loans to subsidiaries	**3,785**	1,038
Available-for-sale financial assets	**-**	732
	24,712	2,241

The total of other receivables, cash and cash equivalents and loans to subsidiaries constitutes all of the financial assets within the IAS 39 category loans and receivables held by the Company.

Interest rate risk

The Group's interest bearing assets comprise only cash and cash equivalents and earn interest at a variable rate. The Group borrowing at the year-end was £nil (2010: £nil) and the Company borrowing at the year-end was £1,104,000 (2010: £nil).

The Group has not entered into any derivative transactions during the period under review.

The Group's cash and cash equivalents earned interest at a variable rate from 3 month Libor bond investments in Sterling and Australian Dollars and treasury deposit accounts 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 2011 and 31 March 2010.

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 debt repayments 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 2011			
6 months or less	1,970	264	2,234
Total contractual cash flows	1,970	264	2,234
Total amount of financial liabilities measured at amortised cost	1,970	264	2,234

Group	**Trade & other payables £000s**	**Accruals £000s**	**Total £000s**
At 31 March 2010			
6 months or less	317	155	472
Total contractual cash flows	317	155	472
Total amount of financial liabilities measured at amortised cost	317	155	472

for the year ended 31 March 2011

	Trade payables £000s	Accruals £000s	Loan from subsidiary £000s	Total £000s
Company				
As at 31 March 2011				
6 months or less	162	109	1,104	1,375
Total contractual cash flows	162	109	1,104	1,375
Carrying amount of financial liabilities measured at amortised cost	162	109	1,104	1,375

	Trade payables £000s	Accruals £000s	Total £000s
Company			
As at 31 March 2010			
6 months or less	124	130	254
Total contractual cash flows	124	130	254
Carrying amount of financial liabilities measured at amortised cost	124	130	254

Foreign currency exchange rate risk

The reporting 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 accounts of the foreign subsidiaries into Sterling would be £43,000 (2010: £20,000) to the Group's results and £2,746,000 (2010: £16,780,000) to the Group's financial position as at 31 March 2011.

During the year, the Company entered into a dual-currency deposit transaction for £700,000 (2010: £nil) expiring after the year-end. The terms of the transaction were that if the final spot price on the date of expiry was below the strike price, the Company will receive the principal amount of £700,000 plus interest. However, if the final spot price on the date of expiry was above the strike price, the Company will receive the principal amount of £700,000 plus interest, all in US Dollars, converted at the strike price.

If the dual-currency deposit expired at year-end, the difference between the closing rate and the strike price would have resulted in an increase in the Group and Company loss for the year of £12,000. A movement of 5% in the closing rate would have resulted in an increase or reduction in the Group and Company loss for the year of £4,000.

Notes to the Consolidated Accounts continued

for the year ended 31 March 2011

26. Commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various governments. These obligations are subject to periodic renegotiation. These obligations are not provided for in the consolidated accounts as at 31 March 2011 and are payable as follows:

	2011	2010
	£000s	£000s
Within one year	542	30
After one year but not more than five years	2,032	110
	2,574	140

27. Events after the reporting period

On 23 March 2011 the Budget accelerated the reduction in the UK Corporation Tax rate from 1 April 2011 from 1% to 2% resulting in the staggered reduction of 1% in rates from 2012 culminating in a rate of 23% for the tax year ended 2014-2015.

The deferred tax liability for 2011 is £6,644,000 and is expected to unwind after 2014. As of 31 March 2011 the 1% changes relating the tax years starting 2012, 2013 and 2014 have not been substantively enacted. The deferred tax liability would have decreased by approximately £767,000 had the changes of tax rate been substantively enacted as of 31 March 2011.

Notice of Annual General Meeting

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 Sidney Suite, Level 1, Grange Tower Bridge Hotel, 45 Prescot Street, London E1 8GP on Tuesday 20 September 2011 at 10:30 a.m. for the following purposes:

To consider and, if thought fit, to pass resolutions 1 to 9, which are proposed as ordinary resolutions:

1. To receive the accounts of the Company for the year ended 31 March 2011 and the reports of the directors and auditors.
2. To elect RJ Scrimshaw, being a director appointed since the last annual general meeting, as a director of the Company.
3. To elect CN Fraser, being a director appointed since the last annual general meeting, as a director of the Company.
4. To elect AM Lindsay, being a director appointed since the last annual general meeting, as a director of the Company.
5. To elect PJE Woods, being a director appointed since the last annual general meeting, as a director of the Company.
6. To re-elect DCW Stonley, who retires by rotation in accordance with the Company's articles of association and who, being eligible, offers himself for re-election as a director of the Company.
7. To re-elect Prof MR Mainelli, who retires by rotation in accordance with the Company's articles of association and who, being eligible, offers himself for re-election as a director of the Company.
8. To re-appoint Nexia Smith & Williamson as auditors of the Company until the conclusion of the next annual general meeting in 2012.
9. To authorise the directors to fix the auditors' remuneration.

By order of the Board

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

Jas Sembi
Company Secretary

2 August 2011

Notes:

Entitlement to attend and vote

(i) Only those shareholders registered in the register of members of the Company as at 6:00 p.m. on 18 September 2011 or, if this meeting is adjourned, 6:00 p.m. on the day two days prior to the adjourned meeting shall be entitled to attend and vote at the annual general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of member after 6.00 p.m. on 18 September 2011 or, if this meeting is adjourned, 6:00 p.m. on the day two days prior to the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at this annual general meeting.

Appointment of proxies

(ii) A shareholder entitled to attend 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 him. You may not appoint more than one proxy to exercise rights attached to any one share. Details of how to appoint more than one proxy are set out in the notes to the proxy form.

(v) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the annual general meeting.

(vi) The notes to the proxy form explain how to direct your proxy, how to vote on each resolution or how to withhold their vote.

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

- completed and signed;
- sent or delivered to Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA; and
- received by Neville Registrars Limited no later than 10:30 a.m. on 18 September 2011 or if the meeting is adjourned, 10:30 a.m. on the day two days prior to the adjourned meeting.

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

Instructions for electronic proxy appointment through CREST

(vii) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting to be held on 20 September 2011 and any adjournments thereof by utilising the procedures described in the CREST manual. CREST Personal Members or other CREST Sponsored Members, and those CREST Members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take appropriate action on their behalf.

(viii) In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland ("EUI")'s specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the issuer's agent (ID 7RA11) by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

(ix) CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member or CREST Sponsored Member or has appointed a voting service provider(s) to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

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

Appointment of proxy by joint shareholders

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

Changing proxy instructions

(xii) To change your proxy appointments simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the proxy form and would like to change the instructions using another proxy form, please contact Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA, telephone: 0121 5851131 or fax: 0121 5851132. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

(xiii) In order to revoke a proxy instruction you will need to send a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars Limited. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. The original of any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than 10:30 a.m. on 18 September 2011 or if the meeting is adjourned, 10:30 a.m. on the day two days prior to the adjourned meeting, and a copy must be sent or delivered to Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA.

Appointment of a proxy does not preclude you from attending the annual general meeting and voting in person. If you have appointed a proxy and attend the annual general meeting in person and vote in respect of a particular resolution then your proxy's vote, if he or she makes one, will not be counted.

Communication

(xiv) Except as provided above, shareholders who have general queries about the annual general meeting should use the following means of communication:

- calling Neville Registrars on 0121 585 1131 (calls cost 10p per minute plus network extras); or
- by email to reece@nevilleregistrars.co.uk

You may not use any electronic address provided in any documentation to communicate with the Company for any purposes other than those expressly stated.

Glossary

ADR	American Depository Receipts
OTCQX	The premier tier of the United States over-the-counter securities trading market
Alunite	A hydrated aluminium potassium sulphate mineral
Bed	The smallest division of a geologic formation
Boree Salt Member	A mineral deposit in Queensland, Australia
CAES	See Compressed Air Energy Storage
Carbon Sequestration	The capture of carbon dioxide
Carnallite/Carnallatic	A hydrated potassium magnesium chloride
Competent Person	A legal definition for the purposes of the Australian Joint Ore Reserves Committee (JORC)
Compressed Air Energy Storage/CAES	A way to store energy generated at one time for use at another time
Esterhazy Member	A geological formation containing mineral deposits extending across the Northern United States and Saskatchewan in Canada
Evaporite	A water-soluble mineral sediment that results from the evaporation from an aqueous solution and has been concentrated by evaporation
Halite	Commonly known as rock salt. The mineral form of sodium chloride (NaCl).
Interbed	When layers of one type of rock are interlayered with a different type of rock
JORC	Australian Joint Ore Reserves Committee
Kainite	A mineral salt that consists of potassium chloride and magnesium sulphate
Langebeinite	A potassium magnesium sulphate mineral
Mallowa Salts	A geological formation containing mineral deposits located in the Kimberley region of Western Australia
Magnesium hydroxide	Milk of magnesia
Member	The formal lithostratigraphic unit next in rank below a formation. A member possesses properties distinguishing it from adjacent parts
Muriate of Potash/MOP	See Potassium Chloride
Polyhalite	A hydrated sulphate of potassium, calcium and magnesium – $K_2Ca_2Mg(SO_4)_4{\cdot}2H_2O$
Potash	Any of several compounds containing potassium. Used mainly in fertilisers
Potassium Chloride/ KCl	A metal halide salt comprising potassium and chlorine
Potassium Oxide/ K_2O	A compound of potassium and oxygen. Represents the amount of potassium in a fertiliser if it was in the form of potassium oxide
Potassium Nitrate/NOP	A chemical compound of potassium, nitrogen and oxygen. Used in fertilisers
Prairie Evaporates	See Saskatchewan Prairie Evaporite Formation
Raster data	A technique of displaying data, using pixels
Saskatchewan Prairie Evaporite Formation	A geological formation in the Williston Basin in Saskatchewan, Canada
Seismic Lines	The pattern of lines set out/or a seismic survey
Solution Mining	The mining of underground, water-soluble minerals, by dissolving the minerals with water and extracting them
SOP/ Sulphate of Potash/ K_2SO_4	A crystalline salt compound of potassium, sulphur and oxygen, used in fertilisers
Sylvenite	A mechanical mixture of sylvite and halite.
Sylvite	Potassium chloride (KCl) in natural mineral form.

Directors and Advisers

Directors
CJ Catlow (Non-Executive Chairman)
CN Fraser (Managing Director and CEO)
AM Lindsay (Finance Director and CFO)
R O'D Poulden (Non-Executive Deputy Chairman)
Prof MR Mainelli (Non-Executive Director)
RJ Scrimshaw (Non-Executive Director)
DCW Stonley (Non-Executive Director)
PJE Woods (Non-Executive Director)

Secretary
J Sembi

Registered Office
Third Floor, Greener House
68 Haymarket
London
SW1Y 4RF
Tel: +44 20 3327 3660

Auditors
Nexia Smith & Williamson
25 Moorgate
London
EC2R 6AY

Bankers
UBS AG
Postfach
CH-8098 Zurich
Switzerland

The Royal Bank of Scotland Plc
9-13 Paternoster Row
London
EC4M 7EJ

Nominated Adviser
Beaumont Cornish Limited
Second Floor, Bowman House
29 Wilson Street
London
EC2M 2SJ

Brokers
Liberum Capital Limited
Ropemaker Place, Level 12
25 Ropemaker Street
London
EC2Y 9LY

XCAP Securities Plc
24 Cornhill
London
EC3V 3ND

Lawyers
Pinsent Masons LLP
30 Crown Place
London
EC2A 4ES

Registrars
Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA

Company Registration Number
4948435

Company Information

General Information
info@siriusminerals.com

Investor Information
irdesk@siriusminerals.com

UK
York Potash Limited
2 Langley House
Wykeham Business Centre
Scarborough
YO13 9QP
Tel: +44 1723 470 010

Australia
Sirius Minerals (Australia) Pty Limited
Level 12, 48 Hunter Street
Sydney
New South Wales 2000
Australia
Tel: +61 2 9917 8900

North America
Dakota Salts, LLC
8390 E. Crescent Parkway
Suite 600
Greenwood Village, CO 80111
United States of America

www.siriusminerals.com

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