# CONDENSED INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 September 2013

SIRIUS MINERALS PLC

## CONTENTS:

# CHAIRMAN'S STATEMENT

SIRIUS MINERALS PLC IS MAKING SOLID PROGRESS IN ACHIEVING KEY DEVELOPMENT MILESTONES TO DELIVER THE YORK POTASH PROJECT.

Given the pace at which Sirius Minerals Plc ("the Company") has been moving and at which key events occur at our flagship York Potash Project ("the Project"), this interim report gives us an opportunity to review the Group's performance and progress.

Our frustration at having to request a delay to the determination of the mine planning application for the Project was detailed extensively in the Annual Report for the last financial year. Our focus since then has been to put in place the work plans and studies that are required to address all the issues that were raised by the North York Moors National Park Authority and its consultants and to ensure that the intricacies of the planning system do not lead to any further unnecessary delays.

We now have a process in place where the environmental studies for all key parts of our Project (mine, pipeline, port and materials handling plant) will be available at the same level of detail and at the same time across the whole Project. In my view this will leave little doubt as to the high environmental standards that we are adopting and will, I believe, show that there are no environmental concerns that cannot either be avoided or mitigated to a satisfactory level.

## PLANNING APPROVALS

As our existing shareholders and supporters will know, receiving the mine approval for the Project will be a major catalyst for increasing shareholder value and facilitate our transition into mine construction. To seek approval within a National Park was never going to be straightforward, but there is no scope to be able to develop the Project outside of the National Park.

We believe the work that our planning teams are currently progressing will further boost the already strong planning policy case. The mine approval essentially centres on the 'major development test' that seeks to balance the benefits of the development against any potential impacts on the North York Moors National Park. I remain confident, as our whole team does, that the Project is one of the clearest examples possible of the 'exceptional circumstances' that are needed to justify such a development in a National Park. Whether it's our world-class design to minimise perceived environmental concerns, global and local demand for this vital ingredient by the fertilizer industry or the expected substantial economic benefits to the local, regional and national economies, the Company believes the case for approval is truly compelling.

The internal work streams to strengthen the support arguments and mitigations around these above points have been on-going since we requested a deferral to the decision in July and will form important parts of the information we resubmit to the National Park Authority next year. As our announcement of 23 October 2013 detailed, this may take the form of a completely fresh application which would have the added benefit of simplifying the planning documentation on file, giving greater clarity to key statutory consultees and the broader community. Similarly a procedural extension to the 'red line boundary' of the application to take in mineral rights areas held by York Potash Ltd outside the National Park boundary has the potential to draw the North Yorkshire County Council ('NYCC') into the process. Although the NYCC would also have to make a decision on its own area of the application, this will not, we believe, negatively impact on our current timetable.

## THE POLYHALITE MARKET CONTINUES TO GROW

Amongst the recent turbulence in the potash markets caused by the dispute between potash companies in Russia and Belarus, our sales team has continued with an extensive global customer engagement programme. Although many customers in the traditional potash market are in a 'wait and see' mode, the dramatic price drops predicted by some have only partially materialised but the long-term fundamentals remain strong.

**Russell Scrimshaw**
**Chairman**

Our view on the world potash market remains that the fundamentals are strong and that our unique multi-nutrient mineral, polyhalite, has a significant role to play in the world fertilizer markets. This is demonstrated by the increasing customer support for polyhalite and the recent signing of two more memoranda of understanding in China for an additional one million tonnes per annum ("mtpa") signed recently in Beijing. Our work in China has also recently been strengthened by Chris Fraser's participation in the UK government trade delegation to the country, which was led by the Prime Minister.

We now have some 3.78 mtpa spoken for in various commitments, which together amounts to over 75 per cent of targeted phase one production. It is rare in the fertilizer industry for customers to commit to large volumes of product so far in advance, so our progress in this regard absolutely confirms the desire of distributors, blenders and other customers around the world to see our Project come to fruition.

## EXPLORATION DRILLING COMPLETE

Underpinning all of our work is our massive world class resource which, as shareholders know, has been challenging and expensive to achieve, but ultimately will be a key factor in the Definitive Feasibility Study. When we set out on the exploration programme we had hoped the drilling and analysis work would be more straightforward but the perseverance and hard work of our exploration and geology teams has undoubtedly delivered results that exceeded all of our initial expectations.

To have an inferred resource of 2.66 billion tonnes from just seven per cent of the Project area gives us a sense of the potential longevity of the deposit. During the half year we completed the exploration drilling work and announced our maiden Reserve of 250 million tonnes (from just one per cent of the Project area). This identified potential tonnage should give our shareholders and potential funders even greater confidence on the multi-generational, multi-decade production potential of our current identified deposit. The completion of this phase of the exploration and drilling programme has also allowed us to complete the major expenditure associated with those operations.

## FINANCIAL RESULTS

During the six month period ended 30 September 2013 the Group made a consolidated loss of £6.3 million. Cash resources at the end of September 2013 were £13.1 million.

The Group's net assets at 30 September 2013 were £89.3 million.

As per the market announcement on 12 August 2013 the group recently entered into a £25m convertible security arrangement with a New York based investor of which £10m has been drawn down during the period. The remaining £15m can be accessed by mutual consent with the investor in three tranches of up to £5m each. Management are of the view that the investor would, if called upon, advance these additional funds or that alternative sources of finance could be obtained to the extent required. In addition the Group has the ability to defer certain expenditure and operate within the level of its existing funds for such time as the Directors consider would be necessary to enable them to secure sufficient funding.

Our finance team are continually focussed on two key objectives. The first is the prudent and effective management of our existing funds and the second is continuing to advance multiple potential future financing options for the Project. Ultimately we aim to optimise our access to debt markets for the majority of the construction finance for the Project – something that we believe is very achievable given the team's experience and the value of the Project once in operation – but the team is continually investigating the many innovative opportunities with strategic partners and other more traditional financing mechanisms, which will inevitably form part of the funding mix.

The condensed interim unaudited consolidated financial statements have been prepared under the going concern assumption. However, the Directors recognise that there are a number of material uncertainties inherent in the Project. The impact of these uncertainties on the Directors' consideration of the going concern assumption are set out in Note 1 to these financial statements.

The principal risks and uncertainties facing the Group have not changed since the year-end. The principal risks are exploration, development & production risk, mineral title risk, permitting risk, commodity price risk, liquidity risk, currency risk, competitor risk and product risk. Detailed explanations of these principal risks can be found on page 34 of the 2013 annual report.

## DELIVERING GREATER CERTAINTY AS WE PROGRESS

As we move into the new year and rapidly towards our planning approval re-submissions it is worth taking stock of how far the Group has come in a relatively short period since the merger of York Potash Ltd into Sirius Minerals Plc. We have identified and defined the world's largest and highest grade deposit of polyhalite, we have established a strong and growing global market for the mineral and we are working towards fulfilling essentially a detailed checklist of approval issues that, once addressed, will unlock the next exciting phase of the Group's progression. The purchase of our proposed mine site in October this year is a further demonstration of our belief in the Project.

Thank you for your support and we look forward to delivering the next phase of our mission to become 'the future of fertilizer'.

Yours sincerely,

**Russell Scrimshaw**
Chairman

19 December 2013

# INDEPENDENT REVIEW REPORT TO SIRIUS MINERALS PLC

## INTRODUCTION

We have been engaged by the Company to review the condensed interim unaudited consolidated financial statements (the "financial statements") in the half-yearly financial report for the six months ended 30 September 2013, which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the financial statements.

## DIRECTORS' RESPONSIBILITIES

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

## OUR RESPONSIBILITY

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

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

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

## SCOPE OF REVIEW

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

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the financial statements in the half-yearly financial report for the six months ended 30 September 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules for Companies.

## EMPHASIS OF MATTER – GOING CONCERN

In forming our conclusion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group is seeking to complete feasibility studies, obtain appropriate planning permissions and secure immediate and long term project finance, the outcome of each of which is uncertain. These circumstances indicate a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments which would result if the Group were unable to continue as a going concern.

**PricewaterhouseCoopers LLP**
**Chartered Accountants**
Leeds

19 December 2013

# CONDENSED CONSOLIDATED INCOME STATEMENT

for the six month period ended 30 September 2013

| | Notes | **Unaudited six month period ended 30 September 2013 £000s** | Unaudited six month period ended 30 September 2012 £000s | Audited year ended 31 March 2013 £000s |
|---|---|---|---|---|
| **Revenue** | | - | - | - |
| Administrative expenses | | **(8,380)** | (6,593) | (15,175) |
| Summary of administrative expenses: | | | | |
| Impairment charge | | **-** | - | (2,947) |
| Other administrative costs | | **(8,380)** | (6,593) | (12,228) |
| **Operating loss** | | **(8,380)** | (6,593) | (15,175) |
| Finance income | | **30** | 229 | 603 |
| Finance costs | | **(111)** | - | - |
| **Loss before taxation** | | **(8,461)** | (6,364) | (14,572) |
| Tax credit | | **2,152** | 255 | 5,984 |
| **Loss for the period attributable to owners of the Parent** | | **(6,309)** | (6,109) | (8,588) |
| **Loss per share:** | | | | |
| Basic and diluted | 3 | **(0.5p)** | (0.5p) | (0.6p) |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six month period ended 30 September 2013

| | **Unaudited six month period ended 30 September 2013 £000s** | Unaudited six month period ended 30 September 2012 £000s | Audited year ended 31 March 2013 £000s |
|---|---|---|---|
| **Loss for the period attributable to owners of the Parent** | **(6,309)** | (6,109) | (8,588) |
| **Other comprehensive income/(loss)** | | | |
| Exchange differences on translating foreign operations | **26** | (34) | (53) |
| **Other comprehensive income/(loss) for the period, net of tax** | **26** | (34) | (53) |
| **Total comprehensive loss for the period** | **(6,283)** | (6,143) | (8,641) |

Other comprehensive income will not subsequently be reclassified to profit or loss.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2013

| ASSETS | Notes | **Unaudited as at 30 September 2013 £000s** | Unaudited as at 30 September 2012 £000s | Audited as at 31 March 2013 £000s |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | | **810** | 586 | 926 |
| Intangible assets | 4 | **83,826** | 61,244 | 73,743 |
| **Total non-current assets** | | **84,636** | 61,830 | 74,669 |
| **Current assets** | | | | |
| Other receivables | | **947** | 3,065 | 958 |
| Loans and receivables | | **-** | 1,235 | 915 |
| Cash and cash equivalents | | **13,143** | **36,784** | 17,980 |
| **Total current assets** | | **14,090** | 41,084 | 19,853 |
| **TOTAL ASSETS** | | **98,726** | 102,914 | 94,522 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to owners of the Parent** | | | | |
| Share capital | 5 | **3,468** | 3,348 | 3,359 |
| Share premium account | | **151,122** | 147,238 | 147,763 |
| Share based payment reserve | | **13,140** | 9,057 | 10,345 |
| Accumulated losses | | **(85,667)** | (76,913) | (79,392) |
| Foreign exchange reserve | | **7,190** | 7,183 | 7,164 |
| **Total equity** | | **89,253** | 89,913 | 89,239 |
| **Non-current liabilities** | | | | |
| Deferred tax liability | | **-** | 6,374 | 659 |
| **Current liabilities** | | | | |
| Trade and other payables | | **2,850** | 6,627 | 4,624 |
| Convertible loan | 6 | **6,623** | - | - |
| **Total liabilities** | | **9,473** | 13,001 | 5,283 |
| **TOTAL EQUITY AND LIABILITIES** | | **98,726** | 102,914 | 94,522 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six month period ended 30 September 2013

| | Share capital £000s | Share premium account £000s | Share based payments reserve £000s | Accumulated losses £000s | Foreign exchange reserve £000s | Equity shareholders' funds £000s |
|---|---|---|---|---|---|---|
| **At 1 April 2012** | 3,348 | 147,238 | 7,691 | (70,804) | 7,217 | 94,690 |
| Loss for the period | - | - | - | (6,109) | - | (6,109) |
| Foreign exchange differences on translation of foreign operations | - | - | - | - | (34) | (34) |
| Total comprehensive loss for the period | - | - | - | (6,109) | (34) | (6,143) |
| Share based payments | - | - | 1,366 | - | - | 1,366 |
| **At 30 September 2012** | 3,348 | 147,238 | 9,057 | (76,913) | 7,183 | 89,913 |
| Loss for the period | - | - | - | (2,479) | - | (2,479) |
| Foreign exchange differences on translation of foreign operations | - | - | - | - | (19) | (19) |
| Total comprehensive loss for the period | - | - | - | (2,479) | (19) | (2,498) |
| Excercised options | 11 | 525 | - | - | - | 536 |
| Share based payments | - | - | 1,288 | - | - | 1,288 |
| **At 31 March 2013** | 3,359 | 147,763 | 10,345 | (79,392) | 7,164 | 89,239 |
| Loss for the period | - | - | - | (6,309) | - | (6,309) |
| Foreign exchange differences on translation of foreign operations | - | - | - | - | 26 | 26 |
| Total comprehensive (loss)/ income for the period | - | - | - | (6,309) | 26 | (6,283) |
| Conversion of loan | 75 | 2,854 | - | 34 | - | 2,963 |
| Excercise options | 7 | 505 | - | - | - | 512 |
| Share based payments | 27 | - | 2,795 | - | - | 2,822 |
| **At 30 September 2013** | **3,468** | **151,122** | **13,140** | **(85,667)** | **7,190** | **89,253** |

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 payment charges incurred by the Group.

The foreign exchange reserve records exchange differences which arise on translation of foreign operations with a functional currency other than Sterling.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six month period ended 30 September 2013

| | Notes | **Unaudited six month period ended 30 September 2013 £000s** | Unaudited six month period ended 30 September 2012 £000s | Audited year ended 31 March 2013 £000s |
|---|---|---|---|---|
| **Cash outflow from operating activities** | 7 | **(6,128)** | (2,735) | (6,849) |
| **Cash flow from investing activities** | | | | |
| Purchase of intangible assets | | **(10,096)** | (14,843) | (30,116) |
| Purchase of plant and equipment | | **(6)** | (403) | (857) |
| Loan to third party | | **915** | 265 | 585 |
| **Net cash used in investing activities** | | **(9,187)** | (14,981) | (30,388) |
| **Cash flow from financing activities** | | | | |
| Proceeds from receipt of convertible loan | | **10,000** | - | - |
| Proceeds from issue of shares | | **512** | - | 536 |
| Share issue costs | | **-** | - | - |
| Finance costs | | **(111)** | - | - |
| Finance income | | **30** | 229 | 603 |
| **Net cash generated from financing activities** | | **10,431** | 229 | 1,139 |
| **Net decrease in cash and cash equivalents** | | **(4,884)** | (17,487) | (36,098) |
| Cash and cash equivalents at beginning of the period | | **17,980** | 54,271 | 54,271 |
| Effect of foreign exchange rate changes | | **47** | - | (193) |
| **Cash and cash equivalents at end of the period** | | **13,143** | 36,784 | 17,980 |

# NOTES TO THE CONDENSED INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

### GENERAL INFORMATION

Sirius Minerals Plc (the "Company") is a limited liability company incorporated and domiciled in the UK. The address of its registered office is 3rd Floor, Greener House, 66–68 Haymarket, London SW1Y 4RF.

The Company's ordinary shares are traded on the AIM market of the London Stock Exchange.

The condensed interim unaudited consolidated financial statements for the six month period ended 30 September 2013 comprise the Company and its subsidiaries (together referred to as the "Group").

### BASIS OF PREPARATION

The condensed interim unaudited consolidated financial statements for the six month period ended 30 September 2013 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union ("EU"). These financial statements should be read in conjunction with the Group financial statements for the year ended 31 March 2013 which have been prepared in accordance with IFRSs as adopted by the EU.

The accounting policies applied are consistent with those of the Group financial statements for the year ended 31 March 2013.

### GOING CONCERN

The condensed interim unaudited consolidated financial statements have been prepared under the going concern assumption. Whilst the Directors remain confident of a positive outcome in each of the following areas they recognise that there are a number of material uncertainties inherent in the York Potash Project, namely;

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

An unsuccessful outcome in respect of these material uncertainties may cast significant doubt on the Group's ability to continue as a going concern. However the Directors remain positive about the likely outcomes in respect of both the planning permission and feasibility studies processes together with the impact these will have on the Group's ability to raise finance in the future. The Directors are of the view that additional funding will be secured as necessary. In August 2013, the Group secured £25m of finance through a convertible loan facility. At the period end, £10m had been drawn down. The remaining £15m can be accessed by mutual consent with the investor in three tranches of up to £5m each.

Management are of the view that the investor would, if called upon, advance these additional funds or that alternative sources of finance could be obtained to the extent required. In addition the Group has the ability to defer certain expenditure and operate within the level of its existing funds for such time as the Directors consider would be necessary to enable them to secure sufficient funding.

On this basis the Directors have concluded that the Group retains sufficient resources to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. The financial statements do not include the adjustments which would result if the Group were unable to continue as a going concern.

## 1. ACCOUNTING POLICIES (CONTINUED)

### NON-STATUTORY ACCOUNTS

The financial information set out in this interim report does not comprise the Group's statutory accounts.

The financial information for the six month period ended 30 September 2013 and 30 September 2012 is unaudited.

The statutory accounts for the year ended 31 March 2013 have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 498 (2) or Section 498 (3) of the Companies Act 2006 however, did include references to matters to which the auditor drew attention by way of emphasis.

### CONVERTIBLE DEBT INSTRUMENT

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

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

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

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

## 2. SEGMENTAL ANALYSIS

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

| | UK | United States of America | | Australia | | | |
|---|---|---|---|---|---|---|---|
| | Resource evaluation and exploration £000s | Resource evaluation and exploration £000s | Environmental solutions £000s | Resource evaluation and exploration £000s | Environmental solutions £000s | Corporate operations £000s | **Total** **£000s** |
| **Unaudited six month period ended 30 September 2013** | | | | | | | |
| Operating loss | (1,779) | - | - | (48) | (23) | (6,530) | **(8,380)** |
| Finance costs | - | - | - | - | - | (111) | **(111)** |
| Finance income | 21 | - | - | - | - | 9 | **30** |
| Loss before taxation | (1,758) | - | - | (48) | (23) | (6,632) | **(8,461)** |
| Tax credits | 2,152 | - | - | - | - | - | **2,152** |
| **Loss for the period** | 394 | - | - | (48) | (23) | (6,632) | **(6,309)** |
| Total assets | 94,151 | 83 | - | 11 | - | 4,481 | **98,726** |
| Total liabilities | (2,015) | (86) | - | - | - | (7,372) | **(9,473)** |
| **Net assets/(liabilities)** | 92,136 | (3) | - | 11 | - | (2,891) | **89,253** |
| Capital expenditure | 10,097 | - | - | - | - | 5 | **10,102** |
| Depreciation and amortisation | 98 | - | - | - | - | 17 | **115** |
| **Unaudited six month period ended 31 March 2013** | | | | | | | |
| Operating (loss)/income | (1,046) | (1,908) | 6 | (2,999) | 21 | (3,466) | **(8,582)** |
| Finance costs | - | - | - | - | - | - | **-** |
| Finance income | 41 | - | - | 3 | - | 330 | **374** |
| Loss before taxation | (1,005) | (1,098) | 6 | (2,996) | 21 | (3,136) | **(8,208)** |
| Tax credits | 5,218 | - | - | 511 | - | - | **5,729** |
| **Loss for the period** | 4,213 | (1,908) | 6 | (2,485) | 21 | (3,136) | **(2,479)** |
| Total assets | 83,534 | 78 | - | 61 | 1 | 10,848 | **94,522** |
| Total liabilities | (4,236) | (81) | - | (4) | - | (962) | **(5,283)** |
| **Net assets/(liabilities)** | 79, 298 | (3) | - | 57 | 1 | 9,886 | **–89,239** |
| Capital expenditure | 15,675 | - | - | - | - | 52 | **15,727** |
| Depreciation and amortisation | 84 | - | - | - | - | 36 | **120** |
| Impairment charge | - | 895 | (6) | 3,206 | - | (1,148) | **2,947** |

## 2. SEGMENTAL ANALYSIS (CONTINUED)

| | UK | United States of America | | Australia | | | |
|---|---|---|---|---|---|---|---|
| | Resource evaluation and exploration £000s | Resource evaluation and exploration £000s | Environmental solutions £000s | Resource evaluation and exploration £000s | Environmental solutions £000s | Corporate operations £000s | **Total £000s** |
| **Unaudited six month period ended 30 September 2012** | | | | | | | |
| Operating loss | (2,125) | (723) | - | (147) | (2) | 3,596 | **(6,593)** |
| Finance costs | - | - | - | - | - | - | **-** |
| Finance income | 39 | - | - | - | - | 190 | **229** |
| Loss before taxation | (2,086) | (723) | - | (147) | (2) | (3,406) | **(6,364)** |
| Tax credits | 255 | - | - | - | - | - | **255** |
| **Loss for the period** | (1,381) | (723) | - | (147) | (2) | (3,406) | **(6,109)** |
| Total assets | 63,246 | 921 | - | 1,945 | - | 36,802 | **102,914** |
| Total liabilities | (12,070) | (141) | - | (537) | - | (253) | **(13,001)** |
| **Net assets** | 51,176 | 780 | - | 1,408 | - | 36,549 | **89,913** |
| Capital expenditure | 15,155 | - | - | - | - | 91 | **15,246** |
| Depreciation and amortisation | 66 | - | - | - | - | 12 | **78** |

## 3. 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 period.

Given the Group's loss for the six month period ended 30 September 2013 and 2012 and the year ended 31 March 2013, share options are not taken into account when determining the weighted average number of ordinary shares in issue during the period and therefore the basic and diluted loss per share are the same.

| | **Unaudited six month period ended 30 September 2013 £000s** | Unaudited six month period ended 30 September 2012 £000s | Audited year ended 31 March 2013 £000s |
|---|---|---|---|
| *Loss* | | | |
| Loss for the purpose of basic loss per share being net loss attributable to owners of the Parent | **(6,309)** | (6,109) | (8,588) |
| Loss for the purpose of diluted loss per share | **(6,309)** | (6,109) | (8,588) |

| *Number of shares* | **Number 000s** | Number 000s | Number 000s |
|---|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | **1,354,602** | 1,339,033 | 1,340,885 |

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

| *Number of shares* | **Number 000s** | Number 000s | Number 000s |
|---|---|---|---|
| Weighted average number of ordinary shares for the purpose of diluted loss per share | **1,451,535** | 1,411,958 | 1,387,323 |
| *Loss per share* | | | |
| **Basic and diluted loss per share** | **(0.5p)** | (0.5p) | (0.6p) |

## 4. INTANGIBLE ASSETS

| | Exploration costs and rights £000s | Goodwill £000s | Software £000s | Total £000s |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2012 | 95,149 | 9,079 | 48 | 104,276 |
| Additions | 14,837 | - | 6 | 14,843 |
| Foreign exchange movement | (32) | - | - | (32) |
| At 30 September 2012 | 109,954 | 9,079 | 54 | 119,087 |
| Additions | 15,248 | - | 25 | 15,273 |
| Foreign exchange movement | 184 | - | - | 184 |
| At 31 March 2013 | 125,386 | 9,079 | 79 | 134,544 |
| Additions | 10,096 | - | - | 10,096 |
| Foreign exchange movement | - | - | - | - |
| At 30 September 2013 | 135,482 | 9,079 | 79 | 144,640 |
| **Provision for permanent diminution in value** | | | | |
| At 1 April 2012 | (55,392) | (2,436) | (6) | (57,834) |
| Amortisation | - | - | (9) | (9) |
| At 30 September 2012 | (55,392) | (2,436) | (15) | (57,843) |
| Impairment | (2,947) | - | - | (2,947) |
| Amortisation | - | - | (11) | (11) |
| At 31 March 2013 | (58,339) | (2,436) | (26) | (60,801) |
| Amortisation | - | - | (13) | (13) |
| At 30 September 2013 | (58,339) | (2,436) | (39) | (60,814) |
| **Net book value** | | | | |
| 30 September 2013 | 77,143 | 6,643 | 40 | 83,826 |
| 31 March 2013 | 67,047 | 6,643 | 53 | 73,743 |
| 30 September 2012 | 54,562 | 6,643 | 39 | 61,244 |

## 5. SHARE CAPITAL

| | **Unaudited as at 30 September 2013 £000s** | Unaudited as at 30 September 2012 £000s | Audited as at 31 March 2013 £000s |
|---|---|---|---|
| **Allotted, called up and fully paid** | | | |
| 1,387,284,619 (30 September 2012: 1,339,033,310 and 31 March 2013: 1,343,583,310) ordinary shares of 0.25p each | **3,468** | 3,348 | 3,359 |

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

On 21 May 2013 the Company issued 1,730,355 new ordinary shares of 0.25p each to certain employees, under the Company's Short Term Incentive Plan in relation to the year ended 31 March 2013.

On 12 June 2013 the Company issued 500,000 new ordinary shares of 0.25p each at a price of 4p per share, realising £20,000, following the exercise of share options.

On 9 July 2013 the Company issued 2,500,000 new ordinary shares of 0.25p each at a price of 19.7p per share, realising £493,000, following the exercise of share options.

On 13 August 2013 the Company issued 3,495,936 new ordinary shares of 0.25p each in connection with the convertible security financing.

On 27 August 2013 the Company issued 3,432,588 new ordinary shares of 0.25p each in connection with certain consultancy arrangements and an employee incentive payment.

During the period the Company issued 29,875,763 new ordinary shares of 0.25p each, following the receipt of notices of exercise in respect of convertible securities previously issued on 13 August 2013.

## 6. CONVERTIBLE LOAN

| | **Unaudited as at 30 September 2013 £000s** | Unaudited as at 30 September 2012 £000s | Audited as at 31 March 2013 £000s |
|---|---|---|---|
| Convertible loan | **6,623** | - | - |

On 12 August 2013 the Group secured financing of up to £25m with an institutional investor. Under the agreement, up to £25m will be made available via four tranches of interest free convertible securities which are convertible into ordinary shares of the Company. The first tranche is £10m and the subsequent three tranches can be activated at 120 day intervals by mutual consent with the investor with a minimum of £1m and a maximum of £5m per tranche. Each convertible security will have a maturity of 18 months.

Additionally 6,000,000 share options were granted with a strike price of 19.5p exercisable over 36 months from the date of signing.

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

## 7. CASH OUTFLOWS FROM OPERATING ACTIVITIES

| | **Unaudited six month period ended 30 September 2013 £000s** | Unaudited six month period ended 30 September 2012 £000s | Audited year ended 31 March 2013 £000s |
|---|---|---|---|
| Loss before taxation | **(8,461)** | (6,364) | (14,572) |
| Depreciation | **102** | 69 | 187 |
| Net finance expense/(income) | **81** | (229) | (603) |
| Amortisation and impairment | **13** | 9 | 2,967 |
| Share based payments | **2,822** | 1,366 | 2,654 |
| Conversion of loan | **(414)** | - | - |
| Tax credit | **1,492** | - | - |
| Operating cash flow before changes in working capital | **(4,365)** | (5,149) | (9,367) |
| Decrease/(increase) in receivables | **10** | (1,362) | 746 |
| (Decrease)/increase in payables | **(1,773)** | 3,776 | 1,772 |
| **Net cash outflow from operating activities** | **(6,128)** | (2,735) | (6,849) |

## 8. RELATED PARTY TRANSACTIONS

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

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

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

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

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

During the period the Company was charged £13,000 by Z/Yen Group Limited for the services of Prof MR Mainelli.

## 9. FINANCIAL INSTRUMENTS

### CLASSIFICATION OF FINANCIAL INSTRUMENTS

All of the Group's financial assets are classified as loans and receivables and their carrying values approximate to their fair values. The Group's financial liabilities are held at fair value or amortised cost.

### FAIR VALUE MEASUREMENT

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

The three levels of the hierarchy are:

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

The convertible loan has been assessed to be a level 2 financial liability. All other financial liabilities are held at amortised cost.

### CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group'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 define capital as being share capital plus reserves. The Board of Directors monitors the level of capital as compared to the Group's commitments and adjusts the level of capital as it is determined to be necessary, by issuing new shares. The Group is not subject to any externally imposed capital requirements.

### CREDIT RISK

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

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

| | **Unaudited as at 30 September 2013 £000s** | Unaudited as at 30 September 2012 £000s | Audited as at 31 March 2013 £000s |
|---|---|---|---|
| Other receivables | **696** | 1,775 | 737 |
| Cash and cash equivalents | **13,143** | 36,784 | 17,980 |
| Loan to third party | **-** | 1,235 | 915 |
| | **13,839** | 39,794 | 19,632 |

## 9. FINANCIAL INSTRUMENTS (CONTINUED)

### INTEREST RATE RISK

The Group's interest bearing assets comprise cash and cash equivalents earning interest at a variable rate and a loan to a third party earning interest at a fixed rate of 6% which, was fully repaid at the period end.

The Group's cash and cash equivalents earned interest from various instant access deposits and fixed term deposits in Sterling and Australian Dollars. The cash and cash equivalents of the Group are disclosed above under credit risk.

### LIQUIDITY RISK

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

| | Trade & other payables £000s | Accruals £000s | Convertible loan £000s | Total £000s |
|---|---|---|---|---|
| **Unaudited as at 30 September 2013** | | | | |
| 6 months or less | 550 | 2,099 | 6,623 | 9,272 |
| Total contractual cash flows | 550 | 2,099 | 6,623 | 9,272 |
| Total amount of financial liabilities measured at amortised cost | 550 | 2,099 | 6,623 | 9,272 |

| | Trade & other payables £000s | Accruals £000s | Total £000s |
|---|---|---|---|
| **Unaudited as at 30 September 2012** | | | |
| 6 months or less | 1,879 | 4,536 | 6,415 |
| Total contractual cash flows | 1,879 | 4,536 | 6,415 |
| Total amount of financial liabilities measured at amortised cost | 1,879 | 4,536 | 6,415 |

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

### FOREIGN CURRENCY EXCHANGE RATE RISK

The presentation 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 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 period. All exchange differences are recognised within the balance sheet under equity.

## 10. OPERATING LEASE COMMITMENTS

The Group leases various offices under operating lease agreements. The lease terms are between two and five years and the majority of the agreements are renewable at the end of the lease period, at market rate.

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

| | **Unaudited as at 30 September 2013 £000s** |
|---|---|
| No later than one year | **319** |
| Later than one year but no later than five years | **561** |
| **Total operating lease commitments** | **880** |

## 11. EVENTS AFTER THE REPORTING PERIOD

On 3 October 2013 the Company issued 2,802,748 new ordinary shares of 0.25p each at prices of between 8.9p and 9.0p per share, following the receipt of notices of exercise in respect of convertible securities previously issued on 13 August 2013.

On 8 October 2013 the Company issued 1,666,668 new ordinary shares of 0.25p each at a price of 9.0p per share, following the receipt of notices of exercise in respect of convertible securities previously issued on 13 August 2013.

On 14 October 2013 the Company issued 1,227,410 new ordinary shares of 0.25p each at prices of between 8.0p and 8.3p per share, following the receipt of notices of exercise in respect of convertible securities previously issued on 13 August 2013.

On 17 October 2013 the Company issued 2,500,000 new ordinary shares of 0.25p each at a price of 8.0p per share, following the receipt of notices of exercise in respect of convertible securities previously issued on 13 August 2013.

On 23 October 2013 the Company issued 2,484,568 new ordinary shares of 0.25p each at prices of between 8.0p and 8.1p per share, following the receipt of notices of exercise in respect of convertible securities previously issued on 13 August 2013.

On 25 October 2013 York Potash Ltd purchased Doves Nest Farm, the site of the proposed shafts and sub-surface processing buildings for the York Potash Project, on fair market terms.

On 29 October 2013 the Company issued 2,439,028 new ordinary shares of 0.25p each at a price of 8.2p per share, following the receipt of notices of exercise in respect of convertible securities previously issued on 13 August 2013.

On 1 November 2013 the Company issued 4,938,272 new ordinary shares of 0.25p each at a price of 8.1p per share, following the receipt of notices of exercise in respect of convertible securities previously issued on 13 August 2013.

On 6 November 2013 the Company issued 2,492,284 new ordinary shares of 0.25p each at prices of between 8.0p and 8.1p per share, following the receipt of notices of exercise in respect of convertible securities previously issued on 13 August 2013.

On 13 November 2013 the Company issued 2,169,545 new ordinary shares of 0.25p each at prices of between 6.5p and 7.4p per share, following the receipt of notices of exercise in respect of convertible securities previously issued on 13 August 2013.

On 15 November 2013 the Company issued 3,308,307 new ordinary shares of 0.25p each at prices of between 5.8p and 6.2p per share, following the receipt of notices of exercise in respect of convertible securities previously issued on 13 August 2013.

On 21 November 2013 the Company issued 42,105,264 new ordinary shares of 0.25p each at a price of 5.7p per share, following the receipt of notices of exercise in respect of convertible securities previously issued on 13 August 2013.

On 29 November 2013 the Company issued 10,526,316 new ordinary shares of 0.25p each at a price of 5.7p per share, following the receipt of notices of exercise in respect of convertible securities previously issued on 13 August 2013.

On 17 December 2013 the Company issued 12,452,652 new ordinary shares of 0.25p each at prices of between 6.4p and 6.6p per share, following the receipt of notices of exercise in respect of convertible securities previously issued on 13 August 2013.

# DIRECTORS AND ADVISERS

## DIRECTORS

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

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NA King

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