Leni Gas & Oil plc

ANNUAL REPORT AND ACCOUNTS 2007

Company Number 05901339

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Chairman's Statement

Dear Shareholders

The Board is pleased to report the results of Leni Gas and Oil Plc ("the Company") for the period from incorporation on 9 August 2006 to 31 August 2007.

The Company was admitted to AIM in March 2007 and raised approximately £3.85 million at a price of 3p per ordinary share. Since then, the Company has made significant progress towards creating a portfolio of quality hydrocarbon assets. Your company is currently focused on the acquisition of producing or previously explored assets in Africa, North America, South America, Australia, Asia and Western Europe.

In May 2007, the Company announced that it had completed an agreement for the acquisition of a 20% interest in four oil and gas exploration blocks known as Area 4 located within Maltese waters between Libya and Malta, covering an area in excess of 5,000 km2 with water depths of around 400m ("Maltese Farm-In").

Under the terms of the agreement, the Company receives its entitlement to an assignment of a full 20% participating interest on signing the agreement. In consideration of this interest, the Company will contribute the costs towards acquiring about 3,000 line kilometres of 2D seismic and a detailed 3D seismic programme up to a maximum of US$5 million.

The offshore south of Malta is an under-explored petroleum province related to an extension of the offshore Libyan and Tunisian proven hydrocarbon provinces. Independent technical reports on the Malta acreage issued a best estimate gross prospective resource volume which included six new prospects had best estimate STOIIP totalling 5.14BBstb and best estimate prospective oil resources of 1.3BBstb.

The seismic surveying vessel, MV Geomariner of Seabird Exploration, was commissioned to undertake approximately 1,000 line kilometres of 2D seismic in Area 4 off-shore Malta. The seismic work was completed with a view to identify drillable prospects. The results are expected shortly.

McDaniel & Associates Consultants Ltd ("McDaniel") who is one of the World's leading petroleum consulting firms specialising in geological and petroleum engineering studies, was appointed in April 2007 to act as technical advisor and Competent Person to the Company. They are currently providing advice on work programmes on the Company's Maltese Farm-in and is also assisting the Company with the assessment of new and future opportunities in the global oil and gas sector.

A further fundraising was completed in August 2007 which raised approximately £3.34 million to assist funding the Maltese Farm-In and other new opportunities which the Company may pursue in the next 12 months

The Directors are excited about the prospects for the Company in the year ahead and would like to take this opportunity of thanking our shareholders for their ongoing support.

David Lenigas
Executive Chairman

Board of Directors

David Anthony Lenigas*, Executive Chairman*

David holds a Bachelor of Applied Science Degree in Mining Engineering and has over 25 years of experience in the mineral resources industry covering oil and gas, gold, diamonds, coal and base metals industries. He has extensive experience operating in the AIM environment and is currently the Chairman of Mediterranean Oil & Gas PLC, which is producing gas and condensate in Italy and holds extensive oil and gas resources in Italy, Malta, Tunisia and France. It is currently the fourth largest gas producer in Italy. David is also Executive Chairman and Chief Executive of Lonrho PLC and is non-executive director of Global Coal Management Plc (formerly Asia Energy Plc) and River Diamonds Plc.

Jeremy Samuel Edelman, *Executive Director*

Jeremy holds Bachelor degrees in Commerce and Law together with a Masters degree in Applied Finance. He was subsequently admitted as a solicitor to the Supreme Courts of Western Australia and New South Wales. Previously Jeremy worked for some for the world's leading investment banks in debt and acquisition finance. Jeremy has held consulting and director positions in stock exchange listed companies in the UK and Australia with a focus on resource exploration and development including investment companies established with the specific objective of investing in oil and gas projects. Jeremy also has corporate finance experience having been responsible for co-coordinating a number of companies in making acquisitions in a variety of resource sectors including oil & gas, uranium, molybdenum, base metals and coal. Jeremy has worked in various regions of the world including the Republic of Kazakhstan, Russia, South Africa and Australia.

Donald Ian George Layman Strang*, Finance Director*

Donald is a qualified chartered accountant with over 15 years experience in the financial and resources sectors. He has experience operating in the AIM environment. He is currently Finance Director of Brinkley Mining Plc and was previously the Chief Financial Officer and Company Secretary for BDI Mining Corp, and Global Coal Management Plc (formerly Asia Energy Plc). He has previously held senior financial positions with Ernst & Young and several publicly listed Australian mining companies (Macraes Mining Company Limited and Perilya Mining Limited) and has also worked with Deutsche Bank and Credit Suisse Group in the investment banking sector.

Directors' Report

The Directors are pleased to present their first annual report together with the consolidated financial statements for the period 9 August 2006 to 31 August 2007.

Company Formation
The Company was incorporated and registered in England and Wales as a public limited company on 9 August 2006 with registration number 05901339.

Principal Activities
The principal activities of the Group are to identify and acquire a number of projects in the oil and gas sector with particular emphasis on projects that are in production.

Business Review
A review of the current and future development of the Group's business is given in the Chairman's Statement.

Results and Dividends
Loss on ordinary activities of the Group after taxation amounted to £0.364 million. The Directors do not recommend payment of a dividend.

Post Balance Sheet events
At the date these financial statements were approved, being 17 October 2007, the Directors were not aware of any significant post balance sheet events other than those set out in the notes to the financial statements.

Substantial Shareholdings
At 17 October 2007 the following had notified the Company of disclosable interests in 3% or more of the nominal value of the Company's shares:

Shareholder	Number of Shares	% of Issued Capital
Strand Nominees Limited	132,000,000	34.25
Securities Services Nominees Limited	58,616,665	15.21
T. Hoare Nominees Limited	44,836,666	11.63
The Bank Of New York (Nominees) Limited	33,413,333	8.67
Teawood Nominees Limited	23,166,667	6.01
Fitel Nominees Limited	21,950,000	5.70
The Bank Of New York (Nominees) Limited	18,000,000	4.67

Directors
The names of the Directors are set out below:

Director	Date of Appointment
Executive Directors	
David Lenigas	9 August 2006
Jeremy Edelman	9 August 2006
Donald Strang	9 August 2006

Directors' Remuneration
The Company remunerates the Directors at a level commensurate with the size of the Company and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Company with regard to this issue. Details of the Director emoluments and payments made for professional services rendered are set out in Note 5 to the financial statements.

Directors' Report (continued)

Directors' Interests
The beneficial interests of the serving Directors in the shares and options of the Company during the period to 31 August 2007 were as follows:

	31 August 2007		On Appointment	
Director	Shares	Options*	Shares	Options*
David Lenigas	132,000,000	8,000,000	-	-
Jeremy Edelman	40,000,000	4,000,000	-	-
Donald Strang	10,000,000	4,000,000	-	-

* All options have an exercise price of 3 pence and all options have an exercise period of 5 years to 16 March 2012.

Corporate Governance
A statement on Corporate Governance is set out on pages 8 and 9.

Environmental Responsibility
The Company is aware of the potential impact that its subsidiary companies may have on the environment. The Company ensures that it and its subsidiaries at a minimum comply with the local regulatory requirements and the revised Equator Principles with regard to the environment.

Employment Policies
The Group will be committed to promoting policies which ensure that high caliber employees are attracted, retained and motivated, to ensure the ongoing success for the business. Employees and those who seek to work within the Group are treated equally regardless of sex, marital status, creed, colour, race or ethnic origin.

Health and Safety
The Group's aim will be to achieve and maintain a high standard of workplace safety. In order to achieve this objective the Group will provide training and support to employees and set demanding standards for workplace safety.

Payment to Suppliers
The Group's policy is to agree terms and conditions with suppliers in advance; payment is then made in accordance with the agreement provided the supplier has met the terms and conditions. There are no material trade payables as at 31 August 2007.

Political Contributions and Charitable Donations
During the period the Group did not make any political contributions or charitable donations.

Annual General Meeting ("AGM")
This report and financial statements will be presented to shareholders for their approval at an AGM. The Notice of the AGM will be distributed to shareholders together with the Annual Report.

Auditors
In accordance with section 384 of the Companies Act 1985, a resolution to reappoint Chapman Davis LLP and to authorise the Directors to fix their remuneration will be placed at the next Annual General Meeting.

Going Concern
Notwithstanding the loss incurred during the period under review, the Directors are of the opinion that ongoing evaluations of the Company's interests indicate that preparation of the Group's accounts on a going concern basis is appropriate.

Directors' Report (continued)

Statement of Directors' Responsibilities

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and the directors have taken all the steps that they ought to have taken as directors' in order to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are also responsible for ensuring that the annual report includes information required by the Alternative Investment Market.

The maintenance and integrity of the Company's 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 the financial statements may differ from legislation in other jurisdictions

By order of Board:

David Lenigas
Executive Chairman
17 October 2007

Corporate Governance Statement

The Board is committed to maintaining high standards of corporate governance. The Listing Rules of the Financial Services Authority incorporate the Combined Code, which sets out the principles of Good Governance, and the Code of Best Practice for listed companies. Whilst the Company is not required to comply with the Combined Code, the Company's corporate governance procedures take due regard of the principles of Good Governance set out in the Combined Code in relation to the size and the stage of development of the Company.

Board of Directors
The Board of Directors currently comprises three Executive Directors one of whom is the Chairman. The Directors are of the opinion that the Board comprises a suitable balance and that the recommendations of the Combined Code have been implemented to an appropriate level. The Board maintains regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

Board Meetings
The Board meets regularly throughout the year. For the period ending 31 August 2007, the Board met 5 times in relation to normal operational matters. The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the Executive Directors who are charged with consulting the Board on all significant financial and operational matters.

All Directors have access to the advice of the Company's solicitors and the Company Secretary necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively, and all Directors have access to independent professional advice, at the Company's expense, as and when required.

Board Committees
The Board has established the following committees, each which has its own terms of reference:

Audit Committee
The Audit Committee considers the Group's financial reporting (including accounting policies) and internal financial controls. The Audit Committee comprises 2 Directors, David Lenigas (Chairman) and Donald Strang, and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on.

Remuneration Committee
The Remuneration Committee is responsible for making recommendations to the Board on Directors' and senior executives' remuneration, it comprises 2 Directors David Lenigas (Chairman) and Jeremy Edelman, Non-Executive Directors' remuneration and conditions are considered and agreed by the Board. Financial packages for Executive Directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their achievement of recognized job qualifications and skills. The Committee will also have regard to the terms which may be required to attract an equivalent experienced executive to join the Board from another company.

Internal controls
The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Company, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Risk Management
The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management to forecasts. Project milestones and timelines are regularly reviewed.

Business Risk
The Board regularly evaluates and reviews any business risks when reviewing project timelines. The types of risks reviewed include:

Regulatory and compliance obligations
Environmental requirements
Legal risks relating to contracts, licenses and agreements
Insurance risks
Political risks deemed where appropriate

Corporate Governance Statement (continued)

Insurance
The Group maintains insurance in respect of its Directors and Officers against liabilities in relation to the Company.

Treasury Policy
The Group finances its operations through equity and holds its cash as a liquid resource to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board.

Securities Trading
The Board has adopted a Share Dealing Code that applies to Director, senior management and any employee who is in possession of 'inside information'. All such persons are prohibited from trading in the Company's securities if they are in possession of 'inside information'. Subject to this condition and trading prohibitions applying to certain periods, trading can occur provided the relevant individual has received the appropriate prescribed clearance.

Relations with Shareholders
The Board is committed to providing effective communication with the shareholders of the Company. Significant developments are disseminated through stock exchange announcements and regular updates of the Company website. The Board views the AGM as a forum for communication between the Company and its shareholders and encourages their participation in its agenda.

Independent Auditors Report to the Shareholders of Leni Gas & Oil Plc

We have audited the group and parent company financial statements of Leni Gas & Oil Plc for the period ended 31 August 2007, which comprise the Group Income Statement, the Group and Parent Balance Sheets, Group Cash Flow Statement, Group and Parent Statement of Changes in Equity, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors
The Directors' responsibilities for preparing the Annual Report, and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985, and as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, Chairman's Statement and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

Independent Auditors Report to the Shareholders of Leni Gas & Oil Plc (continued)

Opinion

In our opinion:

- the group financial statements give a true and fair view , in accordance with IFRS as adopted by the European Union, of the state of the group's affairs as at 31st August 2007 and of its loss for the period then ended;

- the parent company financial statements give a true and fair view , in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31st August 2007;

- the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and

- the information given in the Directors' Report is consistent with the financial statements.

Chapman Davis LLP
Registered Auditors
London
17 October 2007

Financial Statements

Group Income Statement for the period ended 31 August 2007

	Notes	Period 9 August 2006 to 31 August 2007 £ 000's
Turnover		-
Administrative expenses		(256)
Share options expensed	5, 14	(167)
Group operating loss	3	(423)
Interest receivable	7	59
Loss on ordinary activities before taxation	2	(364)
Income tax expense	4	-
Loss on ordinary activities after taxation		(364)
Retained loss for the period ended 31 August 2007 attributable to members of the parent Company		(364)
Loss per share		
Basic	6	(0.14) pence

All of the operations are considered to be continuing.

There are no other recognised income and expenses other than those included in the income statement

Group Balance Sheet as at 31 August 2007

	Note	As at 31 August 2007 £ 000's	 £ 000's
ASSETS			
Non-current assets			
Intangible assets	8	745	
Tangible assets	9	1	
			746
Current assets			
Cash and cash equivalents	15	5,753	
Trade and other receivables	11	324	
Total current assets			6,077
TOTAL ASSETS			6,823
LIABILITIES			
Current liabilities			
Trade and other payables	12	188	
TOTAL LIABILITIES			(188)
NET ASSETS			6,635
EQUITY			
Called-up share capital	13	193	
Share premium		6,639	
Share based payments reserve	14	167	
Retained earnings		(364)	
TOTAL EQUITY			6,635

These financial statements were approved by the Board of Directors on 17 October 2007 and signed on its behalf by:

David Lenigas
Executive Chairman

Donald Strang
Finance Director

Company Balance Sheet
as at 31 August 2007

		As at 31 August 2007	
	Notes	**£ 000's**	**£ 000's**
ASSETS			
Non-current assets			
Investment in subsidiaries	10	1	
Tangible assets	9	1	
Trade and other receivables	11	748	
			750
Current assets			
Cash and cash equivalents		5,753	
Trade and other receivables	11	324	
Total Current Assets			6,077
TOTAL ASSETS			6,827
LIABILITIES			
Current Liabilities			
Trade and other payables	12	188	
TOTAL LIABILITIES			(188)
NET ASSETS			6,639
EQUITY			
Called-up share capital	13	193	
Share premium		6,639	
Share based payments reserve	14	167	
Retained earnings	19	(360)	
TOTAL EQUITY			6,639

These financial statements were approved by the Board of Directors on 17 October 2007 and signed on its behalf by:

David Lenigas
Executive Chairman

Donald Strang
Finance Director

Group Cash Flow Statement
for the period ended 31 August 2007

	Notes	Period ended 31 August 2007 £ 000's
Cash flows from operating activities		
Operating Loss		(423)
(Increase) in trade and other receivables		(324)
Increase in trade and other payables		188
Share options expensed		167
Net cash outflow from operating activities		(392)
Cash flows from investing activities		
Interest Received		59
Net cash inflow from investing activities		59
Cash flows from investing activities		
Payments to acquire intangible assets		(745)
Payments to acquire tangible assets		(1)
Net cash outflow from in investing activities		(746)
Cash flows from financing activities		
Issue of ordinary share capital		7,214
Share issue costs		(382)
Net cash inflow from financing activities		6,832
Net increase in cash and cash equivalents		5,753
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	15	5,753

Statement of Changes in Equity for the period ended 31 August 2007

	Called up share capital	Share premium reserve	Share based payment reserve	Retained earnings	Total
	£ 000's	**£ 000's**	**£ 000's**	**£ 000's**	**£ 000's**
Group					
As at 9 August 2006	**-**	-	-	-	-
Share capital issued	193	7,021	-	-	**7,214**
Cost of share issue	-	(382)	-	-	**(382)**
Loss for the year	-	-	-	(364)	**(364)**
Share based payments	-	-	167	-	**167**
As at 31 August 2007	**193**	**6,639**	**167**	**(364)**	**6,635**
Company					
As at 9 August 2006	**-**	-	-	-	-
Share capital issued	193	7,021	-	-	**7,214**
Cost of share issue	-	(382)	-	-	**(382)**
Loss for the year	-	-	-	(360)	**(360)**
Share based payments	-	-	167	-	**167**
As at 31 August 2007	**193**	**6,639**	**167**	**(360)**	**6,639**

Notes to the Financial Statements for the period ended 31 August 2007

1 Summary of Significant Accounting Policies

(a) Authorisation of financial statements

The Group financial statements of Leni Gas & Oil Plc for the period ended 31 August 2007 were authorised for issue by the Board on 17 October 2007 and the balance sheets signed on the Board's behalf by Mr. David Lenigas and Mr. Donald Strang. The Company is a public limited Company and was incorporated on 9 August 2006 in England & Wales under the Companies Act 1985. The Company's ordinary shares are traded on the AIM Market operated by the London Stock Exchange.

(b) Statement of compliance with IFRS

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company's financial statements have been prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 1985. The principal accounting policies adopted by the Group and Company are set out below.

(c) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the measurement to fair value of assets and financial instruments as described in the accounting policies below, and on a going concern basis.

The financial report is presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated.

(d) Basis of consolidation

The consolidated financial information incorporates the results of the Company and its subsidiaries ("the Group") using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained. Inter-company transactions and balances between Group companies are eliminated in full.

Minority interests represent the portion of profit or loss and net assets in subsidiaries that are not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet.

(e) Revenue

The Group had no revenue during the period ending 31 August 2007.

(f) Foreign currencies

The Company's functional currency is Sterling (£). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of Leni Gas & Oil Plc at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

All other differences are taken to the income statement with the exception of differences on foreign currency borrowings, which, to the extent that they are used to finance or provide a hedge against foreign equity investments, are taken directly to reserves to the extent of the exchange difference arising on the net investment in these enterprises. Tax charges or credits that are directly and solely attributable to such exchange differences are also taken to reserves.

(g) Goodwill and intangible assets

Intangible assets are recorded at cost less eventual amortisation and provision for impairment in value. Goodwill on consolidation is capitalised and shown within fixed assets. Positive goodwill is subject to an annual impairment review, and negative goodwill is immediately written-off to the income statement when it arises.

(h) Exploration and development costs

Exploration and development costs are carried forward in respect of areas of interest where the consolidated entity's rights to tenure are current and where these costs are expected to be recouped through successful development and exploration, or by sale. Alternatively, these costs are carried forward while active and significant operations are continuing in relation to the areas of interest and it is too early to make reasonable assessment of the existence or otherwise of economically recoverable reserves. When the area of interest is abandoned, exploration and evaluation costs previously capitalised are written off to the Income Statement.

In accordance with the full cost method, all costs associated with mining development and investment are capitalised on a project-by-project basis pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. If a mining development project is successful, the related expenditures will be written-off over the estimated life of the commercial ore reserves on a unit of production basis. Impairment reviews will be carried out regularly by the Directors of the Company. Where a project is abandoned, or is considered to be of no further commercial value to the Company, the related costs will be written off.

The recoverability of deferred mining costs and mining interests is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves.

(i) Significant accounting judgments, estimates and assumptions

(i) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(ii) Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

(iii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model.

(j) Finance costs/revenue

Borrowing costs are recognised as an expense when incurred.

Finance revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(k) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Notes to Financial Statements
for the period ended 31 August 2007, continued

(l) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(m) Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment in value, prior to their elimination on consolidation.

(n) Financial instruments

The Group's financial instruments, other than its investments, comprise cash and items arising directly from its operation such as trade debtors and trade creditors. The Group has overseas subsidiaries in Cyprus whose expenses are denominated in Sterling. Market price risk is inherent in the Group's activities and is accepted as such.

There is no material difference between the book value and fair value of the Group's cash.

(o) Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the tax computations, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case it is also dealt with in equity.

(p) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Land is measured at fair value less any impairment losses recognised after the date of revaluation.

Depreciation is provided on all tangible assets to write off the cost less estimated residual value of each asset over its expected useful economic life on a straight-line basis at the following annual rates:

Land (including option costs) – Nil
Plant and Equipment – between 5% and 25%
All assets are subject to annual impairment reviews.

Notes to Financial Statements
for the period ended 31 August 2007, continued

(q) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and 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 and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(r) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

(t) Share-based payment transactions

(i) Equity settled transactions:

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Leni Gas & Oil Plc (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 6).

(u) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

• costs of servicing equity (other than dividends) and preference share dividends;

• the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

• other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to Financial Statements
for the period ended 31 August 2007, continued

2 Turnover and segmental analysis

The Group had no turnover during the period.

By geographical area	United Kingdom	Cyprus	Total
	£ 000's	£ 000's	£ 000's
Retained loss for the period ended 31 August 2007	**360**	**4**	**364**

Other segment information			
Segment assets	**6,078**	**745**	**6,823**

3 Operating loss

	£ 000's
Operating loss is arrived at after charging:	
Auditors' remuneration – audit	**8**
Auditors' remuneration – non audit services	**-**
Directors' emoluments – fees and salaries	**160**
Directors' emoluments – share based payments	**167**

Auditors' remuneration for non-audit services provided during the period amounting to £7,500 relates to the provision of an accountant's report for the purpose of the Company's AIM admission document and was charged to the share premium reserve, as part of share issue expenses.

4 Taxation

Analysis of charge in period	**£ 000's**
Tax on ordinary activities	-

No taxation has been provided due to losses in the period

Factors affecting the tax charge for the period

	£ 000's
Loss on ordinary activities before tax	**(364)**
Standard rate of corporation tax in the UK	30%
Loss on ordinary activities multiplied by the standard rate of corporation tax	(109)
Effects of:	
Non deductible expenses	**-**
Future tax benefit not brought to account	**(109)**
Current tax charge for period	-

No deferred tax asset has been recognised because there is insufficient evidence of the timing of suitable future profits against which they can be recovered.

Notes to Financial Statements
for the period ended 31 August 2007, continued

5 Directors' emoluments

	£ 000's
Directors' remuneration	**327**

	Directors Fees	Consultancy Fees	Options	Total
	£ 000's	**£ 000's**	**£ 000's**	**£ 000's**
Executive Directors				
David Lenigas	13	41	83	**137**
Jeremy Edelman	12	41	42	**95**
Donald Strang (*)	12	41	42	**95**
	37	**123**	**167**	**327**

(*): Consulting services provided by David Lenigas, Isona Services Limited and Jeremy Edelman respectively

No pension benefits are provided for any Director.

6 **Loss per share**

The Loss for the period attributed to shareholders is £0.364 million.

This is divided by the weighted average number of Ordinary shares outstanding calculated to be 251.9 million to give a basic loss per share of 0.14 pence.

As inclusion of the potential Ordinary shares would result in a decrease in the loss per share they are considered to be anti-dilutive, as such, a diluted earnings per share is not included.

7 **Finance revenue**

	£ 000's
Bank interest receivable	**59**

8 Intangible assets

Group	**£ 000's**
Cost	
Additions	745
At 31 August 2007	**745**

The cost is analysed as follows;

Deferred exploration expenditure	745
	745

Impairment Review

At 31 August 2007, the Directors have carried out an impairment review and confirmed that no provision is required.

Notes to Financial Statements
for the period ended 31 August 2007, continued

9 Tangible assets

Group and company	**£ 000's**
Cost	
Additions – plant and equipment	1
At 31 August 2007	**1**

10 Investment in subsidiaries

	Shares in Group undertakings
Company	**£ 000's**
Cost	
Additions during the period*	1
At 31 August 2007	**1**

*The company acquired its 100% holding in its subsidiary for the incorporation costs thereof.

The parent company of the Group holds more than 20% of the share capital of the following companies:

Company	Country of Registration	Proportion held	Nature of business
Direct			
Leni Gas & Oil Holdings Ltd	Cyprus	100%	Holding Company
Indirect			
Via Leni Gas & Oil Holdings Ltd			
Leni Gas & Oil Investments Ltd	Cyprus	100%	Investment Company

11 Trade and other receivables

	Group	**Company**
	£ 000's	**£ 000's**
Current trade and other receivables		
VAT receivable	27	27
Prepayments	297	297
Total	**324**	**324**
Non Current trade and other receivables		
Loans due from subsidiaries	**-**	**748**

The loans from subsidiaries are interest free and have no fixed repayment date.

12 Trade and other payables

	Group	Company
	£ 000's	**£ 000's**
Current trade and other payables:		
Accruals	**188**	**188**

13 Share capital - Company

Authorised	**Number of shares**	**Nominal value**
		£ 000's
Ordinary shares of 0.05p each	5,000,000,000	**2,500**

Called up, allotted, issued and fully paid	**Number of shares**	**Nominal value**
		£ 000's
Incorporation	2	-
17 August 2006 for cash at 0.05p per share	183,999,998	92
8 February 2007 for cash at 0.05p per share	20,000,000	10
16 March 2007 for cash at 0.05p per share	125,233,361	63
16 March 2007 for cash at 0.05p per share	500,000	-
24 August 2007 for cash at 0.05p per share	55,666,666	28
As at 31 August 2007	385,400,027	193

Total share options in issue

During the period, 16,000,000 options were issued.

As at 31 August 2007 the options in issue were;

Exercise Price	Expiry Date	Options in Issue 31 August 2007
3p	16 March 2012	16,000,000
		16,000,000

No options lapsed or were cancelled and no options were exercised during the period.

Notes to Financial Statements
for the period ended 31 August 2007, continued

14 Share based payment arrangements

Share options

During the period, the Company established an employee share option plan to enable the issue of options as part of remuneration of key management personnel and Directors to enable the purchase of shares in the entity. Options are granted under the plan for no consideration. Options are granted for a five year period. There are no vesting conditions associated with the options. Options granted under the plan carry no dividend or voting rights.

Under IFRS 2 'Share Based Payments', the Company determines the fair value of options issued to Directors and Employees as remuneration and recognises the amount as an expense in the income statement with a corresponding increase in equity.

Name	Date Granted/ Vested	Number	Exercise Price (pence)	Expiry Date	Fair Value at Grant Date (pence)	Fair Value after discount (pence)
David Lenigas	16/03/2007	8,000,000	3	16/03/2012	0.0209	0.01045
Jeremy Edelman	16/03/2007	4,000,000	3	16/03/2012	0.0209	0.01045
Donald Strang	16/03/2007	4,000,000	3	16/03/2012	0.0209	0.01045
Totals		16,000,000				

The fair value of the options vested during the period was £0.167 million. The assessed fair value at grant date is determined using the Black-Scholes Model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The following table lists the inputs to the model used for the period ended 31 August 2007:

Dividend Yield (%)	-
Expected Volatility (%)	50
Risk-free interest rate (%)	4.80
Share price at grant date (£)	0.0375

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may, not necessarily be the actual outcome. A discount factor of 50% has been applied to the value of the options as the shares had only been listed for one day and thus the factors involved in the estimation of the option price are largely unknown.

15 Financial instruments

The Group uses financial instruments comprising cash, and debtors/creditors that arise from its operations. The Group holds cash as a liquid resource to fund the obligations of the Group. The Group's cash balances are held in Sterling. The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure. This is achieved by regular monitoring of interest rates and monthly review of expenditure forecasts.

The Company has a policy of not hedging and therefore takes market rates in respect of foreign exchange risk, however it does review its currency exposures on an ad hoc basis. Currency exposures relating to monetary assets held by foreign operations are included within the foreign exchange reserve in the Group Balance Sheet.

The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk.

To date the Group has relied upon equity funding to finance operations. The Directors are confident that adequate cash resources exist to finance operations to commercial exploitation but controls over expenditure are carefully managed.

The net fair value of financial assets and liabilities approximates the carrying values disclosed in the financial statements. The currency and interest rate profile of the financial assets is as follows:

Cash and short term deposits

	£ 000's
Sterling	5,753
At 31 August 2007	**5,753**

The financial assets comprise cash balances in interest earning bank accounts at call. The financial assets in Sterling currently earn interest at the base rate set by the Bank of England less 0.15%

Notes to Financial Statements
for the period ended 31 August 2007, continued

16 Commitments

As at 31 August 2007, the Company had entered into the following material commitments:

The Company signed an agreement ("Farm-in Agreement") with Malta Oil Pty. Limited ("MOL") a subsidiary of Mediterranean Oil & Gas PLC ("MOG") on 18 April 2007 to acquire an initial 20% interest in four oil and gas exploration blocks known as Area 4, located within Maltese waters between Libya and Malta, covering an area in excess of 5,000 km2 with water depths of around 400m.

Under the terms of the agreement, the Company receives its entitlement to an assignment of a full 20% participating interest on signing the agreement. In consideration of this interest, the Company will contribute the costs towards acquiring about 3,000 line kilometres of 2D seismic and a detailed 3D seismic programme.

The Company has currently funded US$1.5 million of the exploration study costs and thereafter subject to shareholder approval (if required) and compliance with the requirements of the AIM Rules (as required) is obliged to fund a further US$3,500,000. If the Company does not advance more than the initial US$1.5 million then it is obliged to return a pro rata portion of the participating interest it received on signing.

Furthermore, in the event that a Production Sharing Contract is granted pursuant to provisions of the Maltese Exploration Study Agreement, the Company will have the right to further sole fund, 80% of the first exploration well cost to increase its participating Interest in Area 4 to 50% and MOL will maintain a participating Interest of 50% by funding 20% of the exploration well costs.

The timing of payments by the Company is limited on the following basis:
(i) obligation to contribute funds within the first 12 month period will be limited to US$1.5 million;
(ii) obligation to contribute funds in the next 12 month period will be limited to US$1 million; and
(iii) obligation to contribute sole funding after that 24 months period in aggregate amount shall not exceed US$5 million

Exploration commitments

Ongoing exploration expenditure is required to maintain title to the Group's mineral exploration permits. No provision has been made in the financial statements for these amounts as the expenditure is expected to be fulfilled in the normal course of the operations of the Group.

17 Related party transactions

During the period, the Company paid consultancy fees of £41,000 to Isona Services Limited, a Company related to Donald Strang, Director of Leni Gas & Oil Plc. This amount paid was in accordance with the management services agreement dated 9 August 2006.

18 Post balance sheet events

None noted

19 Profit and loss account of the parent company

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company has not been separately presented in these accounts. The parent company loss for the period was £0.360 million.

Corporate Information

Registered number	05901339
Directors	David Lenigas– Executive Chairman Jeremy Edelman – Executive Director Donald Strang– Finance Director and Company Secretary
Company Secretary	Donald Strang
Registered Office	Level 5, 22 Arlington Street London SW1A 1RD United Kingdom Tel: +44 (0)20 7016 5103 Fax: +44 (0)20 7016 5101 Email: info@lenigasandoil.com Website: www.lenigasandoil.com
Auditors	Chapman Davis LLP 2 Chapel Court London SE1 1HH United Kingdom
Solicitors	Kerman & Co LLP Solicitors 7 Savoy Court Strand, London WC2R 0ER
Nominated Advisor and Broker	Beaumont Cornish Limited 5th Floor, 10-12 Copthall Avenue London EC2 7DE United Kingdom
Registrars	Share Registrars Limited Craven House West Street, Farnham Surrey GU9 7EN United Kingdom
Principal Bankers	Bank of Scotland 38 Threadneedle Street London EC2P 2EH United Kingdom