LENI GAS & OIL PLC

Delivering Growth

Through Acquisition of Proven Reserves & Enhancement of Producing Assets

ANNUAL REPORT AND ACCOUNTS 2013

Company Number 05901339

Contents

Leni Gas and Oil plc ("LGO" or "the Company") is a company incorporated in England and Wales which is quoted on AIM. Its principal activities are the production and exploration of oil and gas.

Highlights

For 12 month Period ending 31 December 2013

OPERATIONS

- Company-wide oil sales, net to LGO's interest, totalled 111,774 barrels oil, 190% of the 2012 oil sales (2012: 58,450 barrels)..
- Goudron production reaching a high of 388 bopd in October.
- A total of 61 wells were reactivated at the Goudron Field and placed on production by year end 2013.
- All approvals for a 30 well re-development were progressed and were due for imminent award at end year. These were subsequently awarded in early 2014.
- An agreement was signed with Beach Oilfield Limited ("BOLT") under which LGO will acquire the deep exploration and production rights of BOLT in the Cedros Peninsular of south-western Trinidad.
- An agreement was signed with Maxim Resources Inc. to collaborate in acquiring the rights to the South Erin Block in central southern Trinidad.
- A Private Petroleum Licence application was made for the Company's 100% owned leases in the Cedros Peninsula.
- LGO was granted reduced overriding royalty rates by Petrotrin on production from the Goudron field. The new, substantially lower, rates are effective from 1 August 2013.

CORPORATE

- The Company announced the negotiation of a US$50 million debt finance package with Meridian SEZC to potentially fund the development of the Trinidad portfolio.
- LGO raised £1.3 million in new share equity through the issue of 162.5 million ordinary shares to support development of the Goudron Field.
- The Company signed a short-term debt arrangement with YA Global Master SPV ("YAGM") for up to US$15 million of loans to be drawn over a 3 year period.
- An equity swap arrangement for £1 million was entered into with YAGM to provide general working capital to the Company's operations.

FINANCIAL

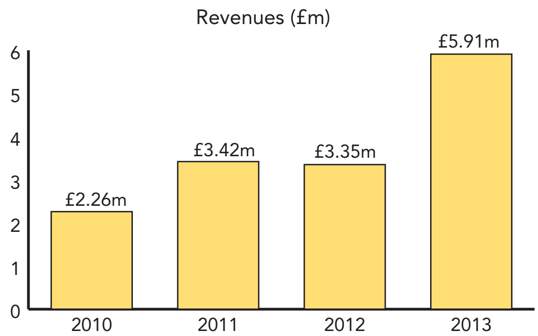
- Gross profit of £1.12 million (2012: £1.09 million).
- Pre-tax group loss narrowed to £2.79 million (2012: £7.71 million).

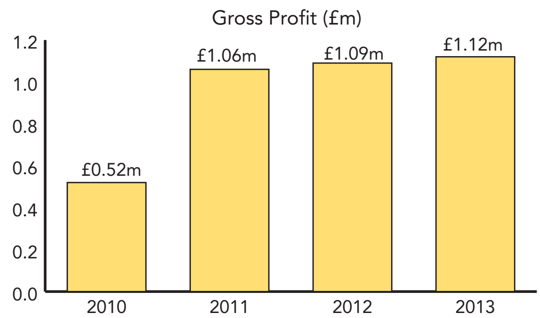
KEY TARGETS FOR 2014

- Continue to rapidly develop the proven reserves in the Goudron Field through drilling of at least seven new development wells.
- Progress the remainder of the Trinidad portfolio to ensure medium-term growth is maintained and long-term value is created.
- Manage Spain for value pending granting of the Hontomin Production Concession in 2014 and extension of the La Lora Concession in 2017.
- Seek long term sources of finance based on the cashflow and the oil reserves available in the Company.

NOTES

- All figures are net LGO unless otherwise stated.





Chairman's Statement

The transformation of the Company has progressed rapidly in 2013 with an increased focus on the Group's assets in Trinidad and especially production growth in the flagship Goudron Field redevelopment project. As a consequence Group production reached 500 barrel of oil per day for the first time and is firmly expected to reach new highs in succeeding years as the output from Trinidad continues to rise.

At Goudron our Phase 1 work, involving the reactivation of a large number of dormant legacy wells, progressed rapidly and by the end of the year, the Company had 61 wells on production. When the Trinidad Minister of Energy, the Honourable Senator Kevin Ramnarine, visited the field at our first anniversary of operations in October the field had produced 59,339 barrels of oil in 69,964 accident free man-hours. Phase 1 was complemented by an active program of infrastructure repair and replacement, which saw the doubling of sales tank capacity, the extending of the power grid throughout the field, repair of roads and bridges, and the reactivation of a pre-existing tank battery to handle oil and water separation.

In 2014 this infrastructure work was completed with the building of a permanent office, workshop and accommodation building and the completion of a new communications infrastructure, both in the field and to connect the field externally. This work was all in place for the drilling campaign, Phase 2, which commenced in April 2014 with the mobilisation of Well Services Rig 20 to drill the first seven of the planned 30 new development wells.

At year end the Company was awaiting the necessary Certificate of Environmental Compliance (CEC) for its Phase 2 drilling program and for the further expansion of the sales tank capacity. The CEC was subsequently granted in early January 2014 allowing Phase 2 to commence.

The Goudron Field has independently certified original proven and probably oil-in-place of 126.7 million barrels (mmbbls), of which less than 5 million barrels have been recovered to date through the previous development activities. This represents a very substantial resource base for the Company to access. It is anticipated that the Phase 1 activity will recover a further 1 mmbbls whilst the Phase 2 drilling is intended to access between 6 and 20 mmbbls of additional reserves. The Company envisages Phase 3 will be a secondary recovery water-flood project with the aim of recovering up to 60 mmbbls of contingent resources. There is a wealth of possibility available to LGO within this asset alone.

Elsewhere in Trinidad, the Company continued to expand its opportunity set in order to create medium and long term value. An agreement was reached with Beach Oilfield Ltd to cross assign interests in the Cedros such that LGO gains access to over 7,500 gross acres of underexplored leases. Discussions continued with Maxim Resources and Advance Oil on arrangements struck earlier, and additional opportunities were evaluated. LGO also forwarded its Private Petroleum Licence ("PPL") application for 100% owned leases in Cedros to the Ministry of Energy and Energy Affairs for consideration. The Icacos Field (LGO 50%) continued to be produced by the operator and a joint application for a new PPL was prepared.

So as to maintain the principle focus on Trinidad the Spanish assets were moved to a care and maintenance operation for the bulk of the year, however, they have remained profitable and as we reached the end of the year we invited the industry to again consider partnership arrangements for the long term redevelopment of the Ayoluengo Field and the development of Hontomin Field when a Production Concession is granted.

During 2013 the management prepared to defend shareholders' interests through a High Court action against its former operator and partner in Malta concerning the sale of the Company's 10% stake in the venture. At the subsequent trial in March 2014 the Commercial Court Judge did not find sufficient grounds to uphold the Company's claim.

The Board are extremely pleased with what has been achieved in a busy year and delighted with the platform for growth that has been created for the future within the Company. I would like to thank the management, staff and shareholders for their support as the transformation of the Company has progressed significantly during the year.

David Lenigas
Executive Chairman

12 June 2014

Chief Executive's Review

Leni Gas and Oil plc has the strategy of identifying, acquiring and developing assets within the oil and gas sector which are seen to have an opportunity to unlock significant value through a combination of financial, commercial, and technical expertise.

The Company operates a low risk portfolio of production assets in Trinidad and Spain with significant production and reserves upside using similar operating approaches and proven production enhancement techniques. LGO has specifically targeted assets with near term production upside and follow-on exploitation potential.

During 2013 the operational management of LGO concentrated primarily on furthering the field operations in Trinidad. Organisational capability was progressively built as the Company moved from a single operating arena in Spain to a dual operation in Trinidad and Spain. In order to ensure maximum attention to the flagship Goudron Field redevelopment, activities in Spain were maintained at a constant and largely care and maintenance mode. Commercial and new business development activities, again focusing on Trinidad, were managed in parallel to help build a sustainable platform for production growth. I am pleased to report on the success of those operations and the robust foundations for long-term value creation that have resulted.

A summary of activity in both countries of operation during the reporting period and until the date of this report follows:

Trinidad

The Company, through various wholly owned subsidiaries, holds interests in two producing fields; Goudron and Icacos, and in a number of private petroleum leases where production has yet to be established. LGO has also negotiated various agreements with third parties to farm-in or otherwise acquire interests in additional properties in Trinidad.

Goudron

On the 19 October 2012 LGO acquired, through its wholly owned subsidiary, Goudron E&P Limited ("GEPL"), the Incremental Production Service Contract ("IPSC") for the Goudron Field in the Eastern Fields Area in south eastern onshore Trinidad. Under the terms of the IPSC the Company acts as a service contractor to the Petroleum Company of Trinidad & Tobago ("Petrotrin") who reimburse LGO on the basis of the oil sales and realised oil price. On taking over the full-time operation of the contract, GEPL immediately commenced a series of well work-overs and reactivations which have continued throughout 2013. Two work-over rigs have been continuously deployed at the field since April 2013 working on well reactivations and optimisations.

Oil produced at Goudron is stored in sales tanks before being measured and pumped into the Petrotrin owned pipeline adjacent to the field which carries the oil directly to the Pointe-au-Pierre refinery in western Trinidad. To accommodate rising production volumes, a new sales tank was constructed and commissioned in August to allow production of up to 530 barrels of oil per day (bopd) to be handled on a weekly basis. Additional sales tank capacity up to 2,000 barrels has been approved and will be installed as needed. Longer-term the installation of a Lease Automatic Custody Transfer (LACT) meter is planned to handle anticipated production from the field. Oil quality at Goudron is consistently high with an average export density of approximately 37 degree API.

A total of 61 wells had been reactivated by end-year, from a total stock estimated to be approximately 90 accessible and reusable wells. New beam pumps, fabricated in China and purchased locally, are being used along with a small number of progressive cavity down-hole pumps (PCP) and plunger-lift pumps in order to most efficiently redevelop the field. Most pumps deployed in the field are powered by electricity supplied from the Trinidadian electricity grid. Electricity distribution is being progressively expanded within the field to ensure all major production areas have access to electric power. Where necessary diesel-engine beam pumps are deployed to test wells in remote areas where electrical power is not yet available. Following the reporting period additional wells have been reactivated and production in May 2014 was derived from 67 legacy wells.

In addition to electrical supply, other infrastructure improvements are being made in order to bring the field up to modern operational standards. Security, communications, accommodation, roads and produced water handling facilities have all been brought up to date. The field is located in an area of primary tropical forest which receives higher than average rainfall. In order to prevent problems with electrical outages caused by falling trees a more extensive vegetation cut back has been undertaken. The installation of a permanent camp facility equipped with workshops, storage, offices and accommodation was completed in early 2014 and at the time of this report dedicated communications had been commissioned providing infield and base radio, broadband and voice communications.

In October to mark the anniversary of LGO's operations at Goudron the Minister of Energy and Energy Affairs, Senator the Honourable Kevin Ramnarine, visited the field along with Petrotrin President Khalid Hassanali and His Excellency British High Commissioner Arthur Snell and their respective delegations. At that time Goudron had produced 59,339 barrels of oil and operated safely for 69,964 man-hours in the first year of LGO operatorship.

All the necessary documentation associated with a certificate of environmental compliance ("CEC") for 30 new infill wells was submitted to the Environmental Management Agency and at year-end imminent approval was anticipated. The final CEC was delivered on 13 January 2014. The sites for the first seven new development wells were selected in the 4th quarter and site preparation commenced immediately on receipt of the CEC. Ground water monitoring wells were installed using an adapted work-over rig as a requirement of the CEC and approved by the Water and Sewage Authority prior to the mobilisation of the drilling rig.

Drilling rig selection and contract negotiations were completed in early 2014 and the first new development well, designated GY-664 was spudded on 28 April 2014 using Well Services Rig 20. The second well, GY-665, was subsequently spudded on 28 May 2014.

The first well, GY-664, was spudded on 28 April 2014 and reached total depth on 13 May 2014 at a depth of 4,212 feet. The well successfully intersected with the three planned reservoir intervals in the Goudron

Chief Executive's Review
continued

sandstones of the Mayaro Formation, the Gros Morne sandstones of the Moruga Formation and a sandstone in the Lower Cruse Formation. Full petrophysical log analysis was conducted and it was decided to complete the well as a Gros Morne producer over and interval of 278 feet of net oil pay. Further intervals of oil pay were identified in the Goudron sandstones totalling 192 feet and a further 87 feet in the Lower Cruse. The Goudron sandstones were cased and may be completed for production in this well at a later date. The Lower Cruse was also considered producible, however, flow rates from that interval which was somewhat silty were considered uneconomic at this location. The well was perforated and placed on production on 30 April 2014 at an initial rate of 240 bopd through a 7/32-inch choke at a flowing pressure of approximately 660 psi.

The initial flow rate from well GY-664 was some four-times the historic average and exceeded any previous well on the field. This strongly supports the Company's belief that modern drilling and completion practices would greatly enhance the production performance of wells in the field. Modern electric logs and petrophysical analysis are revealing greater amounts of net oil sand in the key reservoirs and this is likely to have an impact on oil-in-place estimates. The Company plans to incorporate the results of on-going production and drilling into the various studies prior to commissioning a new Competent Persons Report in the 2nd half of 2014.

At the time of writing the second well, GY-665, has reach a TD of 2,750 feet in the base of the Gros Morne sandstone and a decision has been taken to complete the well in the Gros Morne without deepening to the Lower Cruse secondary target in this well. Plans to drill to the Lower Cruse will be carried forward to a later well. GY-665 encountered 270 feet of net oil pay in the Goudron sandstones and 256 feet of net oil pay in the Gros Morne, confirmed by petrophysical analysis.

In August, the Company successfully renegotiated commercial terms with Petrotrin for the Goudron Field, which included an agreement to reduce the overriding royalties on production paid directly to Petrotrin. In return for the reduced royalty payments, LGO undertook to increase the commitment work programme through the drilling of ten additional development wells and one exploration well in the Goudron Block. This work programme, already envisaged in the Company's business plans, will be carried out over the next 6 years to November 2019. The contract was also modified to clarify the process for extending the duration of the IPSC, with terms for an additional 5 year period to 2023 being mutually agreed and further extensions being possible. The new overriding royalty rates are effective from 1 August 2013 and represent a marked increase in cash net-back from production.

Cedros Peninsula

Elsewhere in Trinidad, through its local subsidiary Leni Trinidad Limited ("LTL"), LGO holds a 50% interest in the producing Icacos Field in the Cedros Peninsula, operated by Territorial Services Group, a subsidiary of Touchstone Exploration. Territorial have carried out two work-overs at the field in 2013, and as a result production has been maintained at similar levels to previous years. LGO is not aware of any plans by the operator to carry out any non-routine activities in the remainder of 2014.

In the wider Cedros Peninsular, LTL holds a number of private petroleum leases totalling about 1,750 acres and is in the process of obtaining a private petroleum licence from the Trinidad and Tobago Ministry of Energy and Energy Affairs (MOEEA), in order to carry out a number of field surveys with a view to eventually drilling exploration wells. LGO has also entered into a Letter of Intent with Beach Oilfield Limited ("BOLT") to cross-assign the interests of the two companies within the Cedros Peninsula at stratigraphic levels below 7,000 feet. LTL will be the operator of the combined leases and will hold a 100% working interest, with BOLT receiving an overriding royalty on any future production revenues.

As part of the BOLT agreements LTL has hired Dr Krishna Persad as a consultant on a retainer and has acquired from BOLT all the relevant seismic, well and historical report data available in the Cedros area. The Company has also obtained a licence to the legacy 3D seismic survey that covers much of the Cedros Peninsular and has commissioned a soil geochemistry survey to localise areas of micro-seepage associated with entrapped oil in the subsurface. All the available data will be integrated and interpreted during 2014 and 1H215 prior to making any decisions on drilling.

Other Trinidad

The Company continues to pursue its strategy of increasing its footprint in Trinidad, and in March signed a heads of agreement with Maxim Resources Inc. (Maxim), to collaborate on oil field developments in the South Erin Block. The agreement envisaged that should Maxim be successful in acquiring control of the South Erin Block, LGO will invest in further developing drilling in the producing Jasmin Field, and will become field operator and hold at least a 50% working interest. Subsequent to end-year LGO has been advised that Maxim have settled its claim for cash. The 2013 heads of agreement has now expired.

In the absence of any substantive progress in resolving the underlying land title issues that were found during due diligence in the North Moruga leases, and the presence of substantial alternative investment opportunities available to the Company, the farm-in to Advance Oil, announced in November 2012 was terminated on 11 November by means of a mutually agreed Deed of Termination simultaneously with the effective sunset clause.

After a thorough review of the three blocks announced as part of the onshore lease sale by the MOEEA in the 2013 LGO determined not to present a bid for any of the blocks available on the basis of the high cost of commitment work programmes and alternative investment priorities in the Company's portfolio in Trinidad.

In 2013, LGO tendered for a Full Tensor Gravity survey to be flown over the entirety of southern Trinidad to assist in its ongoing operations and to look for additional investment opportunities. After contract negotiations a contract has been signed with ARKeX Limited to fly the survey in 2014. Acquisition costs will be shared with various parties, including Petrotrin, and it is hoped that the data wil be available for interpretation by end 2014.

During the reporting period Trinidad oil sales totalled 77,121 barrels (2012: 9,812 barrels). This sharp rise in production reflects a full year or

production growth at Goudron compared to only 10 weeks of initial operations in 2012. Production from the Icacos field was essential unchanged year on year.

Spain

LGO holds a 100% ownership through its wholly owned subsidiary, Compañia Petrolifera de Sedano (CPS), in one production concession, La Lora (which contains the Ayoluengo producing oilfield), and three exploration permits; Basconcillos-H, Huermeces and Valderredible, in Northern Spain. An application for the production of oil from the Hontomin discovery in the Huermeces permit has been made and it is hoped that it will be awarded in 2014.

Oil sales during the year were made exclusively to Saint-Gobain Vicasa SA (Saint-Gobain) under the contract renewed in 2012. Saint-Gobain uses the Ayoluengo crude oil as fuel oil in their factories within Northern Spain. Under the terms of the contract CPS receives a price linked to Brent with discounts to adjust for the fuel oil grade and impurities. During June and into July Saint-Gobain carried out a planned maintenance at their factory installations and during the shutdown LGO stockpiled oil at Ayoluengo. Sales to Saint-Gobain resumed in August and normal stock levels were achieved by October.

During the sales stoppage in June and July CPS, carried out extensive maintenance to the processing facilities; opening and cleaning process vessels, and recertifying them. This work has resulted in improved oil-water separation and reduced impurities in the sales oil. As a consequence discussions have been renewed with BP España on trialling Ayoluengo crude through the Castellon Refinery as a first step in enacting the sales contract signed with BP in 2011. Laboratory trials and analysis are on-going at various laboratories in pursuit of a cost-effective arsenic removal process that would open up the potential for sales to BP.

In early 2013 work commenced to install larger pumps in both Ayo-46 and Ayo-37. Various problems were encountered with the Weatherford supplied pumps, which along with delays due to their late delivery by the supplier, lead to complications in installing the pumps during the winter weather conditions; low temperatures, snow and high winds, often cause non-production related operations to be suspended. Following various trials, well Ayo-37 was eventually returned to the original pump design. Further trials at Ayo-46 have been made without marked improvements in pump efficiency. As a result a packer has been installed in Ayo-46 to reduce water inflow and the well has subsequently seen a return to better production efficiency, although the water-cut from this well remains high.

Production decline is now being seen in several key wells in the field and a remedial program of well clean-up involving the removal of accumulated scale and wax deposits was started in late 2013 and has continued into 2014. Treatment of several wells with acid has increased flow rates of oil and in one instance also of gas. Further ongoing well treatments to improve production performance of the Ayoluengo wells are planned for 2014.

During the 1st half of 2014 the Company's Cardwell work-over rig suffered from several breakdowns that required the fabrication of replacement parts and consequently saw the rig out of service for several extended periods. During periods when the rig was unserviceable all well work had to be deferred and there was a consequent reduction in production during those periods. The rig has now been fully repaired and well service work is being performed with the aim of restoring production to 2013 levels as soon as practical.

Following the cessation of possible asset sale discussions in late 2012 LGO has held discussions with several parties who have expressed an interest in partnering with CPS in further field development at Ayoluengo. At the end of 2013 the Company was in detailed discussions with three separate groups and subsequently signed a non-binding heads of terms with Pansoinco s.r.l in March 2014. That arrangement was subsequently terminated in June 2014 when a reassessment of the value of the Spanish portfolio was made following early successes in the Goudron redevelopment in Trinidad and a new prediction of free cash flow showed that greater value could be generated from Spain through investment in the period 2016 to 2020.

As previously stated, the most likely investment scenario for the Ayoluengo field is the drilling of a small number of side-track wells from the existing producing wells along the crest of the structure to access oil in zones that are known to be oil bearing, but from which oil is not believed to have been recovered to date. This investment remains conditional on further details studies and on the granting of a 10 year extension of the La Lora Concession from January 2017. Work started in mid-2013 to prepare the licence extension application which is expected to be lodged with the Spanish administration in the 3rd quarter 2014.

In the Huermeces licence, the Company's application for the conversion of the Exploration Licence to a Production Concession remained under consideration with the Spanish authorities. In early 2014 the Ministry of Industry indicated that it was favourably considering the Concession application and as a final step requested a geological report be submitted. That technical report, written by an independent consultancy in Spain for CPS, was submitted in May 2014 and at the time of this report we are awaiting final award of the Hontomin Concession.

There has been no work undertaken in the Basconcillos-H licence area where the Tozo-1 gas well is located. This project is dormant pending further studies of potential uses of the gas discovered in Tozo. A licence extension in the Valderredible licence is also pending approval. It has so far proved difficult to operate in a large part of the licences due to environmental restrictions within the National Park which covers much of the area. CPS's permits and concessions lie within the central portion of the Sedano trough within the Cantabrian Basin which is believed to have unconventional gas potential at depth. LGO considers that shale gas potential represents additional long-term potential value and plans to acquire further regional studies in 2014 to assess the scale of the potential.

Chief Executive's Review
continued

During the reporting period Spanish sales totalled 34,653 barrels oil (2012: 46,830 barrels) exclusively from the Ayoluengo Field.

Other
In January LGO issued proceedings against Mediterranean Oil and Gas plc (MOG) in the High Court of England and Wales alleging misrepresentation at the time of the sale of the Company's 10% interest in the Area 4 Petroleum Sharing Contract in Malta. In a Case Management Conference before Justice Clarke in May the Court refused MOG's application for security over costs in the action and ordered MOG to pay LGO's costs in defending that application. The Court also ordered disclosure of relevant documents and set a timetable to trial in March 2014. LGO and its legal team prepared for trial through 2013 and into 1st quarter 2014. The trial was held before Justice Males between the 4th and 12th March. Mr. Justice Males did not uphold LGO's claim against MOG and subsequently awarded costs in the action against the claimant. After taking further independent legal advice LGO decided not to lodge an appeal in the Court of Appeal.

Conclusion
The past year has seen a major shift in the Company's operations and new business development focus to Trinidad. A vast amount of preparatory work has been undertaken in the Goudron Field for the commencement of the drilling which marks the commencement of the redevelopment phase in 2014. All the Company's operations have been carried out without major incident and the Corporate Health Safety and Environment record has been enhanced significantly despite a rapid increase in remote operations in Trinidad. I am delighted with the platform for future value that has now been created and the results in 2014 will I am sure amply demonstrate the confidence the Board have shown in our decision to focus on brown-field redevelopment opportunities in Trinidad.

I would like to thank our staff in London, Spain and Trinidad for their dedication and hard work during this period of rapid change and growth in our production operations.

Neil Ritson
Chief Executive Officer

12 June 2013

Competent Person's statement:
The information contained in this document has been reviewed and approved by Neil Ritson, Executive Director for Leni Gas & Oil Plc. Mr Ritson is a member of the Society of Petroleum Engineers, a Fellow of the Geological Society and an Active Member of the American Association of Petroleum Geologists. Mr Ritson has over 35 years of relevant experience in the oil industry.

Finance Review

Economic environment

The performance of the Company is influenced by global economic conditions, and in particular, the conditions prevailing in the United Kingdom, Spain, USA and Trinidad. In 2013 the economies in these regions have re-emerged from the recessionary environment, with the global economy slowly improving throughout the year. The Company continues to monitor all of these markets particularly in relation to the Company's future project and operational development plans.

Results for the period

2013 was a significant year for Leni Gas and Oil plc, highlighted by the current operating performance and the growth of our Trinidadian business. The financial statements presented herein do not as yet fully represent this real shift in direction, but the immediate years ahead should reflect this.

LGO is primarily a development business with programs in place to monetise the Company's interests in various oil and gas operations. Expectations are for a significant increase in production volumes and therefore revenue in the next few years. The results for the year reflect the beginning of this transformation. The Group recorded a gross profit of £1.12 million (2012: £1.09 million) and an operating loss after tax of £2.85 million (2012: £7.78 million) for the period ended 31 December 2013.

Revenue in the period of £5.91 million (2012: £3.35 million), which includes an increase in revenues from Trinidad.

Cash flow

Cash outflow from operating activities after movements in working capital amounted to £2.82 million (2012: outflow £1.28 million). Net cash inflow from financing activities was £4.15 million (2012: £2.29 million). Net cash outflow from investing activities was £1.19 million (2012: £1.96 million).

Net cash position

Net cash at 31 December 2013 was £0.34 million (2012: £0.22 million).

Key performance indicators

The current business of the Company continues to be in development and initial stage production, with the focus on the successful delivery of investment to enable the Company to progress to substantial oil and gas sales and a larger operational business. The Company has devised strategies to monetise the majority of its oil and gas assets primarily by means of various production enhancement, development expansion and commercial consolidation programs as outlined in the Operations Review. The Board and management are incentivised to deliver shareholder value in line with these plans. The 2014 Annual Report will provide analysis and comparison of production; cash flows from operations; operating costs per boe; and realised oil and gas prices per barrel and mscf.

Asset Revaluations

An independent CPR (Competent Persons Report) was commissioned to evaluate the Goudron IPSC asset. The report, produced by Challenge Energy Ltd in July 2012 considered the value of not only the subsidiary which had the rights to acquire the IPSC, but the value of the IPSC itself which was acquired. Using the output of the CPR and an audited financial model, the asset was re-valued to £9.9m. This is reflected as £3.1m of Goodwill in LGO plc and £6.8m of tangible assets in the Trinidad subsidiary.

Management continue to consider this to be a prudent valuation when the financial model for the Goudron field is indicating a higher NPV over the remaining period of the IPSC, now extended out to 2023.

Outlook

Having increased production in Trinidad and started the development program in Goudron, LGO's financial future is very promising. With the prospect of generating significantly increased operational cash flow in the next 12 months, the real monetisation of our assets and delivery of their potential has begun.

Board of Directors

David Lenigas (Executive Chairman)
Mr. Lenigas holds a Bachelor of Applied Science Degree in Mining Engineering. He has extensive experience operating in the public company environment and is currently an Executive Chairman of AfriAg plc, Polemos plc, Stellar Resources plc and Solo Oil plc. He is also a Non Executive Director of Rare Earth Minerals plc. Mr. Lenigas is the Chairman of the Remuneration committee.

Neil Ritson (Chief Executive Officer)
Mr. Ritson holds a Bachelors degree in Geophysics. He has worked in the energy sector for over 35 years, initially with BP plc, where he held the roles of International Chief Geophysicist, Head of Geoscience Research and Business Unit Leader for both Norway and Alaska Exploration. Subsequently Mr. Ritson managed the international operations of Burlington Resources Inc. and more recently he was CEO at Regal Petroleum plc before founding the Vanguard Energy Group where he was Chairman and CEO. Mr Ritson is an Executive Director of Solo Oil plc and Managing Director of NR Global Consulting Limited. He is also Non Executive Director of Enovation Resources Limited, a Bermudan registered private company active in the UK North Sea. Mr Ritson is a member of the Audit committee.

Steve Horton (Non Executive Director)
Mr. Horton holds a Bachelor of Science degree in Mining Engineering and a Master of Science in Business Administration. Mr. Horton has more than 35 years' experience working in the energy industry around the world, including 27 years with BP plc where he held several executive roles including worldwide Director of Drilling. He co-founded Silverstone Energy Limited in 2005, a North Sea focused exploration and production company, which grew from start-up through operated exploration and development to production within four years. Mr Horton also served on the board of Valiant Petroleum plc and provided consulting services to other oil and service companies, during the period. Mr Horton is the Chairman of the Audit committee and is a member of the Remuneration committee.

Directors' Report

The Directors are pleased to present their annual report together with the consolidated financial statements for the period 1 January 2013 to 31 December 2013.

Principal activities and investment policy
The principal activities of the Group are to enhance existing oil and gas production and exploration areas. In addition it seeks to identify and acquire a number of projects in the oil and gas sector with particular emphasis on projects that are in production, as highlighted in the above operational review.

Business review and future developments
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 £2,851,000 (2012: £7,781,000 loss). The Directors do not recommend payment of a dividend.

Post balance sheet events
At the date these financial statements were approved, being 12th June 2014, 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 9 June 2014 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	Percent of Issued Capital
Barclayshare Nominees Limited	287,938,066	11.95%
TD Direct Investing Nominees (Europe) Limited	271,256,021	11.26%
Euroclear Nominees Limited	181,933,000	7.55%
David Lenigas	153,500,000	6.37%
Hargreaves Lansdown (Nominees) Limited (VRA)	129,225,800	5.36%
L R Nominees Limited	101,640,807	4.22%
Hargreaves Lansdown (Nominees) Limited (15942)	77,075,627	3.20%
Hargreaves Lansdown (Nominees) Limited (HLNOM)	72,553,840	3.01%
HSBC Client Holdings Nominee (UK) Limited	77,484,924	3.22%
Investor Nominees Limited	81,214,158	3.37%

Directors
The names of the Directors who served during the period are set out below:

Director
Executive Directors
David Lenigas
Neil Ritson
Non Executive Directors
Steve Horton

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 Directors' Emoluments and payments made for professional services rendered are set out in Note 7 to the financial statements.

Directors' interests
The beneficial interests of the serving Directors in the shares and options of the Company during the period to 31 December 2013 were as follows:

	31 December 2013		31 December 2012	
Director	Shares	Options	Shares	Options
David Lenigas	**153,500,000**	**–**	153,500,000	–
Neil Ritson	**17,500,000**	**100,000,000****	17,500,000	25,000,000*
Steve Horton	**1,000,000**	**15,000,000****	1,000,000	5,000,000*

* These options were cancelled or expired during the year to 31 December 2013, and replaced with the new options issued on 1 July 2013.

** These options have an exercise period to 31 July 2018 and an exercise price of 1 pence. There are vesting conditions attached to some of these options, as detailed in Note 21 to the financial statements.

Corporate governance
A statement on Corporate Governance is set out on pages 15 – 16.

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 calibre employees are attracted, retained and motivated, to ensure the on-going 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.

Directors' Report
continued

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. Trade payables as at 31 December 2013 were equivalent to 46 days costs. The increase in trade payable days is a result of the extended payment terms agreed with suppliers for the larger exploration and development activities.

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 2006, 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 on-going evaluations of the Company's interests indicate that preparation of the Group's accounts on a going concern basis is appropriate.

Statement of disclosure of information to auditors
As at the date of this report the serving directors confirm that:

- So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- they 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.

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.

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.

Electronic communication
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

12 June 2014

Corporate Governance Statement

The Board is committed to maintaining high standards of corporate governance. The Listing Rules of the Financial Services Authority incorporate the UK Corporate Governance 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 UK Corporate Governance Code, the Company's corporate governance procedures take due regard of the principles of Good Governance set out in the UK Corporate Governance Code in relation to the size and the stage of development of the Company.

Board of Directors

The Board of Directors currently comprises two Executive Directors (one of whom is the Chairman), and a Non-Executive Director. The Directors are of the opinion that the Board comprises a suitable balance and that the recommendations of the UK Corporate Governance Code have been implemented to an appropriate level. The Board, through the Chairman and the Chief Executive Officer in particular, 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. In 2014, as the company grows, LGO intends to expand the Board to align the Board capability with the increased demands of the businesses

Board meetings

The Board meets regularly throughout the year. For the period ending 31 December 2013, the Board met 8 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 ensures 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 is responsible for overseeing the Group's financial reporting disclosure process; this also includes the choice of appropriate accounting policies. It also monitors internal financial controls as well as overseeing hiring, performance of the external auditors The Audit Committee comprises of two Directors, Steve Horton (Chairman) and Neil Ritson.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration for Directors and Senior Management. It comprises of two Directors, David Lenigas (Chairman) and Steve Horton. Financial packages for 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.

Nomination Committee

The directors do not consider that, given the size of the Board, it is appropriate to have a Nomination Committee. The appropriateness of such a committee will however, be kept under regular review by the Board.

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.

Risks and uncertainties

The principal risks facing the Company are set out below. Risk assessment and evaluation is an essential part of the Group's planning and an important aspect of the Group's internal control system.

General and economic risks

- Contractions in the world's major economies or increases in the rate of inflation resulting from international conditions;
- Movements in the equity and share markets in the United Kingdom and throughout the world;
- Weakness in global equity and share markets in particular, in the United Kingdom, and adverse changes in market sentiment towards the resource industry;
- Currency exchange rate fluctuations and, in particular, the relative prices of US Dollar, Euro, the Trinidadian Dollar and the UK Pound;
- Exposure to interest rate fluctuations; and
- Adverse changes in factors affecting the success of exploration and development operations, such as: increases in expenses,

Corporate Governance Statement
continued

changes in government policy and further regulation of the industry.

Funding risk

- The Group or the companies in which it has invested may not be able to raise, either by debt or further equity, sufficient funds to enable completion of planned exploration, investment and/or development projects.

Commodity risk

- Commodities are subject to high levels of volatility in price and demand. The price of commodities depends on a wide range of factors, most of which are outside the control of the Company. Exploration, production, processing and transportation costs also depend on many factors, including commodity prices, capital and operating costs in relation to any operational site.
- In particular the Group is subject to the ongoing market movement of the world price of oil and exposed to those risks which that entails.

Market risk

- The ability of the Group (and the companies it invests in) to continue to secure sufficient and profitable sales contracts to support its operations is a key business risk

Exploration, development and production risks

- Oil and gas exploration and development activity is subject to numerous risks, including failure to achieve estimated oil reserves, recovery and production rates and capital and operating costs.
- Success in identifying economically recoverable reserves can never be guaranteed. The Company also cannot guarantee that the companies in which it has invested will be able to obtain the necessary permits and approvals required for development of their projects.
- Some of the countries in which the Company operates have native title laws which could affect exploration, development and production activities. The companies in which the Company has an interest may be required to undertake clean-up programmes on any contamination arising from their operations or operations of previous owners or to participate in site rehabilitation programmes which may vary from country to country. The Group's policy is to follow all applicable laws and regulations and the Company is not currently aware of any material issues in this regard.
- Timely approval of production permits and operating plans through the respective regulatory agencies cannot be guaranteed.
- Availability of skilled workers is an on-going challenge.
- Unforeseen major failure, breakdowns or repairs required to key items of plant and equipment can result in significant delays, notwithstanding regular programmes of repair, maintenance and upkeep.

Business Risk

The Board regularly evaluates and reviews all business risks when reviewing project timelines. The types of risks reviewed also include:

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

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.

GLOSSARY & NOTES

3D = three-dimensional

AIM = London Stock Exchange Alternative Investment Market

bbls = barrels (equivalent to 45 US gallons)

bcf = billion cubic feet

boe = barrels of oil equivalent calculated on the basis of six thousand cubic feet of gas equals one barrel of oil

boepd = boe per day

bbls = barrels of oil

bopd = barrels of oil per day

EOR = enhanced oil recovery

m = thousand

mm = million

mmbbls = million barrels of oil

mscf = thousand standard cubic feet of gas

PSC = Production Sharing Contract

TD = total depth

contingent resources	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality
oil-in-place	the volume of oil estimated to have been initially in place
possible reserves	those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high estimate scenario
probable reserves	those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves
proven reserves	those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations

The estimates provide in this report are based on the Petroleum Resources Management System ("PRMS") published by the Society of Petroleum Engineers ("SPE") and are reported consistent with the SPE's 2011 guidelines. A copy of the PRMS is available at http://www.spe.org/industry/reserves.php. All definitions used in this report have the meaning given to them in the PRMS. Specifically:

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

We have audited the financial statements of Leni Gas & Oil Plc for the year ended 31 December 2013 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

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

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's and the Parent Company's losses for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report by exception.

Keith Fulton (Senior Statutory Auditor)
for and on behalf of Chapman Davis LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

12 June 2014

Group Statement of Comprehensive Income
For the year ended 31 December 2013

	Note	**Year ended 31 December 2013 £ 000's**	Year ended 31 December 2012 £ 000's
Revenue	2	**5,913**	3,345
Cost of sales		**(4,794)**	(2,259)
Gross profit		**1,119**	1,086
Administrative expenses	3	**(2,730)**	(1,963)
Oil & gas exploration costs expensed	11	**(99)**	–
Amortisation and depreciation	3	**(324)**	(317)
Share based payments	22	**(412)**	(103)
(Loss) from operations		**(2,446)**	(1,297)
Loss on disposal	13	**–**	(6,543)
Finance charges	10	**(342)**	(71)
Finance revenue		**–**	1
Other income	8	**–**	204
(Loss) before taxation		**(2,788)**	(7,706)
Income tax expense	5	**(63)**	(75)
(Loss) for the year attributable to equity holders of the parent		**(2,851)**	(7,781)
Other comprehensive income			
Revaluation surplus on oil & gas properties		**–**	4,332
Exchange differences on translation of foreign operations		**(20)**	(108)
Other comprehensive income for the year net of taxation		**(20)**	4,224
Total comprehensive income for the year attributable to equity holders of the parent		**(2,871)**	(3,557)
Loss per share (pence)			
Basic	9	**(0.15)**	(0.54)
Diluted	9	**(0.15)**	(0.54)

All of the operations are considered to be continuing.

The accompanying accounting policies and notes form an integral part of these financial statements.

Group Statement of Financial Position
As at 31 December 2013

	Note	As at 31 December 2013 £ 000's	As at 31 December 2012 £ 000's
Assets			
Non-current assets			
Property, plant and equipment	12	**882**	264
Oil and gas properties	12	**6,867**	6,804
Intangible assets	11	**9,037**	8,833
Goodwill	11	**3,083**	3,083
Total non-current assets		**19,869**	18,984
Current assets			
Inventories	16	**244**	244
Trade and other receivables	15	**2,238**	572
Derivative financial instrument	17	**500**	–
Cash and cash equivalents		**341**	220
Total current assets		**3,323**	1,036
Total assets		**23,192**	20,020
Liabilities			
Current liabilities			
Trade and other payables	18	**(2,410)**	(1,259)
Borrowings	19	**(2,277)**	(631)
Deferred consideration	18	**(120)**	(120)
Taxation	18	**(15)**	(48)
Total current liabilities		**(4,822)**	(2,058)
Non-current liabilities			
Deferred consideration	18	**(1,850)**	(1,850)
Provisions	20	**(796)**	(780)
Total non-current liabilities		**(2,646)**	(2,630)
Total liabilities		**(7,468)**	(4,688)
Net assets		**15,724**	15,332
Shareholders' equity			
Called-up share capital	21	**1,125**	939
Share premium		**36,555**	33,890
Share based payments reserve	22	**412**	1,187
Retained earnings		**(26,606)**	(24,942)
Revaluation Surplus		**4,332**	4,332
Foreign exchange reserve		**(94)**	(74)
Total equity attributable to equity holders of the parent		**15,724**	15,332

These financial statements were approved by the Board of Directors on 12 June 2014 and signed on its behalf by:

David Lenigas
Executive Chairman

Neil Ritson
Chief Executive Officer

Company Statement of Financial Position

As at 31 December 2013

	Note	As at 31 December 2013 £ 000's	As at 31 December 2012 £ 000's
Assets			
Non-current assets			
Property, plant and equipment	12	**–**	5
Investment in subsidiaries	14	**1**	3,085
Trade and other receivables	15	**17,553**	9,387
Total non-current assets		**17,554**	12,477
Current assets			
Trade and other receivables	15	**1,373**	3,521
Derivative financial instrument	17	**500**	–
Cash and cash equivalents		**41**	37
Total current assets		**1,914**	3,558
Total assets		**19,468**	16,035
Liabilities			
Current liabilities			
Trade and other payables	18	**(1,574)**	(782)
Deferred consideration	18	**(120)**	(120)
Total liabilities		**(3,971)**	(1,533)
Non-current liabilities			
Deferred consideration	18	**(1,850)**	(1,850)
Borrowings	19	**–**	–
Total non-current liabilities		**(1,850)**	**(1,850)**
Total liabilities		**(5,821)**	**(3,383)**
Net assets		**13,647**	12,652
Shareholders' equity			
Called-up share capital	21	**1,125**	939
Share premium		**36,555**	33,890
Share based payments reserve	22	**412**	1,187
Retained earnings	27	**(24,445)**	(23,364)
Total equity attributable to equity holders of the parent		**13,647**	12,652

These financial statements were approved by the Board of Directors on 12 June 2014 and signed on its behalf by:

David Lenigas
Executive Chairman

Neil Ritson
Chief Executive Officer

The accompanying accounting policies and notes form an integral part of these financial statements.

Group Statement of Cash Flows

For the year ended 31 December 2013

	Year ended 31 December 2013 £ 000's	Year ended 31 December 2012 £ 000's
Cash outflow from operating activities		
Operating (loss)	**(2,446)**	(1,297)
(Increase)/decrease in trade and other receivables	**(1,666)**	590
Increase/(decrease) in trade and other payables	**651**	(896)
(Increase) in inventories	**–**	(11)
Depreciation	**291**	142
Amortisation	**33**	175
Tangible asset write-down charge	**3**	–
Share based payments	**412**	103
Income tax (paid)	**(96)**	(84)
Net cash (outflow) from operating activities	**(2,818)**	(1,278)
Cash flows from investing activities		
Interest received	**–**	1
Other income	**–**	204
Payments to acquire subsidiaries	**(7)**	(617)
Net payments to acquire intangible assets	**(108)**	(126)
Payments to acquire tangible assets	**(1,076)**	(2,694)
Proceeds from asset disposals	**–**	1,273
Net cash outflow from investing activities	**(1,191)**	(1,959)
Cash flows from financing activities		
Issue of ordinary share capital	**2,900**	2,550
Share issue costs	**(49)**	(102)
Finance charges paid	**(218)**	(1)
Repayment of borrowings	**(2,244)**	(877)
Proceeds of borrowings	**3,764**	721
Net cash inflow from financing activities	**4,153**	2,291
Net increase/(decrease) in cash and cash equivalents	**144**	(946)
Foreign exchange differences on translation	**(23)**	110
Cash and cash equivalents at beginning of period	**220**	1,056
Cash and cash equivalents at end of period	**341**	220

Company Statement of Cash Flows
For the year ended 31 December 2013

	Year ended 31 December 2013 £ 000's	Year ended 31 December 2012 £ 000's
Cash outflow from operating activities		
Operating (loss)	**(1,926)**	(1,108)
(Increase) in trade and other receivables	**(1,218)**	(416)
Increase in trade and other payables	**292**	76
Share based payments expensed	**412**	103
Depreciation & impairment	**5**	2
Other non-cash adjustments	**2**	(3)
Net cash outflow from operating activities	**(2,433)**	(1,346)
Cash flows from investing activities		
Interest received	**–**	1
Loans granted to subsidiaries	**(1,716)**	(776)
Payments to acquire subsidiaries	**–**	(617)
Net cash outflow from investing activities	**(1,716)**	(1,392)
Cash flows from financing activities		
Issue of ordinary share capital	**2,900**	2,550
Share issue costs	**(49)**	(102)
Finance charges(paid)	**(218)**	(1)
(Repayments) of borrowings	**(2,244)**	(877)
Proceeds of borrowings	**3,764**	721
Net cash inflow from financing activities	**4,153**	2,291
Net increase/(decrease) in cash and cash equivalents	**4**	(447)
Cash and cash equivalents at beginning of period	**37**	484
Cash and cash equivalents at end of period	**41**	37

Group Statement of Changes in Equity

For the year ended 31 December 2013

	Called up share capital £ 000's	Share premium reserve £ 000's	Share based payments reserve £ 000's	Retained earnings £ 000's	Foreign exchange reserve £ 000's	Revaluation Surplus £ 000's	Total Equity £ 000's
Group							
As at 31 December 2011	**630**	**31,751**	**1,251**	**(17,328)**	**34**	**–**	**16,338**
Loss for the year	–	–	–	(7,781)	–	–	(7,781)
Revaluation of Oil & Gas Properties	–	–	–	–	–	4,332	4,332
Currency translation differences	–	–	–	–	(108)	–	(108)
Total comprehensive income	**–**	**–**	**–**	**(7,781)**	**(108)**	**4,332**	**(3,557)**
Share capital issued	309	2,241	–	–	–	–	2,550
Cost of share issue	–	(102)	–	–	–	–	(102)
Expiration of Options	–	–	(167)	167	–	–	–
Share based payments	–	–	103	–	–	–	103
Total contributions by and distributions to owners of the Company	**309**	**2,139**	**(64)**	**167**	**–**	**–**	**2,551**
As at 31 December 2012	**939**	**33,890**	**1,187**	**(24,942)**	**(74)**	**4,332**	**15,332**
Loss for the year	–	–	–	(2,851)	–	–	**(2,852)**
Currency translation differences	–	–	–	–	(20)	–	**(20)**
Total comprehensive income	**–**	**–**	**–**	**(2,851)**	**(20)**	**–**	**(2,872)**
Share capital issued	186	2,714	–	–	–	–	**2,900**
Cost of share issue	–	(49)	–	–	–	–	**(49)**
Expiration of Options	–	–	(1,187)	1,187	–	–	–
Share based payments	–	–	412	–	–	–	412
Total contributions by and distributions to owners of the Company	**186**	**2,665**	**(775)**	**1,187**	**–**	**–**	**3,263**
As at 31 December 2013	**1,125**	**36,555**	**412**	**(26,606)**	**(94)**	**4,332**	**15,724**

Company Statement of Changes in Equity

For the year ended 31 December 2013

	Called up share capital £ 000's	Share premium reserve £ 000's	Share based payments reserve £ 000's	Retained earnings £ 000's	Foreign exchange reserve £ 000's	Revaluation Surplus £ 000's	Total Equity £ 000's
Company							
As at 31 December 2011	**630**	**31,751**	**1,251**	**(6,495)**	**–**	**–**	**27,137**
Loss for the year	–	–	–	(17,036)	–	–	(17,036)
Total comprehensive income	**–**	**–**	**–**	**(17,036)**	**–**	**–**	**(17,036)**
Share capital issued	309	2,241	–	–	–	–	2,550
Cost of share issue	–	(102)	–	–	–	–	(102)
Expiration of Options	–	–	(167)	167	–	–	–
Share based payments	–	–	103	–	–	–	103
Total contributions by and distributions to owners of the Company	**309**	**2,139**	**(64)**	**167**	**–**	**–**	**2,551**
As at 31 December 2012	**939**	**33,890**	**1,187**	**(23,364)**	**–**	**–**	**12,652**
Loss for the year	–	–	–	(2,268)	–	–	**(2,268)**
Total comprehensive income							
Share capital issued	186	2,714	–	–	–	–	**2,900**
Cost of share issue	–	(49)	–	–	–	–	**(49)**
Expiration of Options	–	–	(1,187)	1,187	–	–	**–**
Share based payments	–	–	412	–	–	–	**412**
Total contributions by and distributions to owners of the Company	**186**	**2,665**	**(775)**	**1,187**	**–**	**–**	**3,263**
As at 31 December 2013	**1,125**	**36,555**	**412**	**(24,445)**	**–**	**–**	**13,647**

Notes to the Financial Statements
For the year ended 31st December 2013

1 Summary of significant accounting policies

1.01 General information and authorisation of financial statements

Leni Gas and Oil plc is a public limited company registered in the United Kingdom under the Companies Act 2006. The address of its registered office is Suite 3B, Princes House, 38 Jermyn Street, London, SW1Y 6DN. The Company's Ordinary shares are traded on the AIM Market operated by the London Stock Exchange. The Group financial statements of Leni Gas & Oil plc for the period ended 31 December 2013 were authorised for issue by the Board on 12 June 2014 and the balance sheets signed on the Board's behalf by Mr. David Lenigas and Mr. Neil Ritson

1.02 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 2006. The principal accounting policies adopted by the Group and Company are set out below.

New standards and interpretations not applied

IASB (International Accounting Standards Board) and IFRIC (International Financial Reporting Interpretations Committee) have issued the following standards and interpretations with an effective date after the date of these financial statements:

IFRS 13 Fair Value Measurement

The Company has applied IFRS13 for the first time in the current year. IFRS13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS13 includes extensive disclosure requirements.

IFRS13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard.

In accordance with these transitional provisions, the Company has not made any new disclosures required by IFRS13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS13 has not had any impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009; 2011 Cycle issued in May 2012)

The Annual Improvements to IFRSs 2009; 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Company are the amendments to IAS1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

This has no impact for the 2013 financial statements.

Amendments to IFRS7 Disclosures

The Company has applied the amendments to IFRS7 Disclosures–Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

As the Company does not have any offsetting arrangements in place, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the consolidated financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS9	Financial Instruments
IFRS10	Consolidated Financial Statements
IFRS12	Joint Arrangements#
IAS27 (revised)	Investment Entities
IAS28 (revised)	Investments in Associates and Joint Ventures
IAS32 (revised)	Offsetting Financial Assets and Financial Liabilities
IAS36 (revised)	Recoverable Amount Disclosures for Non Financial Assets
IAS39 (revised)	Novation of Derivatives and Continuation of Hedge Accounting

IFRIC Interpretation 21 Levies

The directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, except as that IFRS9 will impact both the measurement and disclosures of Financial Instruments.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, however, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed

1.03 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 Pound Sterling (£) and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated.

1.04 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.

1.05 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 non-current assets. Positive goodwill is subject to an annual impairment review, and negative goodwill is immediately written-off to the income statement when it arises.

1.06 Oil and gas exploration assets and development/ producing assets
The Group applies the successful efforts method of accounting for oil and gas assets, having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'.

All licence acquisition, exploration and evaluation costs are initially capitalised as intangible fixed assets in cost centres by field or by exploration area, as appropriate, pending determination of commerciality of the relevant property. Directly attributable administration costs are capitalised insofar as they relate to specific exploration activities, as are finance costs to the extent they are directly attributable to financing development projects. Pre-licence costs and general exploration costs not specific to any particular licence or prospect are expensed as incurred.

If prospects are deemed to be impaired ('unsuccessful') on completion of the evaluation, the associated costs are charged to the income statement. If the field is determined to be commercially viable, the attributable costs are transferred to development/production assets within property, plant and equipment in single field cost centres.

Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset.

Increases in the carrying amount arising on revaluation of oil and gas properties are credited to other comprehensive income and shown as revaluation surplus reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation surplus reserve directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from 'revaluation surplus reserve' to 'retained earnings.

Net proceeds from any disposal of an exploration asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the income statement. Net proceeds from any disposal of development/producing assets are credited against the previously capitalised cost. A gain or loss on disposal of a development/producing asset is recognised in the income statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

1.07 Commercial reserves
Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as a proven and probable reserves and a 50 per cent statistical probability that it will be less.

1.08 Depletion and amortisation
All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field by field basis. In certain circumstances, fields within a single development area may be combined for depletion purposes. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs necessary to bring the reserves into production. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

1.09 Decommissioning
Where a material liability for the removal of production facilities and site restoration at the end of the productive life of a field exists, a provision for decommissioning is recognised. The amount recognised

Notes to the Financial Statements
continued

is the present value of estimated future expenditure determined in accordance with local conditions and requirements. The cost of the relevant tangible fixed asset is increased with an amount equivalent to the provision and depreciated on a unit of production basis. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated fixed asset.

1.10 Property, plant and equipment

Property, plant and equipment is stated in the Balance Sheet at cost less accumulated depreciation and any recognised impairment loss. Depreciation on property, plant and equipment other than exploration and production assets, is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful economic life of between three and eight years.

1.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average cost formula, where cost is determined from the weighted average of the cost at the beginning of the period and the cost of purchases during the period. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.12 Revenue recognition

Revenue represents amounts invoiced in respect of sales of oil and gas exclusive of indirect taxes and excise duties and is recognised on delivery of product. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

1.13 Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of each transaction. Foreign currency monetary assets and liabilities are retranslated using the exchange rates at the balance sheet date. Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in the income statement. Nonmonetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the original transaction.

In the consolidated financial statements, the net assets of the Company are translated into its presentation currency at the rate of exchange at the balance sheet date. Income and expense items are translated at the average rates for the period. The resulting exchange differences are recognised in equity and included in the translation reserve.

1.14 Operating leases

The costs of all operating leases are charged against operating profit on a straight-line basis at existing rental levels. Incentives to sign operating leases are recognised in the income statement in equal instalments over the term of the lease.

1.15 Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group does not currently utilise derivative financial instruments.

The particular recognition and measurement methods adopted are disclosed below:

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(ii) Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(iii) Trade payables

Trade payables are not interest-bearing and are stated at their nominal value.

(iv) Investments

Investments in subsidiaries are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

(v) Equity investments

Equity instruments issued by the Company and the Group are recorded at the proceeds received, net of direct issue costs.

(vi) Derivative instruments

Derivative instruments are recorded at cost, and adjust for their market value as applicable. They are assessed for any equity and debt component which is subsequently accounted for in accordance with IFRS's. The Group's and Company's only derivative is considered to be the Equity Swap Arrangement as detailed in Note 17, which is accounted for on a fair value basis in accordance with the terms of the agreement, being based around the Company's share price as traded on AIM.

1.16 Finance costs

Borrowing costs are recognised as an expense when incurred.

1.17 Borrowings

Borrowings are recognised initially at fair value, net of any applicable transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method (if applicable).

Interest on borrowings is accrued as applicable to that class of borrowing.

1.18 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.

1.19 Dividends

Dividends are reported as a movement in equity in the period in which they are approved by the shareholders.

1.20 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 the deferred tax is also dealt with in equity.

1.21 Impairment of assets

At each balance sheet date, the Group assesses whether there is any indication that its property, plant and equipment and intangible assets have been impaired. Evaluation, pursuit and exploration assets are also tested for impairment when reclassified to oil and natural gas assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cashgenerating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cashgenerating unit is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cashgenerating unit. This present value is discounted using a pretax rate that reflects current market assessments of the time value of money and of the risks specific to the asset, for which future cash flow estimates have not been adjusted. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss.

The Group's impairment policy is to recognise a loss relating to assets carried at cost less any accumulated depreciation or amortisation immediately in the income statement.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cashgenerating units, or groups of cashgenerating units, that are expected to benefit from the synergies of the combination. Goodwill is tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. An impairment loss is recognised or cashgenerating units, if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit by first reducing the carrying amount of any goodwill allocated to the cashgenerating unit, and then reducing the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the income statement. Impairment losses on goodwill are not subsequently reversed.

Notes to the Financial Statements
continued

1.22 Share based payments

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.

1.23 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions

The Group has a single business segment: oil and gas exploration, development and production. The business segment can be split into five geographical segments: Spain, USA, Trinidad & Tobago, St. Lucia, Cyprus and UK.

1.24 Share issue expenses and share premium account

Costs of share issues are written off against the premium arising on the issues of share capital.

1.25 Share based payments reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration and provided to consultants and advisors hired by the Group from time to time as part of the consideration paid.

1.26 Revaluation Surplus Reserve

This reserve is used to record the increase on revaluation of assets, in particular of oil and gas properties.

1.27 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Recoverability of intangible oil and gas costs

Costs capitalised as intangible assets are assessed for impairment when circumstances suggest that the carrying value may exceed its recoverable value. This assessment involves judgement as to the likely commerciality of the asset, the future revenues and costs pertaining and the discount rate to be applied for the purposes of deriving a recoverable value.

(ii) Decommissioning

The Group has decommissioning obligations in respect of its Spanish asset. The full extent to which the provision is required depends on the legal requirements at the time of decommissioning, the costs and timing of any decommissioning works and the discount rate applied to such costs.

(iii) 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:

(iv) 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.

1.28 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:

(i) Costs of servicing equity (other than dividends) and preference share dividends;

(ii) The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

(iii) 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.

LENI GAS & OIL PLC

Notes to the Financial Statements
continued

2 Turnover and segmental analysis

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board has determined there is a single business segment: oil and gas exploration, development and production. The business segment can be further split into six geographical segments: Trinidad & Tobago, Spain, Cyprus, St Lucia, USA and UK.

Spain and Trinidad & Tobago, have been reported as the group's direct oil and gas producing entities, these are the group's only revenue generating operations. The UK is the Group's parent and administrative entity and is reported on accordingly.

The board considers the following external reporting to be appropriate. The Cypriot administration costs are reported in the geographical segment of Cyprus, as are the subsidiaries which hold these investments. Further breakdown of each of these relative country investments is not seen to be informative at this time as a result of their current development stages, and are thus combined and reported under their investment entity.

Year ended 31 December 2013	Corporate UK £'000	Holding Cyprus £'000	Holding St Lucia £'000	Operating Spain £'000	Operating Trinidad £'000	Operating US £'000	Total £'000
Operating profit/(loss) by geographical area							
Revenue (*)	–	–	–	2,039	3,874	–	5,913
Operating (loss)	(1,927)	(33)	(4)	(348)	(128)	(6)	(2,446)
Finance Charges	(342)	–	–	–	–	–	(342)
Finance revenue	–	–	–	–	–	–	–
Profit/(loss) before taxation	**(2,269)**	**(33)**	**(4)**	**(348)**	**(128)**	**(6)**	**(2,788)**
Other information							
Depreciation and amortisation	(2)	–	–	(101)	(221)	–	(324)
Capital additions	–	–	–	99	1,184	–	1,283
Segment assets							
Financial assets	4,957	–	1	9,286	8,363	–	22,607
Inventories	–	–	–	118	126	–	244
Cash	41	1	–	180	117	2	341
Consolidated total assets	**4,998**	**1**	**1**	**9,584**	**8,606**	**2**	**23,192**
Segment liabilities							
Trade and other payables	(1,575)	(5)	(2)	(283)	(542)	(3)	(2,410)
Taxation	–	(5)	–	–	(10)	–	(15)
Borrowings	(2,277)	–	–	–	–	–	(2,277)
Deferred Consideration	(1,970)	–	–	–	–	–	(1,970)
Provisions	–	–	–	(796)	–	–	(796)
Consolidated total liabilities	**(5,822)**	**(10)**	**(2)**	**(1,079)**	**(552)**	**(3)**	**(7,468)**

(*) Revenues are derived from a single customer/partner within each of these operating countries.

2 Turnover and segmental analysis (continued)

Year ended 31 December 2012	Corporate UK £'000	Holding Cyprus £'000	Holding St Lucia £'000	Operating Spain £'000	Operating Trinidad £'000	Operating US £'000	Total £'000
Operating profit/(loss) by geographical area							
Revenue (*)	–	–	–	2,760	429	156	3,345
Operating profit/(loss)	(1,108)	(19)	–	454	(320)	(304)	(1,297)
Loss on disposal	–	(1,846)	–	–	–	(4,697)	(6,543)
Other income	–	204	–	–	–	–	204
Finance Interest	(71)	–	–	–	–	–	(71)
Finance revenue	1	–	–	–	–	–	1
Profit/(loss) before taxation	**(1,178)**	**(1,661)**	**–**	**454**	**(320)**	**(5,001)**	**(7,706)**
Other information							
Depreciation and amortisation	(2)	–	–	(98)	(84)	(133)	(317)
Capital additions	–	–	–	173	2,647	–	2,820
Segment assets	3,088	–	–	8,866	7,030	–	18,984
Financial assets	155	–	–	279	138	–	572
Inventories	–	–	–	233	11	–	244
Cash	37	–	–	67	93	23	220
Consolidated total assets	**3,280**	**–**	**–**	**9,445**	**7,272**	**23**	**20,020**
Segment liabilities							
Trade and other payables	(782)	(2)	–	(301)	(124)	(50)	(1,259)
Taxation	–	(32)	–	–	(16)	–	(48)
Borrowings	(631)	–	–	–	–	–	(631)
Deferred Consideration	(1,970)	–	–	–	–	–	(1,970)
Provisions	–	–	–	(780)	–	–	(780)
Consolidated total liabilities	**(3,383)**	**(34)**	**–**	**(1,081)**	**(140)**	**(50)**	**(4,688)**

(*) Revenues are derived from a single customer/partner within each of these operating countries.

Notes to the Financial Statements
continued

3 Operating loss

	2013 £ 000's	2012 £ 000's
Operating loss is arrived at after charging:		
Auditors' remuneration:		
– Audit–related assurance services – Current year	**25**	25
– Auditors' remuneration payable to subsidiary auditors	**15**	5
Directors' emoluments – fees and salaries	**454**	445
Directors' emoluments – share based payments and options	**226**	-
Depreciation	**291**	142
Amortisation	**33**	175

4 Employee information (excluding directors')

	2013 £ 000's	2012 £ 000's
Staff costs comprised:		
Wages and salaries	**1,018**	934
Social security contributions	**200**	184
Total staff costs	**1,218**	1,118

The average number of employees on a full time equivalent basis during the year was as follows:

	Number	Number
Administration	**5**	4
Operations	**27**	22
Total	**32**	26

5 Taxation

	2013 £ 000's	2012 £ 000's
Analysis of charge in period		
Tax on ordinary activities	**63**	75
Factors affecting the tax charge for the period:		
Loss on ordinary activities before tax	**(2,789)**	(7,706)
Standard rate of corporation tax in the UK	**23%/24%**	24%/26%
Loss on ordinary activities multiplied by the standard rate of corporation tax	**(648)**	(1,888)
Effects of:		
Non deductible expenses	**100**	26
Withholding tax on overseas interest	**–**	–
Overseas tax on profits	**(63)**	(75)
Future tax benefit not brought to account	**548**	1,862
Current tax charge for period	**(63)**	(75)

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

There are approximately £7,071,403 (2012: £4,991,667) of tax losses yet to be utilised by a subsidiary company in Spain. The Spanish tax rate applicable is currently 35%.

6 Dividends

No dividends were paid or proposed by the Directors (2012: nil).

7 Directors' emoluments

	2013 £ 000's	2012 £ 000's
Directors' remuneration	**680**	445

2013	Directors Fees £000's	Consultancy Fees £000's	Share based payments £000's	Total £000's
Executive Directors				
David Lenigas	**12**	**240**	**–**	**252**
Neil Ritson	**160**	**–**	**192**	**352**
Non-Executive Directors				
Steve Horton	**12**	**30**	**34**	**76**
	184	**270**	**226**	**680**

2012	£000's	£000's	£000's	£000's
Executive Directors				
David Lenigas	12	240	–	252
Neil Ritson	160	–	–	160
Non-Executive Directors				
Steve Horton	12	21	–	33
	184	261	–	445

No pension benefits are provided for any Director.

In Q3 2011 it was decided that Executive Directors would defer their cash salary. As a result the CEO was not paid between the 30th September 2011 and 30 June 2012, his salary which had been accrued for that period within the financial statements continues to be accrued.

As at the 31 December 2013 the accrued and unpaid remuneration totals £611,439 including accrued consultancy fees for the last 3 years.

8 Other income

	2013 £ 000's	2012 £ 000's
Non-refundable deposit re: Spanish divestment	**–**	204
	–	204

Notes to the Financial Statements
continued

9 Loss per share

The calculation of loss per share is based on the loss after taxation divided by the weighted average number of share in issue during the period:

	2013	2012
Net loss after taxation (£000's)	**(2,851)**	(7,781)
Weighted average number of ordinary shares used in calculating basic loss per share (millions)	**1,960.6**	1,434.2
Weighted average number of ordinary shares used in calculating diluted loss per share (millions)	**2,154.8**	1,807.4
Basic loss per share (expressed in pence)	**(0.15)**	(0.54)
Diluted loss per share (expressed in pence)	**(0.15)**	(0.54)

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.

10 Finance charges

	2013 £ 000's	2012 £ 000's
Loan interest payable	**166**	71
Loan facility fees	**176**	–
	342	71

11 Intangible assets

	2013				
Group	Oil and gas properties £000's	Deferred exploration expenditure £000's	Decom-missioning costs £000's	Goodwill £000's	Total £000's
Cost					
As at 1 January 2013	9,829	–	780	3,083	13,692
Additions	207	–	–	–	207
Expensed costs	(99)	–	–	–	(99)
Foreign exchange difference on translation	147	–	16	–	163
As at 31 December 2013	**10,084**	**–**	**796**	**3,083**	**13,693**
Amortisation and Impairment					
As at 1 January 2013	1,763	–	13	–	1,776
Amortisation	31	–	2	–	33
Disposal	–	–	–	–	–
Foreign exchange difference on translation	34	–	–	–	34
As at 31 December 2013	**1,828**	**–**	**15**	**–**	**1,843**
Net book value					
As at 31 December 2013	**8,256**	**–**	**781**	**3,083**	**12,120**
As at 31 December 2012	8,066	–	767	3,083	11,916

Impairment review

At 31 December 2013, the Directors carried out an impairment review and have confirmed that no provision is currently required.

11 Intangible assets (continued)

	2012				
Group	**Oil and gas properties £000's**	**Deferred exploration expenditure £000's**	**Decom-missioning costs £000's**	**Goodwill £000's**	**Total £000's**
Cost					
As at 1 January 2012	25,035	1,846	799	3,083	30,763
Additions	126	–	–	–	126
Disposal	(14,752)	(1,846)	–	–	(16,598)
Foreign exchange difference on translation	(580)	–	(19)	–	(599)
As at 31 December 2012	**9,829**	**–**	**780**	**3,083**	**13,692**
Amortisation and Impairment					
As at 1 January 2012	10,793	–	11	–	10,804
Amortisation	173	–	2	–	175
Disposal	(8,673)	–	–	–	(8,673)
Foreign exchange difference on translation	(530)	–	–	–	(530)
As at 31 December 2012	**1,763**	**–**	**13**	**–**	**1,776**
Net book value					
As at 31 December 2012	**8,066**	**–**	**767**	**3,083**	**11,916**
As at 31 December 2011	14,242	1,846	788	3,083	19,959

Notes to the Financial Statements
continued

12 Property, plant and equipment

	2013 Group			2013 Company	
	Oil and gas properties £ 000's	**Property, plant and equipment £ 000's**	**Total £ 000's**	**Property, plant and equipment £ 000's**	**Total £ 000's**
Cost or Valuation					
As at 1 January 2013	6,875	624	7,499	9	9
Additions	211	865	1,076	–	–
Disposals	–	–	–	–	–
Foreign exchange difference on translation	(76)	(34)	(110)	–	–
As at 31 December 2013	**7,010**	**1,455**	**8,465**	**9**	**9**
Depreciation					
As at 1 January 2013	71	360	431	4	4
Depreciation	78	213	291	2	2
Impairment	–	3	3	3	3
Foreign exchange difference on translation	(6)	(3)	(9)	–	–
As at 31 December 2013	**143**	**573**	**716**	**9**	**9**
Net book value					
As at 31 December 2013	**6,867**	**882**	**7,749**	**–**	**–**
As at 31 December 2012	6,804	264	7,068	5	5

Impairment review
At 31 December 2013, the Directors have carried out an impairment review and confirmed that no write down is currently required.

12 Property, plant and equipment (continued)

	2012 Group			2012 Company	
	Oil and gas properties £ 000's	Property, plant and equipment £ 000's	Total £ 000's	Property, plant and equipment £ 000's	Total £ 000's
Cost					
As at 1 January 2012	–	541	541	9	9
Additions	2,598	96	2,694	–	–
Revaluation surplus	4,332	–	4,332	–	–
Foreign exchange difference on translation	(55)	(13)	(68)	–	–
As at 31 December 2012	**6,875**	**624**	**7,449**	**9**	**9**
Depreciation					
As at 1 January 2012	–	297	297	2	2
Depreciation	72	70	142	2	2
Foreign exchange difference on translation	(1)	(7)	(8)	–	–
As at 31 December 2012	**71**	**360**	**431**	**4**	**4**
Net book value					
As at 31 December 2012	**6,804**	**264**	**7,068**	**5**	**5**
As at 31 December 2011	–	244	244	7	7

Revaluation of Oil and Gas Properties

Management reviews the asset valuations on an ongoing basis, in particular those relating to oil and gas properties on purchase/acquisition, in 2012, an assessment is made of the true value to the business, and as such the most appropriate valuation method, that of cost or valuation was used. In respect of the addition of the IPSC (Incremental Production Service Contract) in October 2012, the true value is over the initial period of the contract.

Management have with the benefit of the CPR (Competent Persons Report) on the Goudron Field Onshore Trinidad, independently produced by Challenge Energy Ltd in July 2012 considered the value of not only the subsidiary whom had the rights to acquire the IPSC, but the value of the IPSC itself which was acquired for £2,544,000 (US$4million), and chosen to adopt the revaluation method in respect of this asset.

Using the CPR and a financial model in respect of the field and forecast production, future well drilling costs, etc revalued the asset to £6.8million (US$11million). Management consider this to be a prudent valuation when the financial model for the Goudron field is indicating a higher NPV over the remaining period of the IPSC to November 2019. The most significant inputs into this valuation approach are future oil prices, timing of drilling new wells, and production levels.

The revaluation surplus was credited to other comprehensive income and is shown in revaluation surplus in shareholders equity. The asset will be depreciated over the life of the IPSC on the unit of production basis. As such this valuation and further extensions will be continuously monitored over the life of the project.

In 2014, the valuation was tested against future economic value and the Board of Directors' concluded that the carrying value is justified as at 31 December 2013.

LENI GAS & OIL PLC

Notes to the Financial Statements
continued

13 Loss on disposal

	Year ended 31 December 2012		
	Oil and gas properties (US-Gulf of Mexico) £ 000's	Deferred exploration expenditure (Malta) £ 000's	Total £ 000's
Disposal Proceeds – cash received	**1,273**	**–**	**1,273**
Less			
Intangible assets – at cost	14,959	1,846	16,805
Accumulated amortization	(8,989)	–	(8,989)
Net book value at disposal	**5,970**	**1,846**	**7,816**
Loss on disposal	**(4,697)**	**(1,846)**	**(6,543)**

During the year to 31 December 2012, the Group disposed of the above assets as two separate transactions. The resultant losses on disposals are illustrated above. Each disposal is detailed below;

<u>Sale of oil and gas properties – US Gulf of Mexico</u>
On 21 August 2012, Leni Gas and Oil US Inc., sold its interest in 2 exploration leases to Byron Energy Inc. for US$400,000, these 2 interest areas were held at cost of US$225,742, and resulted in a profit US$174,258 on disposal of these 2 leases.

On 5 November 2012, Leni Gas and Oil US Inc., sold all of its remaining minority interest in the US Gulf of Mexico for a cash consideration of $1.625million to a USA Group. These assets had previously been written down in 2010 by £6.9million.

As a result, the total loss on disposal on sale in relation to all of the US assets was £4.697million.

<u>Sale of Malta, Area 4 Petroleum Sharing Contract (PSC)</u>
On 1 August 2012, on the basis of information provided by its 90% partner and Operator, Mediterranean Oil and Gas plc (MOG), the Group agreed to sell its 10% interest in the PSC to MOG for consideration of US$1 and the assumption of the Group's outstanding liabilities. Following the completion of the sale MOG holds the entire interest in the PSC.

As a result the entire investment in Malta and the PSC has been effectively written off with a loss on disposal for the investment value of £1,846,000.

Following completion of the sale, on 24 August 2012 MOG announced its intention to farm-out 75% of the PSC for a cash consideration of US$10million. LGO immediately asked for an explanation from MOG and sought legal advice regarding MOG's farm-out of the PSC. MOG did not provide satisfactory answers and LGO was obliged to seek to resolve the issues through lawyers. On 3 January 2013 issued legal proceedings against MOG in the High Court (England and Wales).

On 27 March 2014, the Company's court actions and legal proceedings against MOG came to a close. The judge's ruling was against the Company and the Company was ordered to pay MOG's costs, which currently are expected to total between £1.1million and £1.35million (Of which £0.6million have been paid up to the date of this report). After review of the case, the Company decided not to appeal against the Judge's decision.

14 Investment in subsidiaries

Shares in Group undertaking	**2013 £ 000's**	2012 £ 000's
Company		
Cost		
As at 1 January 2013	**3,085**	3,085
Additions	**–**	–
Disposals (see below)	**(3,084)**	–
As at 31 December 2013	**1**	3,085

On 29 April 2013, there was a Group re-organisation relating to the Group's ownership of the Trinidadian entities. The Group continues to retain 100% shareholding of all subsidiaries, and the transfer of ownership of subsidiaries from the parent company to LGO Trinidad Holdings Ltd was at carrying value (no gain/no loss).

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
Leni Investments Cps Ltd	Cyprus	100%	Investment Company
Leni Investments Byron Ltd	Cyprus	100%	Investment Company
Leni Investments Trinidad Ltd	Cyprus	100%	Investment Company
Via Leni Investments Cps Ltd			
Compañia Petrolifera de Sedano S.L.	Spain	100%	Oil and Gas Production and Exploration Company
Via Leni Investments Byron Ltd			
Leni Gas and Oil US Inc.	United States	100%	Oil and Gas Production and Exploration Company
Via Leni Investments Trinidad Ltd			
LGO Trinidad Holdings Limited	St Lucia	100%	Investment Company
Via LGO Trinidad Holdings Limited			
Leni Trinidad Ltd	Trinidad & Tobago	100%	Oil and Gas Production and Exploration Company
Columbus Energy Services Ltd	Trinidad & Tobago	100%	Oil and Gas Services Company
Goudron E&P Ltd	Trinidad & Tobago	100%	Oil and Gas Production and Exploration Company

Notes to the Financial Statements
continued

15 Trade and other receivables

	2013		2012	
	Group £ 000's	**Company £ 000's**	Group £ 000's	Company £ 000's
Current trade and other receivables				
Trade receivables	841	–	332	3,366
Taxation receivable	99	87	142	68
Other receivables	1,227	1,217	22	12
Prepayments	71	69	76	75
Total	**2,238**	**1,373**	572	3,521
Non-current trade and other receivables				
Loans due from subsidiaries	–	17,553	–	9,387
Total	**–**	**17,553**	–	9,387

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

16 Inventories

	2013		2012	
	Group £ 000's	**Company £ 000's**	Group £ 000's	Company £ 000's
Inventories – Crude Oil	229	–	244	–
Inventories - Consumables	15	–	–	–
Total	**244**	**–**	244	–

17 Derivative Financial Instrument

Shares in Group undertaking	**2013 £ 000's**	2012 £ 000's
Company		
Cost		
Fair value as at 1 January	**–**	–
Cost of equity swap arrangement	**500**	–
Settled during the year	**–**	–
As at 31 December	**500**	–

On 21 December 2013 the Company announced that it had entered into an equity swap agreement with YAGM over 131,578,944 of the Subscription Shares. In return for a payment by the Company to YAGM of £500,000 ("the Initial Escrowed Funds"), twelve monthly settlement payments were to be made by YAGM to the Company, or by the Company to YAGM, based on a formula related to the difference between the prevailing market price of the Company's ordinary shares in any month and a 'benchmark price' that is 10% above the Subscription Price. Thus the funds received by the Company in respect of the Swap Shares are dependent on the future price performance of the Company's ordinary shares.

The Initial Escrowed Funds was deposited into an escrow account and the subsequent monthly settlement payments will be managed through the Escrow Account under the terms of the Equity Swap Agreement.

YAGM may elect to terminate the Equity Swap Agreement and accelerate the payments due under it in certain circumstances. The Company may pause a monthly payment under the Equity Swap Agreement once in each six month period.

YAGM has agreed that it and its affiliates will refrain from holding any net short position in respect of the Company's ordinary shares and has agreed restrictions on the volume of ordinary shares in the Company that it can trade from time to time until the expiry or if earlier termination of the Equity Swap Agreement.

By 31 December 2013 nil shares had been closed out for net proceeds of £nil. The remaining balance has been fair valued at 31 December 2013, which has not resulted in any fair value adjustment based on the benchmark price and formula of the arrangement, with any unrealised gain credited to reserve and highlighted in other comprehensive income.

18 Trade and other payables

	2013		2012	
	Group £ 000's	**Company £ 000's**	Group £ 000's	Company £ 000's
Current trade and other payables				
Trade Payables	944	262	573	316
Deferred consideration	120	120	120	120
Taxation	15	–	48	–
Accruals	1,466	1,312	686	466
Total	**2,545**	**1,694**	1,427	902
Non-current trade and other payables				
Deferred consideration	1,850	1,850	1,850	1,850
Total	**1,850**	**1,850**	1,850	1,850

Notes to the Financial Statements
continued

19 Borrowings

	2013		2012	
	Group £ 000's	**Company £ 000's**	Group £ 000's	Company £ 000's
Current				
Loans – other (unsecured) [1]	1,287	1,287	221	221
Loans – other (unsecured) [2]	–	–	310	310
Loans – other (unsecured) [3]	112	112	–	–
Loans – other (unsecured) [4]	653	653	–	–
Interest payable on borrowings	225	225	100	100
	2,277	**2,277**	631	631

1. The loans due to other parties carry an interest charge of 10% and a repayment date of the 31 December 2014.The carrying amounts of short-term borrowings approximate their fair value, and are all denominated in pounds sterling.
2. The loans due to other parties carried an interest charge of 2% plus LIBOR and a repayment date of the 30 June 2013. The carrying amounts of short-term borrowings approximate their fair value, and are all denominated in pounds sterling.
3. The loans due to other parties carry an interest charge of 8% and a repayment date of the 30 June 2014. The carrying amounts of short-term borrowings approximate their fair value, and are all denominated in US Dollars.
4. The loans due to other parties carry an interest charge of 8% and a repayment date of the 31 December 2014. The carrying amounts of short-term borrowings approximate their fair value, and are all denominated in US Dollars.

Equity Line Facility

On the 12 November 2012, the Company announced that it had terminated its three year £5 million Equity Line Facility with Dutchess Opportunity Cayman Fund Ltd ("Dutchess") by mutual agreement. The Company no longer believes that this type of facility is required in the Company's forward funding plans. The facility was terminated at no cost to either party.

20 Provisions

	2013		2012	
Provision for decommissioning costs	**Group £ 000's**	**Company £ 000's**	Group £ 000's	Company £ 000's
At 1 January	780	–	799	–
Foreign exchange difference on translation	16	–	(19)	–
At 31 December	**796**	**–**	780	–

These costs relate to the estimated liability for removal of Spanish production facilities and site restoration at the end of the production life of the facilities.

21 Share capital

Called up, allotted, issued and fully paid	Number of shares	Nominal value £ 000's
As at 1 January 2012	**1,259,454,965**	**630**
3 August 2012 cash at 0.82p per share	18,292,636	9
20 September 2012 cash at 0.40p per share	600,000,000	300
As at 31 December 2012	**1,877,747,601**	**939**
21 June 2013 cash at 0.8p per share	162,500,000	81
23 December 2013 cash at 0.76p per share	131,578,944	66
23 December 2013 cash at 0.76p per share	78,947,369	39
As at 31 December 2013	**2,250,773,914**	**1,125**

During the year 373 million shares were issued (2012: 618 million).

Total share options in issue
During the year 204 million options were issued (2012: 10 million).

As at 31 December 2013 the options in issue were:

Exercise Price	Vesting Criteria	Expiry Date	Options in Issue
1p	–	31 July 2018	56,000,000
1p	500 bopd	31 July 2018	49,333,333
1p	600 bopd	31 July 2018	49,333,333
1p	700 bopd	31 July 2018	49,333,334
		As at 31 December 2013	**204,000,000**

28.8 million options lapsed during the year (2012: 16 million). 55 million options were cancelled in the year (2012: nil), and no options were exercised during the year (2012: nil).

Total warrants in issue
During the year, 28.1 million warrants were issued (2012: nil).

As at 31 December 2013 the warrants in issue were;

Exercise Price	Expiry Date	Warrants in Issue 31 December 2013
2.00p	30 September 2014	4,200,000
1.11p	25 June 2016	18,267,282
1p	8 November 2016	9,841,772
	As at 31 December 2013	**32,309,054**

103,663,906 warrants lapsed during the year (2012: nil), no warrants were cancelled or exercised during the period. (2012: nil).

Notes to the Financial Statements
continued

22 Share based payment arrangements

Share options

The Company has an 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 were granted under the plan for no consideration. Options were granted for a three or five year period. There are 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.

Details of the current unexpired share options at the date of this report are as shown in the table below:

Name	Date Granted	Vesting Date	Number	Exercise Price (pence)	Expiry Date	Fair Value at Grant Date (pence)	Fair Value after discount (pence)
Neil Ritson	1 July 2013	1 July 2013	25,000,000	1	31 July 2018	0.73	0.51
Neil Ritson	1 July 2013	500 bopd	25,000,000	1	31 July 2018	0.73	0.46
Neil Ritson	1 July 2013	600 bopd	25,000,000	1	31 July 2018	0.73	0.46
Neil Ritson	1 July 2013	700 bopd	25,000,000	1	31 July 2018	0.73	0.45
Steve Horton	1 July 2013	1 July 2013	5,000,000	1	31 July 2018	0.73	0.51
Steve Horton	1 July 2013	500 bopd	3,333,333	1	31 July 2018	0.73	0.46
Steve Horton	1 July 2013	600 bopd	3,333,333	1	31 July 2018	0.73	0.46
Steve Horton	1 July 2013	700 bopd	3,333,334	1	31 July 2018	0.73	0.45
Staff	1 July 2013	1 July 2013	20,000,000	1	31 July 2018	0.73	0.51
Staff	1 July 2013	500 bopd	15,000,000	1	31 July 2018	0.73	0.46
Staff	1 July 2013	600 bopd	15,000,000	1	31 July 2018	0.73	0.46
Staff	1 July 2013	700 bopd	15,000,000	1	31 July 2018	0.73	0.45
Consultants	1 July 2013	1 July 2013	6,000,000	1	31 July 2018	0.73	0.51
Consultants	1 July 2013	500 bopd	6,000,000	1	31 July 2018	0.73	0.46
Consultants	1 July 2013	600 bopd	6,000,000	1	31 July 2018	0.73	0.46
Consultants	1 July 2013	700 bopd	6,000,000	1	31 July 2018	0.73	0.45
Totals			**204,000,000**				

The fair value of the options vested during the period was £0.41 million (2012: £0.1 million). Also 28.8million (2012: 16 million) options lapsed during the year, 55 million (2012: nil) options were cancelled, and the fair value of these lapsed and cancelled options was £1.187 million, transferred through equity to retained earnings. 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 December 2013:

	1 July 2013
Dividend Yield (%)	–
Expected Volatility (%)	97%
Risk-free interest rate (%)	2%
Share price at grant date (pence)	0.73p

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may, not necessarily be the actual outcome.

23 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 predominantly 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

	2013 £ 000's	2012 £ 000's
Sterling	**4**	37
Euros	**180**	67
US Dollars	**99**	23
Trinidad Dollars	**58**	93
	341	220

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%

Oil Price Risk

The Group is exposed to commodity price risk regarding its sales of crude oil which is an internationally traded commodity. The Group sales prices are based off of two benchmarks, West Texas Intermediate (WTI) for sales in Trinidad and Brent Crude (Brent) for sales in Spain.

The high/lows of both benchmarks are shown below:

	Spot oil prices for 2013		
	Low	**Average**	**High**
WTI	86.65	97.98	110.62
Brent	96.84	108.52	118.90

The below shows how the Group's 2013 revenue sensitivity to an average price that as 10% higher and 10% lower than the average price for the year.

	Oil price sensitivity	
	10% decrease	**10% increase**
Trinidad	3,487	4,261
Spain	1,835	2,243
Total	**5,322**	**6,504**

Notes to the Financial Statements
continued

23 Financial instruments (continued)

Foreign currency risk
The following table details the Group's sensitivity to a 10% increase and decrease in the Pound Sterling against the relevant foreign currencies of Euro, US Dollar, and Trinidadian Dollar. 10% represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated investments and other financial assets and liabilities and

adjusts their translation at the period end for a 10% change in foreign currency rates. The following table sets out the potential exposure, where the 10% increase or decrease refers to a strengthening or weakening of the Pound Sterling:

	Profit or loss sensitivity		Equity sensitivity	
	10% increase £ 000's	10% decrease £ 000's	10% increase £ 000's	10% decrease £ 000's
Euro	32	(39	(597)	730
US Dollar	1	(1)	–	–
Trinidad Dollar	12	(14)	(908)	1,110
	45	(54)	(1,505)	1,840

Rates of exchange to £1 used in the financial statements were as follows:

	As at 31 December 2013	Average for the relevant consolidated period to 31 December 2013	As at 31 December 2012	Average for the relevant consolidated period to 31 December 2012
Euro	1.198	1.178	1.223	1.232
US Dollar	1.649	1.564	1.616	1.584
Trinidad Dollar	10.611	10.020	10.341	10.124

24 Commitments and contingencies
As at 31 December 2013, the Company had the following material commitments:

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.

As announced in August 2013, as part of the licence extension and royalty reduction agreement, the Group has agreed to a new work program of 10 new wells in the next 10 years. Four by year 5, four by year 7 and two by year 10.

Additionally the Group has committed to conduct an Airborne gravity survey by year 5 and drill one developmental well by year 7.

Contingencies
As a result of the rulings of the court case with MOG in March 2014, Leni Gas and Oil Plc has paid, £600,000 in 2014, to cover MOG's legal costs. The total amount expected still to be paid is between £500,000 and £750,000, however this is as yet to be agreed and finalised with MOG.

25 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between other related parties are discussed below.

During the period, the Company accrued the following consultancy fees to the Company's directors for work performed in relation to an overseas subsidiary. These fees have been recharged to this subsidiary as follows :

(i) £240,000 to David Lenigas (2012: £240,000),

(ii) £30,000 to Stephen Horton (2012: £33.000),

(iii) Total consultancy fees accrued to directors £525,000 (2012:£325,000).

Remuneration of Key Management Personnel

The remuneration of the Directors and other key management personnel of the Group are set out below in aggregate for each of the categories specified in IAS24 Related party Disclosures.

	2013 **£ 000's**	2012 £ 000's
Short-term employee benefits	**556**	610
Share-based payments	**366**	103
	922	713

26 Events after the reporting period

On 18 March 2014, the Company announced it had signed a Heads of Term with Pansoinco srl, with the intention of Pansoinco becoming a long term partner in the group's Spanish oil and gas assets.

However, on 4 June 2014, the Company announced these negotiations had been terminated, and the Company was no longer seeking to find a partner for the development of the Spanish assets.

On 27 March 2014, the Company's court actions and legal proceedings against Mediterranean Oil and Gas Plc (MOG) came to a close. The judge's ruling was against the Group and the Group was ordered to pay MOG's costs (as per note 24). To date, a payment of £600,000 has been made. After review of the case, the Group decided not to appeal against the Judge's decision.

On 2 April 2014, the Company issued 14,218,605 new Ordinary Shares in respect of remuneration for services provided by Beach Oilfield Ltd to the value of £125,000.

On 25 April 2014, the Company raised £1.375million before expenses by way of a placing of 144,736,842 new Ordinary Shares, at a price of 0.95 pence per share.

On 3 June 2014, the Company announced it had fully closed the Equity Swap Arrangement with YAGM. This swap was entered into on the 23rd December 2013, and since then has provided the Company with a total of £1,407,404 in cash.

27 Profit and loss account of the parent company

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company has not been separately presented in these accounts. The parent company loss for the year was £2.269 million (2012: £17.036 million).

Corporate Information

Registered number	05901339
Directors	David Lenigas – Executive Chairman Neil Ritson – Chief Executive Officer Steve Horton – Non Executive Director
Company Secretary	Kiran Morzaria
Registered Office	Suite 3B, Princes House, 38 Jermyn Street, London, SW1Y 6DN Tel: +44 (0)20 7440 0645 Fax: +44 (0)20 7440 0641 Email: info@lenigasandoil.com Website: www.lenigasandoil.com
Auditors	Chapman Davis LLP 2 Chapel Court London SE1 1HH United Kingdom
Solicitors	Kerman & Co LLP 200 The Strand London WC2R 0ER United Kingdom
Nominated Advisor and Joint Broker	Beaumont Cornish Limited 2nd Floor, Bowman House, 29 Wilson Street, London EC2M 2SJ United Kingdom
Joint Broker	Old Park Lane Capital Plc 49 Berkeley Square, London, W1J 5AZ United Kingdom
Share Registry	Share Registrars Limited Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL United Kingdom
Principal Bankers	HSBC Bank plc 196 Oxford Street London, W1D 1NT United Kingdom
Public Relations	Bell Pottinger Limited 5th Floor, Holborn Gate London WC1V 7QD United Kingdom

Registered office:
Suite 38, Princes House
38 Jermyn Street
London SW1Y 6DN