

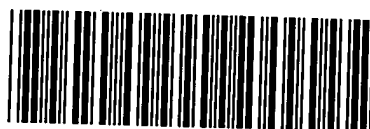


LGO ENERGY PLC

**ANNUAL REPORT AND
ACCOUNTS 2015**

Company Number 05901339

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LGO Energy plc ("LGO" or "the Company") is a company incorporated in England and Wales which is quoted on AIM with subsidiaries operating in Trinidad and Spain. Its principal activities are the production and exploration of oil and gas.

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HIGHLIGHTS**FOR THE 12 MONTH PERIOD ENDING 31 DECEMBER 2015****OPERATIONAL**

- Group oil sales in the period were 323,080 barrels net to LGO, equivalent to 885 barrels per day ("bopd"), (2014: 203,712 barrels, 558 bopd), an increase year on year of nearly 60%
- A total of seven new C-sand wells were drilled at the Goudron Field, though the last well (GY-678) was lost due to mechanical reasons
- Goudron E&P Limited ("GEPL") received approval from the Trinidad and Tobago authorities for the drilling of 30 additional wells at the Goudron Field, increasing the available approved wells not yet drilled from 15 to 45
- Goudron oil sales averaged 776 bopd (2014: 459 bopd), with wells from the 2014 drilling programme performing well overall
- A 25% interest was acquired in Trinidadian private exploration and production company Beach Oil Field Limited ("BOLT") thereby acquiring an indirect interest in the Cedros shallow rights including the Bonasse Oil Field, in addition to the existing 100% Cedros deep rights interest the Company holds
- Spanish oil sales were maintained at an average of 97 bopd (2014: 86 bopd), with well performance overall slightly improved due to a greater degree of well intervention
- A formal application was submitted to the Spanish authorities for one 10-year extension of the La Lora (Ayoluengo) Concession in Northern Spain ahead of licence expiry in January 2017

CORPORATE

- A US\$25 million pre-paid oil swap facility was agreed with BNP Paribas, with US\$11.78 million drawn in March 2015. The drawdown was subsequently converted to a fixed liability of US\$10.83 million in November 2015 (current outstanding loan balance is US\$4.3 million)
- During the year LGO raised £9.30 million in new share equity (before expenses) at a weighted average price of 2.15p per share
- John (Iain) Patrick, one of three independent Non-Executive Directors on the Board, left in November 2015

FINANCIAL

- Revenue for period of £9.48 million (2014 £9.21 million), an increase of 3%
- Gross profit for period was a loss of £0.33 million (2014 a profit of £2.95 million)
- Pre-tax group loss for period of £11.47 million (2014 loss of £5.11 million) increased largely due to lower oil prices, accelerated depreciation and amortisation charges, and exceptional items such as impairments and the loss of the downhole logging tool on GY-678

KEY TARGETS FOR 2016

- Complete the process of debt and creditor restructuring to permit return to standard operations as soon as practical
- Maintain the business with low unit operating costs and continue to provide a platform for economic growth at continued low oil prices
- Progress the Cedros and other South West Peninsular interests in Trinidad to ensure medium-term growth options are preserved and enable longer-term value creation
- Maintain the Spanish assets for value in advance of the anticipated granting of the extension of the La Lora Concession in January 2017
- Seek opportunities to invest for the future in low-risk/low-cost production additions including the planning of and preparations for a potential water flood EOR at Goudron to access over 800 mmbbls of best estimate gross in place oil resources

NOTES

All figures are net to LGO unless otherwise stated.

CHAIRMAN'S STATEMENT

The last 12 months have been extremely challenging for the oil and gas sector in general and LGO has experienced a very difficult operating environment. Low commodity prices and the related poor sentiment in the market have impacted upon oil and gas operators and contractors across the board, and the financial consequences of the loss of well GY-678 in September 2015 have added to the challenges we have faced.

The simultaneous loss of GY-678, its planned production, the loss of downhole equipment in the well, and lower than expected production from a number of 2015 wells, when combined with the low oil prices, resulted in a breach of the covenants associated with the Company's debt facility with BNP Paribas ("BNPP"). LGO has worked hard under the BNPP security arrangements that control Goudron E & P Limited funds and expenditure, to ensure that the default has been limited to the covenants. Payments to BNPP, and to unsecured creditors, have been made through cash flow and the issuing of new equity at the Group level.

The impact of these events has been widespread and serious for the Company. The Board and the Management team have worked tirelessly to recover the situation and our progress has enabled maintenance of the field and recently additional well operations at Goudron. Arrangements have been put in place with all major creditors and as the oil price has begun to recover in recent months, the Group has been able to apply some new capital to operations in the Goudron Field in an effort to raise production.

The Goudron Field, with over 800 million barrels of oil in place, represents a very significant asset which can be economically developed over the coming years using the expertise and knowledge gained from the three years of investment and work in the field. The La Lora Concession renewal application for the Ayoluengo Field has been progressed to the Council of State in Spain and it is anticipated we will have a positive outcome on this process later in the year. The Company's assets in the South West Peninsula of Trinidad were further enhanced through the acquisition of Cedros shallow rights during the year, and are the subject of three separate Licence applications before the Ministry of Energy. Successful negotiations around our licences in Spain and Trinidad will add further value, and potential growth to the core asset at Goudron should arise from the planned program of wells into the Goudron/Mayaro Sandstone horizon and the enhanced oil recovery project ("EOR") under consideration as funds are available.

The Board have made substantial cash cost savings in the Group including the reduction of headcount, salaries, overheads, and effectively eliminating all discretionary spending. With the continued support from our Shareholders the Board now believes that the Company is set on a path to recovery. Although the cost of this recovery has had a serious impact on the share price, the Company's licence to operate, assets, expertise and knowledge have been preserved and as market conditions improve we anticipate this success will be recognised by the market over time.

Thank you for your patience and support during a prolonged period of uncertainty and I look forward to reporting improved results as the year progresses.

Steve Horton
Chairman
9 June 2016

CHIEF EXECUTIVE'S REVIEW

In 2015 the Company continued to focus on its flagship Goudron Field development with the drilling of seven new wells and the commencement of planning for an enhanced oil recovery project which we expect will access significant additional resources. The wells drilled in the 2015 Goudron campaign were specifically designed to increase the knowledge of the reservoir to allow the planning of the anticipated waterflood enhanced oil recovery project ("EOR"), through which more of the 800 million barrels ("mmbbls") of most likely oil in place will ultimately be recovered. The Company's activities at the Ayoluengo Field in northern Spain continue to be managed in a care and maintenance mode. The emphasis at Ayoluengo has continued to be on production efficiency and safety, with a parallel activity in Madrid and London focussed on the La Lora Concession renewal process. Progress has also been maintained in technical work and licensing of the South West Peninsula of Trinidad where the Company controls the majority of the prospective leases.

In March 2015 the Company drew down US\$11.78 million on a US\$25 million pre-paid oil swap facility with BNPP and made the first payment due under that facility in early October. However, the loss of well GY-678 had dramatic and far reaching consequences on the workings of the facility and it was subsequently converted to a fixed liability in November 2015 with a value of US\$10.83 million. The BNPP liability was further reduced to \$4.6 million in May 2016 through the offsetting of secured funds and the payment of principal. Routine payments under the amended facility have been made on schedule and the remaining loan outstanding at the time of this report is US\$4.3 million, with an indicative repayment schedule agreed until September 2017.

Following the issues that arose after the loss of GY-678, LGO engaged two US brokerages, Wellford Capital Markets, LLC ("Wellford") and Height Securities, LLC ("Height"), to assist the Company in looking for a strategic investor in the USA, supported by the Company's UK broker, First Energy LLC. The Company decided to broaden the search for investment by entering a strategy review in early December 2015. These two processes were conducted against the backdrop of falling oil prices which reached 12 years lows in early 2016. Whilst there was considerable interest in both an investment and possible business combinations, no binding arrangements were reached and the Company elected to terminate the formal sales process and offer period in early March 2016.

The Company maintains its focus on health, safety and environment, being responsive to all potential risks and seeking to mitigate the impact of its operations on the environment. Important lessons were learnt from the loss of the downhole equipment and the well, in the GY-678 'stuck pipe incident', and the Company's new procedures have been implemented to ensure a similar event is even less likely in future.

TRINIDAD & TOBAGO

The Company, through various wholly owned subsidiaries, holds interests in three producing fields; Goudron, Icacos and Bonasse, and in a number of private petroleum leases where production has yet to be established. Trinidad remains the strategic focus of the Company's activities and represents the bulk of near-term activity and significant long-term growth potential, both within existing assets and in additional assets acquired through third-party arrangements or directly from the Trinidad and Tobago government.

Goudron

LGO acquired the rights to the Goudron Field, by way of an Incremental Production Service Contract ("IPSC"), through its wholly owned subsidiary, Goudron E&P Limited ("GEPL"), in October 2012. The Goudron Field lies 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 oil price.

Following a period focussed on reactivating around 70 old legacy wells and building new tank and pipeline infrastructure, the Company embarked on drilling operations in April 2014 with a program of 15 new development wells specifically targeting the under-exploited C-sand formation. Eight wells, GY-664 to 671, were successfully drilled and placed on production in 2014 and a further seven wells, GY-672 to 678, were drilled in 2015. The 2015 program was designed to appraise the extent of the C-sand and to provide vital data that would allow a water flood EOR to be designed and executed in future years.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

The nature of the 2015 well program differed from the 2014 program in so much as wells were targeted at data collection for the eventual waterflood and to evaluate the extent and quality of the C-sand reservoir. Production potential of the overall program was less on a risk basis as several of the wells were targeted at the margins of the known reservoir extent and therefore carried greater uncertainty than wells located in the proven field area. Drilling commenced on 15 April with well GY-672 from drilling pad 4 ("Pad 4") and located 336 feet of Mayaro Sandstone (shallow reservoir also known as Goudron Sandstone) and a further 160 feet of net oil pay in the C-sand reservoir. Drilling time was markedly reduced through the deployment of logging whilst drilling ("LWD") technology.

Well GY-673 spudded on 1 May and located 650 feet of Mayaro and 140 feet of C-sand pay. The final well on Pad 4, GY-674, reached total depth on 11 June with 492 feet of Mayaro and 277 feet of C-sand oil pay. A 30-foot core was cut in the C-sand reservoir with 92% recovery to be used in reservoir engineering studies associated with the potential EOR project. The rig was then moved to Pad 5 and operations commenced on Pad 4 to bring the first three wells on production.

Drilling on Pad 5 commenced with GY-675 on 15 June which reached total depth on 30 June with 330 feet of Mayaro Sandstone and 260 feet of C-sand net oil pay observed on electric logs. Well GY-676, also from Pad 5, was drilled in July whilst extensive production testing operations were carried out on the Pad 4 wells. Reservoir quality and oil production data from the Pad 4 wells fell somewhat short of the pre-drill expectations and resulted in the decision to deploy the final well of the planned program, GY-678, on Pad 3 in an area of the field which is known to have better reservoir development. GY-676 showed the presence of 250 feet of Mayaro and 222 feet of C-sand pay, and the final well on Pad 5 in the north east of the field, GY-677, revealed 355 feet of Mayaro Sandstone oil pay and 130 feet of C-sand pay.

The Goudron Field has no seismic coverage and therefore wells drilled in 2015 were designed to have the dual purpose of boosting production while also helping to delineate the lateral extent of the C-sand reservoir and variations in quality within it. The move away from the core area of the field resulted in more variable results compared to those seen in 2014. C-sand reservoir was observed in all wells, though a range of thickness and quality was seen and production characteristics were generally less favourable in the wells from Pads 4 and 5 when compared to the earlier Pad 1, 2 and Pad 3 wells drilled in 2014.

In GY-678, where a 30-foot C-sand core was cut with 100% recovery, the Mayaro Sandstone oil pay was logged as 177 feet thick and the total C-sand pay section was 489 feet; the thickest C-sand reservoir observed to date in the Goudron Field. The reservoir pay logged in GY-678 includes a previously unconfirmed deeper sand package, termed the "deep wedge" by LR Senenergy in their extensive field evaluation work conducted for the Company in 2014 and 2015. This pre-Cruise interval is a new oil pool within the Goudron Block and, as seen on electric logs, has good reservoir characteristics and a higher oil/gas ratio than the upper sands which were successfully completed in GY-670. Unfortunately, a mechanical problem in the well bore caused by a stuck pipe incident during final well operations caused the well to be plugged and abandoned below 1,900 feet MD. Whilst the deep wedge will increase the oil in place within the Goudron Field by an estimated gross 60 mmbbls (P50) it has so far proved impossible to test the production potential of this zone.

Improvements in drilling technique, including using measurement and logging whilst drilling ("LWD"), and deploying an intermediate casing string to ensure full pressure isolation of gas sands in the upper pre-Mayaro sequence, were successfully applied to the 2015 drilling campaign. These LWD techniques, although widely deployed in the oil and gas industry, had not previously been used onshore in Trinidad and consequently LGO contracted experienced drilling management services to supervise the work. The unexpectedly thick reservoir sand section found in well GY-678 meant that drilling had to continue for several hundred feet beyond the originally planned total depth for the well. Mitigation measures were put in place to address the additional time that the reservoir section was left exposed to circulating drilling fluid and the rotating drilling string however these were ultimately shown to be insufficient to avoid the stuck-pipe incident that followed. This resulted in a significant uninsured loss that has subsequently severely hampered the Company's operations.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

During the drilling of the 15 new C-sand wells in 2014 and 2015 the shallower Mayaro Sandstone, also known as the Goudron Sandstone, was found to be oil bearing in all wells and it is now hoped to initiate a campaign of specific Mayaro Sandstone drilling with the potential for additional low cost production from the field. Plans are in hand to drill a series of vertical Mayaro Sandstone wells to a maximum depth of 1,700 feet. So far, a total of some 70 locations have been considered viable for infill drilling to the Mayaro Sandstone, and some 20 locations have already been selected where individual wells could be sited close to infrastructure, but away from existing Mayaro Sandstone production. These wells can be drilled using a heavy workover rig, such as the Company-owned Columbus#1 Rig, and are estimated to cost less than US\$450,000 per well. Since the wells are simple vertical holes, the downhole equipment is minimal and there is no need for complex surface facilities, as was required for C-sand drilling pads in 2014 and 2015. Drilling of Mayaro Sandstone wells is planned to commence as soon as capital is available.

Data from the eight new wells drilled in 2014, along with data from the reactivated and legacy wells, was analysed by LR Senergy in 2014 in order to construct a comprehensive new geological ("static") model of the field. That static model was subsequently used in a new resource assessment which was published in June 2015. One key finding of the resource assessment was that the best estimate oil in place ("STOIIP") is five-fold larger than that previously derived in the 2012 Competent Persons Report based on data available at that time. The new STOIIP estimated is a best estimate (P50) of 805 million barrels. This is anticipated to rise in the 2016 reserves report being prepared by Deloitte which is expected to be available in third quarter 2016.

To assist with the anticipated EOR scheme, a 30-foot core was acquired in each of wells GY-674 and GY-678. Analysis of those cores will be used, along with other information collected in the 15 wells drilled since April 2014, in the ongoing EOR design work which the Company anticipates could lead to an initial phase of the water flood commencing in late 2017. The conceptual first phase of an EOR scheme will test a number of producer-injector pairs derived from the existing well stock and use locally sourced produced water. The findings from phase one will be used to design and implement a wider, potentially field-wide, scheme in future years.

During the period from October 2015 to April 2016 the Company was severely constrained as to the deployment of capital in the field and as a result production levels dropped across all well types, old and new. In April 2016 it was determined that a number of low cost recompletions, and an increase in the active well maintenance campaign, could be pursued due to oil prices rising and stabilizing in the range of US\$40 to US\$50/barrel. Furthermore, the Company had requested and was granted a significant reduction in the overriding royalty by Petrotrin associated with production above 150 bopd low oil prices, and therefore the small amount of new capital available to the Group was deployed in the Goudron Field. As a result seven wells were selected for additional perforating and the first two, GY-671 and GY-50, have now been worked over and placed on pumped production. Additional wells, both legacy and recent drilling, are targeted to receive additional investment aimed at low cost production uplift and the results of that program will be announced in due course.

South West Peninsula

Through its local subsidiary, Leni Trinidad Limited ("LTL"), LGO holds a 50% interest in the producing Icacos Oil Field in the South West Peninsula where production has been maintained at roughly 35 bopd gross. LTL also holds a 25% shareholding in Beach Oil Field Limited ("BOLT") acquired in October 2015. BOLT operates the Bonasse Field in the South West Peninsula.

Only routine well maintenance has been undertaken at the Icacos and Bonasse Fields in 2015 and this has maintained production at current levels. Further development work at Icacos has been identified subject to an application to the Trinidad and Tobago Ministry of Energy and Energy Industries ("MOEEI") for a new private petroleum licence ("PPL"). The Bonasse Field, which was originally discovered in 1911 and had a total of 16 wells drilled to depths up to 1,200 feet, is producing at rates generally below 10 bopd from three active wells. An extension of the PPL covering the Bonasse leases has also been applied for with the MOEEI prior to commencing additional work, including drilling additional wells, to raise production levels.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

LGO also holds, through LTL, a number of 100% owned private petroleum leases totalling approximately 1,750 acres and the Company is in the process of obtaining a PPL from the MOEEI in order to finalise ongoing field survey activities with a view to drilling exploration wells at some point in the future. To date LTL has acquired all pre-existing data, has participated in a soil geochemistry survey with BOLT and has acquired airborne survey data. These data have been integrated and a preliminary assessment of prospectivity has been made that indicates the presence of a significant number of oil and gas leads that could be matured into prospects for future drilling once the PPL has been granted.

LGO entered into a Letter of Intent in 2013 with BOLT to cross-assign the interests of the two companies within the South West Peninsula at stratigraphic levels below 7,000 feet. LTL will be the operator of the combined leases and will hold a 100% working interest of the deeper rights, with BOLT receiving an overriding royalty on any future production revenues. Progress continues to be made on bringing this arrangement into effect and two payments were made to BOLT in the form of LGO shares to maintain exclusivity on the prospects whilst leasing arrangements are finalised. The share payments are refundable with a long-stop date of 30 September 2016 for completion of the necessary lease and licence assignments unless the terms are further extended by mutual consent. On completion of this transaction LTL will hold interests in over 10,900 acres of petroleum leases in the South West Peninsula.

A Full Tensor Gravity ("FTG") survey sponsored by LGO was flown over the entirety of southern Trinidad in early 2015 to assist in its ongoing operations in the South West Peninsula and Goudron, and to look for additional investment opportunities. LGO, through its wholly owned subsidiary Columbus Energy Services Limited ("CESL"), provided both logistical and financial assistance to the FTG contractor, ARKeX Limited ("ARKeX"). The ARKeX operated aircraft flew a 5,700 square kilometre survey in January and February 2016 which was subsequently processed by ARKeX at their head offices in Cambridge, UK. Additional proprietary interpretation was undertaken by LTL, integrating the airborne gravity and magnetic data with other relevant well and seismic data. Data quality is high and the data has already proved invaluable in better defining the extent of features observed on other data sources including the soil geochemistry survey. The data has also assisted with fault and fold delineation in other areas, such as in the Goudron Block, where other LGO subsidiaries operate. To date only the Company and Petrotrin have licenced and have access to this valuable and unique data set.

Other Trinidad

In late 2014 LGO entered into a Sale and Purchase Agreement ("SPA") with Trinity Exploration and Production plc ("Trinity") to acquire the shares of a Trinity subsidiary Tabaquite Exploration & Production Limited ("TEPL"). Both parties subsequently notified each other of alleged breaches of the SPA. The parties ultimately resolved the situation in December 2015 through LGO paying a break-fee of US\$250,000, in LGO shares, to Trinity. Following the resolution of the dispute LGO has been in discussions with Petrotrin over a possible partnership in the Tabaquite Block once a new licence has been granted by the MOEEI.

SPAIN

LGO holds 100% ownership through its wholly owned subsidiary, Compañia Petrolifera de Sedano ("CPS"), in the La Lora Production Concession ("La Lora") which contains the producing Ayoluengo Oilfield in Northern Spain. An application for the production of oil from the nearby Hontomin discovery in the Huermeceles permit has been made and is pending award.

The current 50-year La Lora concession expires at the end of January 2017 after which, so long as the field is still producing and a number of other conditions are met, the concession can be renewed for one, or potentially two, further 10-year periods. In August 2015 a full application for the renewal of La Lora was filed with the various relevant authorities in Spain and the management remain confident that the concession will be renewed. Initial post-renewal work plans include the side-tracking of a number of existing wells into areas of the reservoir believed to contain unswept oil based on extensive studies of the well and 3D seismic data submitted with the application. The combination of new well bores into areas of unswept oil is anticipated to provide significant production uplift.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

The Company currently maintains a regular well intervention programme using a combination of hot oil, xylene and acid, which leads to improvements in production despite the age and condition of many of the active wells. Action has also been taken to reactivate a number of dormant wells through both mechanical and chemical means. These interventions, using the Company owned Cardwell work-over rig, have continued throughout 2015 to optimise production whilst limiting operating costs.

Oil sales in 2015 were made exclusively to Saint-Gobain Vicasa SA ("Saint-Gobain") under a contract renewed in 2012 and again in September 2015. 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 chemistry. This contract was terminated by Saint-Gobain in late 2015 due to a change in ownership of the main recipient factory. Notwithstanding the contract termination Saint-Gobain has continued to purchase cargoes of oil and has arrangements in place to continue to do so at least into the third quarter 2016.

During the early part of 2016 with oil prices at record lows and restricted off-take from Saint-Gobain, CPS built up additional oil in storage and it has recently started to market a bulk cargo of up to 7,500 barrels of oil. CPS has also renewed its long-term contractual arrangements to supply the BP España Castellon refinery under certain conditions that may be met once new investments have been made following any renewal of the La Lora concession.

Due to a lack of access in some areas covered by national parks and a reduced interest in exploration, CPS is in the process of relinquishing the exploration permits held in Northern Spain and is seeking return of its performance guarantees from the Spanish authorities. It is anticipated that process will complete in 2017.

OUTLOOK

The Company continues to focus on the long-term value of the significant potential in its portfolio, most notably at Goudron, Ayoluengo and in the South West Peninsula, whilst being conscious of the need for continued short-term capital discipline. Spain will continue to be managed for value in a safe fashion pending the extension of the La Lora concession. The Goudron Field has undergone a period of reduced activity whilst creditor restructuring has progressed. Recently the Company has accelerated routine maintenance operations and hopes to complete at least seven low cost recompletions in the short term and plans to commence the drilling of a number of shallow Mayaro Sandstone (previously termed the Goudron Sandstone) infill wells when capital permits.

Following the recent equity placements in 2016 totalling £4.55 million, the Company reached agreement with its largest creditors over repayments of our outstanding liabilities. As that process completes, it is hoped we can be in a position to refinance the BNPP liability in its entirety and apply greater amounts of capital to production enhancement activities at the Goudron Field.

Safe and environmentally sound production onshore operations where there are proven reserves will remain central to the Company's long-term growth proposition.

Neil Ritson

Chief Executive Officer

9 June 2016

Qualified Person's statement:

The information contained in this document has been reviewed and approved by Neil Ritson, Executive Director for LGO Energy 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 38 years of relevant experience in the oil industry.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

GLOSSARY & NOTES

AIM	London Stock Exchange Alternative Investment Market
ARKeX	ARKeX Limited
barrel or bbl	45 US gallons
Bbls	barrels of oil
best estimate or P50	the most likely estimate of a parameter based on all available data, also often termed the P50 (or the value of a probability distribution of outcomes at the 50% confidence level)
BNPP	BNP Paribas
BOLT	Beach Oilfield Limited
bopd	barrels of oil per day
Brent	North Sea Brent; oil price marker crude
C-sand	sandstone reservoirs below the pre-Mayaro unconformity and above the pre-Lower Cruse unconformity encompassing sandstones of equivalent age to both the Gros Morne and the Lower Cruse formations
CESL	Columbus Energy Services Limited
CPR	Competent Persons Report
CPS	Compañía Petrolífera de Sedano
EOR	enhanced oil recovery
FTG	Full Tensor Gravity Gradiometry. Full tensor gradiometers measure the rate of change of the gravity vector in all three perpendicular directions
GEPL	Goudron E&P Limited
Goudron Sandstone	reservoir sands above the pre-Mayaro unconformity, also known as the Mayaro Sandstone
IPSC	incremental production service contract
La Lora	La Lora Production Concession in Spain
LTl	Leni Trinidad Limited
Mayaro Sandstone	reservoir sands above the pre-Mayaro unconformity, also known as the Goudron Sandstone
MD	measured depth; the depth of a well measured along the length of the borehole
MOEEI	Trinidad and Tobago Ministry of Energy and Energy Industries (formally the Ministry of Energy and Energy Affairs, MOEEA)
M	thousand
Mm	million
Mmbbls	million barrels of oil
Saint-Gobain	Saint-Gobain Vicasa SA
STOIIP or oil in place	stock tank oil initially in place, those quantities of oil that are estimated to be in known reservoirs prior to production commencing
pay	a reservoir or portion of a reservoir formation that contains economically producible hydrocarbons. The overall interval in which pay sections occur is the gross pay; the portion of the gross pay that meets specific criteria such as minimum porosity, permeability and hydrocarbon saturation are termed net pay
Petrotrin	The Petroleum Company of Trinidad and Tobago Limited
PPL	private petroleum rights license
sidetrack	an additional or replacement well bore created from an existing well bore at a depth below the surface casing
TD	total depth
TVD	true vertical depth
WTI	West Texas Intermediate; oil price marker crude

The estimates provided in this statement 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. All definitions used in the announcement have the meaning given to them in the PRMS.

FINANCE REVIEW**Results for the year**

2015 was a difficult year for many companies in the oil and gas industry including LGO. Having secured a US\$25m pre-paid oil swap facility with BNPP the Company drew down US\$11.78m and embarked on a seven well drilling program. There was mixed success on the newly drilled wells and combined with the lower oil price, this put pressure on the Company's cashflow. The drilling program culminated in September 2015 with the abandonment of the last well due to mechanical reasons. The unexpected loss of production was compounded by the unexpected cost to replace lost logging tools. These factors resulted in the Company breaching loan covenants with BNPP and hence the loan was placed into default. To date, LGO has made and continues to make all agreed payments to BNPP.

As a consequence of the default position, the use of the outstanding drawn down funds in GEPL was restricted which resulted in the Company being unable to pay a number of its creditors for which these funds had been allocated. The Company used Group funds to make payments to creditors in GEPL, but a significant number of creditors remained unpaid at the end of 2015. The Company immediately began to work with the support of BNPP to find solutions to the default and recapitalise the Company, and this process continued into 2016, with the debt being significantly reduced in Q1 and Q2 to date. Significant progress with creditors has also been made since the end of the reporting period.

The Company has worked hard to reduce costs and preserve cash. Through a combination of cancelling discretionary spend, suspension of directors' salaries and use of the company equity, LGO has been able to continue the process of paying existing creditors as well as making all scheduled repayments on the banking facility.

There were successes in the year with both the technical data gathered to support future oil extraction, and the production for the year, which increased by almost 60% to 323,080 barrels relative to 2014. Group revenue for the period was £9.48 million (2014: £9.21 million), an increase of 3%, whilst Group gross profit fell to a loss of £0.33 million (2014: profit £2.95 million), primarily due to the increased depreciation of the 2014 and 2015 drilled wells, which is captured in costs of sales.

As a result of the lower production from the 2015 drilled wells and in recognition of the lower price environment, the Board consider it necessary and prudent to reduce the carrying value of a number of Groups assets. This has occurred through accelerated depletion of the wells and impairments of asset values. The total impairment charge for the period is £2.46m.

Additionally, the Company had a number of other exceptional cost items including those related to the abandoned well GY-678 and the lost logging tools, which when combined with the impairment and the non-cash costs, took the Group's operating loss after tax to £10.54 million (2014: loss £6.07 million) for the year ending 31 December 2015. Once adjusted for the exceptional and one-off items, the Group operating result excluding non-cash costs (Group EBITDA) was zero, (2014: profit £0.6m), therefore a £0.6m reduction on 2014.

Oil price environment

The oil and gas supply and demand dynamic remained weak, with the continuation of weaker global demand, combined with the ongoing oversupply, US shale producers continuing production and OPEC unable to agree volume reductions.

In 2015 the oil price continued to fluctuate downwards, having started the year at a long term low of US\$53/bbl (WTI). There was a temporary recovery in price at the end of Q1 and into Q2 reaching US\$61/bbl, before the decline continued to US\$35/bbl in December 2015.

The oil price continued to fall in early 2016, reaching a low of US\$26/bbl in February, before recovering to over US\$50/bbl in early June 2016. Oil price sentiment, whilst finely balanced, now looks to be positive in the medium term and the Company continues to monitor price as well as those related commodities and markets that could impact the Company's future project and operational development plans.

FINANCE REVIEW (CONTINUED)**Cashflow**

Cash outflow from operating activities in 2015 after movements in working capital amounted to £2.80 million (2014: inflow of £0.50 million). Net cash inflow from financing activities was £13.42 million (2014: £10.65 million). Net cash outflow from investing activities including the drilled wells, was £8.07 million (2014: £10.10 million).

Net cash position

Net cash at 31 December 2015 was £4.13 million (2014: £1.58 million).

Outlook

Having made significant progress on resolving the outstanding bank loan and creditor positions, the Company's focus is to finalise and complete a long term solution to the remaining bank loan and to ensure all residual outstanding creditors are paid.

Looking further ahead into 2016 the Company is seeking to return to growth and will explore the following as soon as funds become available:

- Commence a program of lower risk Goudron/Mayaro Sandstone wells.
- Development planning work for the proposed Goudron EOR scheme.
- Prepare for investment in Ayoluengo, following confirmation of the La Lora licence extension.
- Slowly progress the interests in the South West Peninsula.

With the oil price rising and with the continued support of BNPP and our shareholders, the Company believes it is now positioned to find a longer term solution to recapitalise the Group and to move the Company back onto a growth trajectory.

James Thadchanamoorthy

Chief Financial Officer

9 June 2016

BOARD OF DIRECTORS

Neil Ritson
Chief Executive Officer
Age: 60

Mr Ritson holds a Bachelor degree in Geophysics. He has worked in the energy sector for over 38 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 the Chairman of Solo Oil plc, the Managing Director of NR Global Consulting Limited and a Director of Marylebone Consulting Limited. He is also a Non-Executive Director of Enovation Resources Limited, a Bermudan registered private company active in the UK North Sea.

Mr Ritson sits on the Audit Committee.

Fergus Jenkins
Chief Operating Officer
Age: 46

Mr Jenkins is a Chartered Engineer with a Bachelor of Engineering degree in Mining Engineering and a Master of Engineering degree in Petroleum Engineering. He is a member of the Society of Petroleum Engineers and The Institute of Materials, Minerals and Mining (IOM3). He has over 20 years of experience working in industry, initially in mining before moving to oil and gas.

Mr Jenkins has held positions in drilling, reservoir engineering and petroleum engineering and has worked both offshore and onshore. The assets that he has worked on are spread around the Globe in areas as diverse as the UK, Libya, Nigeria, Ghana, and Cote d'Ivoire.

Mr Jenkins has held technical and increasingly senior managerial positions in mid-sized independent oil companies, including Enterprise Oil, LASMO, CalEnergy, OMV (UK) Ltd and Afren plc. Mr Jenkins is an Executive Director of Solo Oil plc.

James Thadchanamoorthy
Chief Financial Officer
Age: 43

Mr Thadchanamoorthy holds a Bachelor of Science degree in Chemistry and is a member of the Chartered Institute of Management Accountants.

Mr Thadchanamoorthy has over 20 years' finance and commercial experience, initially in investment banking, where he worked for Merrill Lynch and Barclays Capital, before moving into the oil and gas industry. He spent over 10 years' at BP plc where he held a number of commercial and financial management roles in both the Upstream and Downstream divisions.

Since leaving BP, Mr Thadchanamoorthy has focused on start-up and early stage businesses. He is currently a Director at Navitas Renewables Ltd, a UK registered company where he worked in a fund raising capacity, prior to joining LGO in January 2012 to head up the finance team.

BOARD OF DIRECTORS (CONTINUED)

Steve Horton
Non-Executive Chairman
Age: 62

Mr Horton has 40 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 holds degrees in Mining Engineering and Business Administration.

After leaving BP in 2003, Mr Horton co-founded Silverstone Energy Limited, a North Sea focused private equity funded independent oil and gas company, which grew rapidly from start-up through operated exploration and development through to production within four years. More recently Mr Horton served on the Board of Valiant Petroleum plc, and as Managing Director of NewDevCo Limited has provided board advisory and consulting services to a number of oil, energy, minerals, technology and service companies, and financial institutions.

Mr Horton chairs the Audit Committee and sits on the Remuneration Committee.

Michael Douglas
Non-Executive Director
Age: 61

Mr Douglas has worked in the business consultancy sector for 40 years. He was Managing Partner for PA Consulting Group's International People Practice where his responsibilities covered the Group's Organisational Development, Pay & Rewards, Search & Selection, Advertising & Development and Process Enhancement activities.

Subsequently in 1993 Mr Douglas founded the Quo Group, a consultancy specialising in behavioural change, customer experience, performance and talent management, leadership development and executive coaching. Over two decades, Michael has positioned Quo as one of the world's leading change specialist firms.

Michael himself works extensively with leadership teams where he fulfils the role as coach for senior executives across an international portfolio in many sectors.

Mr Douglas chairs the Remuneration Committee and sits on the Audit Committee.

DIRECTORS' AND STRATEGIC REPORT

The Directors are pleased to present their annual report together with the consolidated financial statements for the year from 1 January 2015 to 31 December 2015.

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 Chief Executive's review.

Strategic and business review

A review of the Company's strategy, business performance during the year and potential future developments are outlined in the Chairman's Statement and Chief Executive's review.

Results and dividends

Loss on ordinary activities of the Group after taxation amounted to £10,543,000 (2014: £6,072,000 loss). The Directors do not recommend payment of a dividend.

Post balance sheet events

At the date these financial statements were approved, 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

As at 31 May 2016 interests of 3% or more in the Company's shares were held by:

Shareholder	Number of Shares	Percent of Issued Capital
Barclayshare Nominees Limited	686,598,505	12.05%
TD Direct Investing Nominees (Europe) Limited (SMKTNOMS)	506,579,732	8.89%
HSDL Nominees Limited	429,467,245	7.54%
Hargreaves Lansdown (Nominees) Limited (15942)	330,440,973	5.80%
Hargreaves Lansdown (Nominees) Limited (HLNOM)	306,956,548	5.39%
HSBC Client Holdings Nominee (UK) Limited (731504)	288,715,866	5.07%
HSDL Nominees Limited (MAXI)	279,307,545	4.90%
Vidacos Nominees Limited (FGN)	263,563,192	4.62%
Hargreaves Lansdown (Nominees) Limited (VRA)	215,141,661	3.78%
TD Direct Investing Nominees (Europe) Limited (SMKTISAS)	170,800,364	3.00%

Directors

The Directors who served during the year were:

Executive Directors

Neil Ritson

Fergus Jenkins

James Thadchanamoorthy

Non-Executive Directors

Steve Horton

Michael Douglas

Iain Patrick

Resigned 26 November 2015

DIRECTORS' AND STRATEGIC REPORT (CONTINUED)**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. In Q3 2015, the Chief Executive Officer volunteered to defer receipt of his salary until further notice. His last salary payment was in August 2015. The Non-Executive Directors agreed to deferral from September 2015. The Company will settle this liability in due course and is looking at all methods to do so, which could include payments by way of shares.

Directors' interests

The beneficial interests of the serving Directors in the shares and options of the Company as at 31 December 2015 were as follows:

Director	31 December 2015		31 December 2014	
	Shares	Options	Shares	Options
Neil Ritson	17,500,000	100,000,000	17,500,000	100,000,000
Fergus Jenkins	-	32,500,000	-	32,500,000
James Thadchanamoorthy	7,140,001	32,500,000	7,140,001	32,500,000
Steve Horton	1,000,000	30,000,000	1,000,000	30,000,000
Michael Douglas	-	15,000,000	-	15,000,000

See note 21 for further details on the options.

Corporate governance

A statement on Corporate Governance is set out on pages 17 to 19.

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.

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. During this difficult period with the default in the banking facility, the Group creditor days, particularly related to GEPL, were extended, however, the Company's trade payables at the end of the year, were equivalent to 31 days' costs.

Charitable donations

During the year the Group made charitable donations of £1,100.

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.

DIRECTORS' AND STRATEGIC REPORT (CONTINUED)**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

This has been a difficult year for the Company. The fall in oil price and the lower than expected production, combined with the operational incident in September 2015, have resulted in some uncertainty around how the Group will fund both its bank loan repayments and the remaining creditors. The Company has made significant progress to address this issue, working with BNPP to reduce the monthly repayment profile and cutting costs to conserve cash, thus providing additional capacity to pay outstanding creditors. The Company has also used its equity base to raise funds specifically to pay trade creditors and BNPP.

The recapitalisation process has progressed significantly in 2016 with £5.3m of equity issued through a combination of issuance of shares for cash, as well as to suppliers for services provided. This has dramatically reduced the uncertainty surrounding the Company's ability to settle creditors.

The Company has additional capacity to raise funds and historically, it has both gained approval from shareholders to issue shares and actually raised the funds in the market.

The Company's internal cashflow forecasts monitor both the short and long term timelines, factoring in the known risks and uncertainties. These forecasts are updated regularly and demonstrate that, with continued fund raising capacity, despite the loan default status, the Company is able to continue operating and making all bank and trade creditor payments over the next 12 month period.

The Directors believe that despite the uncertainty, the Company has a clear path to recapitalising the business and moving into a phase of growth. 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.

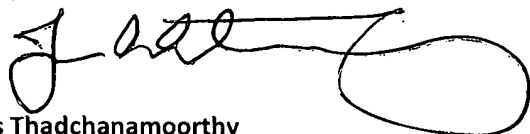
The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are also responsible for ensuring that the annual report includes information required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

DIRECTORS' AND STRATEGIC REPORT (CONTINUED)**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 the Board:

A handwritten signature in black ink, appearing to read 'J Thadchanamoorthy', with a large, stylized loop at the end.

James Thadchanamoorthy
Company Secretary
9 June 2016

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 comprises three Executive Directors and two Non-Executive Directors. 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.

Board meetings

The Board meets regularly throughout the year. For the year ending 31 December 2015, the Board met seven times in relation to normal operational matters together with additional meetings in relation to non-routine 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 the hiring and performance of the external auditors. The Audit Committee comprises three Directors; Steve Horton (Chairman), Michael Douglas 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 two Non-Executive Directors, Michael Douglas (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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)**Risk management**

The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets against forecasts, through regular reviews by senior management. 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, 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 is 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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)***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 where appropriate

Insurance

The Group maintains insurance in respect of its Directors and Officers against liabilities in relation to the Company. The Group also maintains all insurance cover as is required in the jurisdictions of operation.

Treasury policy

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

Securities trading

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

Relations with shareholders

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

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF LGO ENERGY PLC

We have audited the financial statements of LGO Energy plc for the year ended 31 December 2015 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 26. 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 2015 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.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in the basis of preparation section of the accounting policies concerning the Company's and the Group's ability to continue as a going concern when taking into account the loan default status of the BNP facility and its impact on the net current liabilities of the Group.

Whilst we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate, these conditions together with the other matters set out or referred to in the basis of preparation section of the accounting policies indicate the existence of a material uncertainty which may give rise to significant doubt over the Company's and the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group or Parent Company were unable to continue as a going concern.

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.

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF LGO ENERGY PLC (CONTINUED)

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.



Rowan J. Palmer (Senior Statutory Auditor)
for and on behalf of Chapman Davis LLP

Chartered Accountants and Statutory Auditors
London, United Kingdom

9 June 2016

FINANCIAL STATEMENTS

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

		Year ended 31 December 2015	Year ended 31 December 2014
	Note	£ 000's	£ 000's
Revenue	2	9,475	9,211
Cost of sales		(9,808)	(6,263)
Gross profit		(333)	2,948
Administrative expenses	3	(4,196)	(4,871)
Amortisation and depreciation	3	(1,732)	(1,480)
Share based payments	21	-	(824)
Exceptional item	3	(2,515)	-
(Loss) from operations		(8,776)	(4,227)
Finance charges	10	(240)	(1,293)
Other income	8 & 16	-	408
Impairment charge	11 & 14	(2,457)	-
(Loss) before taxation		(11,473)	(5,112)
Income tax credit/(expense)	5	930	(960)
(Loss) for the year attributable to equity holders of the parent		(10,543)	(6,072)
Other comprehensive income			
Exchange differences on translation of foreign operations		23	622
Other comprehensive income for the year net of taxation		23	622
Total comprehensive income for the year attributable to equity holders of the parent		(10,520)	(5,450)
Loss per share (pence)			
Basic	9	(0.35)	(0.24)
Diluted	9	(0.35)	(0.24)

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 2015

	Note	As at 31 December 2015 £ 000's	As at 31 December 2014 £ 000's
Assets			
Non-current assets			
Intangible evaluation assets	11	11,477	11,586
Goodwill	11	-	3,083
Oil and gas assets	12	14,754	12,173
Property, plant and equipment	12	2,690	2,322
Investment in associate	13	34	-
Total non-current assets		28,955	29,164
Current assets			
Inventories	15	309	303
Trade and other receivables	14	2,475	2,803
Cash and cash equivalents		4,127	1,583
Total current assets		6,911	4,689
Total assets		35,866	33,853
Liabilities			
Current liabilities			
Trade and other payables	17	(6,212)	(4,679)
Borrowings	18	(7,006)	(2,915)
Taxation		(20)	(9)
Deferred consideration	17	(120)	(737)
Total current liabilities		(13,358)	(8,340)
Non-current liabilities			
Deferred consideration	17	-	(1,233)
Borrowings	18	(246)	-
Deferred taxation	17	-	(1,011)
Provisions	19	(1,011)	(906)
Total non-current liabilities		(1,257)	(3,150)
Total liabilities		(14,615)	(11,490)
Net assets		21,251	22,363
Shareholders' equity			
Called-up share capital	20	1,632	1,364
Share premium		56,564	47,437
Share based payments reserve	21	1,309	1,296
Retained earnings		(42,156)	(32,169)
Revaluation surplus		3,351	3,907
Foreign exchange reserve		551	528
Total equity attributable to equity holders of the parent		21,251	22,363

These financial statements were approved by the Board of Directors on 9 June 2016 and signed on its behalf by:

Neil Ritson
Chief Executive Officer

James Thadchanamoorthy
Chief Financial Officer

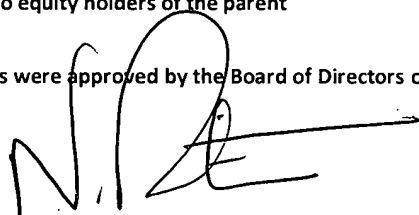
The accompanying accounting policies and notes form an integral part of these financial statements.

**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

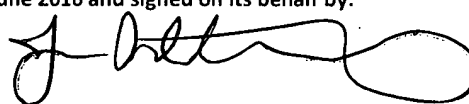
	Note	As at 31 December 2015 £ 000's	As at 31 December 2014 £ 000's
Assets			
Non-current assets			
Property, plant and equipment	12	210	1
Intangible assets	11	115	-
Investment in subsidiaries	13	1	1
Trade and other receivables	14	29,928	27,455
Total non-current assets		30,254	27,457
Current assets			
Trade and other receivables	14	437	117
Cash and cash equivalents		406	483
Total current assets		843	600
Total assets		31,097	28,057
Liabilities			
Current liabilities			
Trade and other payables	17	(450)	(550)
Borrowings	18	-	(2,915)
Deferred consideration	17	(120)	(737)
Total current liabilities		(570)	(4,202)
Non-current liabilities			
Deferred consideration	17	-	(1,233)
Total non-current liabilities		-	(1,233)
Total liabilities		(570)	(5,435)
Net assets		30,527	22,622
Shareholders' equity			
Called-up share capital	20	1,632	1,364
Share premium		56,564	47,437
Share based payments reserve	21	1,309	1,296
Retained earnings	26	(28,978)	(27,475)
Total equity attributable to equity holders of the parent		30,527	22,622

These financial statements were approved by the Board of Directors on 9 June 2016 and signed on its behalf by:

Neil Ritson
Chief Executive Officer



James Thadchanamoorthy
Chief Financial 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 2015

	Year ended 31 December 2015 £ 000's	Year ended 31 December 2014 £ 000's
Cash outflow from operating activities		
Operating loss	(8,776)	(4,227)
Increase in trade and other receivables	(279)	(565)
Increase in trade and other payables	1,057	2,419
Increase in inventories	(6)	(59)
Depreciation	4,496	1,480
Amortisation	710	631
Share based payments	-	824
Income tax paid	-	-
Net cash (outflow) from operating activities	(2,798)	503
Cash flows from investing activities		
Proceeds from equity swap arrangement	-	908
Payment to acquire associate	(34)	-
Payments to acquire intangible assets	(833)	(1,693)
Payments to acquire tangible assets	(7,202)	(9,310)
Net cash outflow from investing activities	(8,069)	(10,095)
Cash flows from financing activities		
Issue of ordinary share capital	9,853	11,809
Share issue costs	(458)	(688)
Finance charges paid	(262)	(1,149)
Repayment of borrowings	(4,224)	(4,598)
Proceeds of borrowings	8,511	5,279
Net cash inflow from financing activities	13,420	10,653
Net increase/(decrease) in cash and cash equivalents	2,553	1,061
Foreign exchange differences on translation	(9)	181
Cash and cash equivalents at beginning of year	1,583	341
Cash and cash equivalents at end of year	4,127	1,583

**COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Year ended 31 December 2015 £ 000's	Year ended 31 December 2014 £ 000's
Cash outflow from operating activities		
Operating (loss)/profit	(1,380)	673
(Increase)/Decrease in trade and other receivables	(320)	1,256
Decrease in trade and other payables	(717)	(1,024)
Share based payments	-	824
Loan impairment	-	(2,902)
Depreciation	39	-
Amortisation	18	-
Net cash outflow from operating activities	(2,360)	(1,173)
Cash flows from investing activities		
Proceeds from equity swap arrangement	-	908
Loans granted to subsidiaries	(3,707)	(9,902)
Payments to acquire intangible assets	(133)	-
Payments to acquire tangible assets	(248)	(1)
Net cash outflow from investing activities	(4,088)	(8,995)
Cash flows from financing activities		
Issue of ordinary share capital	9,853	11,809
Share issue costs	(458)	(688)
Finance charges	(131)	(1,149)
Repayments of borrowings	(3,553)	(4,598)
Proceeds of borrowings	660	5,279
Net cash inflow from financing activities	6,371	10,653
Net increase/(decrease) in cash and cash equivalents	(77)	485
Foreign exchange differences on borrowings	-	(43)
Cash and cash equivalents at beginning of year	483	41
Cash and cash equivalents at end of year	406	483

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	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 2013	1,125	36,555	412	(26,606)	(94)	4,332	15,724
Loss for the year	-	-	-	(6,072)	-	-	(6,072)
Revaluation surplus amortisation	-	-	-	425	-	(425)	-
Currency translation differences	-	-	-	-	622	-	622
Total comprehensive income	-	-	-	(5,647)	622	(425)	(5,450)
Share capital issued	239	11,570	-	-	-	-	11,809
Cost of share issue	-	(688)	-	-	-	-	(688)
Exercise of warrants	-	-	(84)	84	-	-	-
Share based payments	-	-	968	-	-	-	968
Total contributions by and distributions to owners of the Company	239	10,882	884	84	-	-	12,089
As at 31 December 2014	1,364	47,437	1,296	(32,169)	528	3,907	22,363
Loss for the year	-	-	-	(10,543)	-	-	(10,543)
Revaluation surplus amortisation	-	-	-	556	-	(556)	-
Currency translation differences	-	-	-	-	23	-	23
Total comprehensive income	-	-	-	(9,987)	23	(556)	(10,520)
Share capital issued	268	9,585	-	-	-	-	9,853
Cost of share issue	-	(458)	-	-	-	-	(458)
Share based payments	-	-	13	-	-	-	13
Total contributions by and distributions to owners of the Company	268	9,127	13	-	-	-	9,408
As at 31 December 2015	1,632	56,564	1,309	(42,156)	551	3,351	21,251
Company							
As at 31 December 2013	1,125	36,555	412	(24,445)	-	-	13,647
Loss for the year	-	-	-	(3,114)	-	-	(3,114)
Total comprehensive income	-	-	-	(3,114)	-	-	(3,114)
Share capital issued	239	11,570	-	-	-	-	11,809
Cost of share issue	-	(688)	-	-	-	-	(688)
Exercise of warrants	-	-	(84)	84	-	-	-
Share based payments	-	-	968	-	-	-	968
Total contributions by and distributions to owners of the Company	239	10,882	884	84	-	-	12,089
As at 31 December 2014	1,364	47,437	1,296	(27,475)	-	-	22,622
Loss for the year	-	-	-	(1,503)	-	-	(1,503)
Total comprehensive income	-	-	-	(1,503)	-	-	(1,503)
Share capital issued	268	9,585	-	-	-	-	9,853
Cost of share issue	-	(458)	-	-	-	-	(458)
Share based payments	-	-	13	-	-	-	13
Total contributions by and distributions to owners of the Company	268	9,127	13	-	-	-	9,408
As at 31 December 2015	1,632	56,564	1,309	(28,978)	-	-	30,527

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**1 Summary of significant accounting policies****1.01 General information and authorisation of financial statements**

LGO Energy plc is a public limited company registered in the United Kingdom under the Companies Act 2006. The address of its registered office is Suite 4B, 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 LGO Energy plc for the year ended 31 December 2015 were authorised for issue by the Board on 9 June 2016 and the balance sheets signed on the Board's behalf by Mr. Neil Ritson and Mr. James Thadchanamoorthy.

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 and revised standards and interpretations not applied

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

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal
 IFRS 9 Financial Instruments
 IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
 IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
 IFRS 14 Regulatory Deferral Accounts
 IFRS 15 Revenue from Contracts with Customers
 IFRS 16 Leases
 IAS 1 Disclosure Initiative
 IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
 IAS 19 Employee Benefits – Discount rate: regional market issue
 IAS 27 Equity Method in Separate Financial Statements
 IAS 34 Interim Financial Reporting – Disclosure of information 'elsewhere in the interim financial report'

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 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.

This has been a difficult year for the Company. The fall in oil price and the lower than expected production, combined with the operational incident in September 2015, have resulted in some uncertainty around how the Group will fund both BNPP repayments and the remaining creditors. The Company has made significant progress to address these issues, working with BNPP to reduce the monthly repayment profile and cutting costs to conserve cash, thus providing additional capacity to pay outstanding creditors. The Company has also used its equity base to raise funds specifically to pay trade creditors and BNPP.

The recapitalisation process has progressed significantly in 2016 with £5.3m of equity issued through a combination of issuance of shares for cash, as well as to suppliers for services provided. This has dramatically reduced the uncertainty surrounding the Company's ability to settle creditors.

The Company has additional capacity to raise funds and historically, it has both gained approval from shareholders to issue shares and actually raised the funds in the market.

The Company's internal cashflow forecasts monitor both the short and long term timelines, factoring in the known risks and uncertainties. These forecasts are updated regularly and demonstrate that, with continued fund raising capacity despite the loan default status, the Company is able to continue operating and making all bank and trade creditor payments over the next 12 month period.

The Directors believe that despite the uncertainty, the Company has a clear path to recapitalising the business and moving into a phase of growth. 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.

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**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.

The investment in associate has been recorded at cost and has not been adjusted to reflect the Group's 25% share of the net profits/losses and assets/liabilities of the associate from the date of acquisition to the balance sheet date as it was deemed immaterial.

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 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**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 four and five years.

Leasehold improvements are classified as property, plant and equipment and are depreciated on a straight-line basis over the period of the lease of five 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. Non-monetary 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 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. The investment in associate has been recorded at cost and has not been adjusted to reflect the Group's 25% share of the net profits/losses and assets/liabilities of the associate from the date of acquisition to the balance sheet date as it was deemed immaterial.

(v) Equity instruments

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**(vi) Derivative instruments**

Derivative instruments are recorded at cost, and adjusted 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. At the end of 2015, the Group had no derivative contract. Details of the Equity Swap Arrangement that was closed out in 2014 is detailed in note 16.

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 cash-generating unit to which the asset belongs is determined.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

The recoverable amount of an asset or a cash-generating 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 cash-generating unit. This present value is discounted using a pre-tax 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 cash-generating units, or groups of cash-generating 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 cash-generating 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 cash-generating 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.

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 LGO Energy plc (market conditions) if applicable. 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. 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.

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 date).

No expense is ultimately recognised for awards that do not vest.

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.

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.

Spain and Trinidad & Tobago, have been reported as the Group's direct oil and gas producing entities and are the Group's only third party revenue generating operations. The UK is the Group's parent and administrative entity and is reported on accordingly. The entities in Cyprus, St Lucia and the U.S. are non-operating in that they are either hold investments or are dormant. Their results are consolidated and reported on together as a single segment.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**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 and Trinidadian assets. 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) 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (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 and are the Group's only third party revenue generating operations. The UK is the Group's parent and administrative entity and is reported on accordingly. The entities in Cyprus, St Lucia and the U.S. are non-operating in that they either hold investments or are dormant. Their results are consolidated and reported on together as a single segment.

Year ended 31 December 2015	Corporate UK £'000	Operating Spain £'000	Operating Trinidad £'000	Non-operating £'000	Total £'000
Operating profit/(loss) by geographical area					
Revenue (*)	-	1,112	8,363	-	9,475
Operating profit/(loss)	(1,380)	(1,093)	(6,158)	(145)	(8,776)
Loan impairment (**)	-	-	-	-	-
Asset impairment	(1,850)	-	(607)	-	(2,457)
Finance charges	(123)	-	(117)	-	(240)
Profit/(loss) before taxation	(3,353)	(1,093)	(6,882)	(145)	(11,473)
Other information					
Depreciation and amortisation	(57)	(582)	(4,567)	-	(5,206)
Capital additions	381	220	7,434	-	8,035
Segment assets					
Non-current assets	325	7,631	20,999	-	28,955
Trade and other receivables	437	96	1,942	-	2,475
Inventories	-	135	174	-	309
Cash	406	159	3,554	8	4,127
Consolidated total assets	1,168	8,021	26,669	8	35,866
Segment liabilities					
Trade and other payables	(450)	(270)	(5,480)	(12)	(6,212)
Taxation	-	-	-	(20)	(20)
Borrowings	-	-	(7,252)	-	(7,252)
Deferred consideration	(120)	-	-	-	(120)
Provisions	-	(703)	(308)	-	(1,011)
Consolidated total liabilities	(570)	(973)	(13,040)	(32)	(14,615)

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

(**) Loans to two of the Company's non-operating subsidiaries were impaired due to irrecoverability.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

2 Turnover and segmental analysis (continued)

	Corporate UK £'000	Operating Spain £'000	Operating Trinidad £'000	Non-operating £'000	Total £'000
Year ended 31 December 2014					
Operating profit/(loss) by geographical area					
Revenue (*)	-	1,605	7,606	-	9,211
Operating profit/(loss) (**)	673	(510)	(1,496)	(2,894)	(4,227)
Loan impairment (***)	(2,902)	-	-	2,902	-
Finance charges	(1,293)	-	-	-	(1,293)
Finance revenue	408	-	-	-	408
Profit/(loss) before taxation	(3,114)	(510)	(1,496)	8	(5,112)
Other information					
Depreciation and amortisation	-	(472)	(1,639)	-	(2,111)
Capital additions	1	285	10,717	-	11,003
Segment assets					
Non-current assets	3,084	8,380	17,700	-	29,164
Trade and other receivables	117	116	2,570	-	2,803
Inventories	-	136	167	-	303
Cash	483	194	905	1	1,583
Consolidated total assets	3,684	8,826	21,342	1	33,853
Segment liabilities					
Trade and other payables	(551)	(215)	(3,904)	(9)	(4,679)
Taxation	-	-	(1,011)	(9)	(1,020)
Borrowings	(2,915)	-	-	-	(2,915)
Deferred consideration	(1,970)	-	-	-	(1,970)
Provisions	-	(746)	(160)	-	(906)
Consolidated total liabilities	(5,436)	(961)	(5,075)	(18)	(11,490)

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

(**) The operating profit in the UK arose due to management fee income from its subsidiaries.

(***) Loans to two of the Company's non-operating subsidiaries were impaired due to irrecoverability.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

3	Operating loss	2015	2014
		£ 000's	£ 000's
	Operating loss is arrived at after charging:		
	Fees payable to the Company's auditor for:		
	-the audit of the Company and Group accounts	45	40
	-audit related assurance services	3	2
	Directors' emoluments – fees and benefits	879	588
	Directors' emoluments – share based payments	-	776
	Depreciation (*)	4,496	1,480
	Amortisation	710	631
	Exceptional item (**)	2,515	-

(*) Depreciation of certain oil and gas assets of £3,474,000 (2014: £631,000) has been recognised within cost of sales.

(**) Costs in relation to an abandoned well and lost downhole equipment have been disclosed separately as an exceptional item.

4	Employee information (excluding Directors')	2015	2014
		£ 000's	£ 000's
	Staff costs:		
	Wages and salaries	1,537	1,005
	Employer NIC's	230	198
	Total	1,767	1,203

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

	Number	Number
Administration	15	9
Operations	27	22
Total	42	31

5	Taxation	2015	2014
		£ 000's	£ 000's
	Analysis of charge in year		
	Tax (income)/charge on ordinary activities	(930)	960
	Factors affecting the tax charge for the year:		
	Loss on ordinary activities before tax	11,473	5,112
	Standard rate of corporation tax in the UK	20%/21%	21%/23%
	Loss on ordinary activities multiplied by the standard rate of corporation tax	2,323	1,099
	Effects of:		
	Non-deductible expenses	(377)	(216)
	Overseas tax on profits	20	9
	Overseas deferred tax expense	(951)	951
	Future tax benefit not brought to account	(1,945)	(883)
	Current tax (income)/charge for year	(930)	960

No deferred tax asset has been recognised in the Group because there is uncertainty in the timing of suitable future profits against which the accumulated losses can be offset.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

6 Dividends

No dividends were paid or proposed by the Directors (2014: nil).

7 Directors' emoluments

						2015	2014
						£ 000's	£ 000's
Directors' remuneration						879	1,313
	Directors fees	Pension and medical benefits	Employer NIC's	Consultancy fees	Share based payments (*)	Total	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
2015							
Executive Directors							
Neil Ritson	240	8	35	-	-	283	
Fergus Jenkins	150	18	20	-	-	188	
James Thadchanamoorthy	150	18	20	-	-	188	
Non-Executive Directors							
Steve Horton	80	-	13	30	-	123	
Iain Patrick (**)	37	-	6	-	-	43	
Michael Douglas	50	-	6	-	-	56	
	707	44	98	30	-	879	
2014							
Executive Directors							
David Lenigas	16	-	-	160	-	176	
Neil Ritson	187	11	25	-	88	311	
Fergus Jenkins	3	-	16	-	27	46	
James Thadchanamoorthy	63	6	8	-	385	462	
Non-Executive Directors							
Steve Horton	27	-	-	30	100	157	
Iain Patrick (**)	17	-	-	-	88	105	
Michael Douglas	17	-	2	-	88	107	
	330	17	51	190	776	1,364	

These accounts have been prepared on an accruals basis and therefore, include amounts paid and unpaid at the year-end. Neil Ritson was last paid up to and including August 2015 and Steve Horton and Michael Douglas were last paid up to and including September 2015 (see note 24).

(*) These expenses are non-cash theoretical valuations of the rights related to share option awards, vesting in 2015 (see note 21).

(**) Iain Patrick resigned on 26 November 2015.

8 Other income

	2015	2014
	£ 000's	£ 000's
Realised gain on equity swap arrangement	-	408
	-	408

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (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 shares in issue during the year:

	2015	2014
Net loss after taxation (£000's)	(10,542)	(6,072)
Weighted average number of ordinary shares used in calculating basic loss per share (millions)	3,044	2,490
Weighted average number of ordinary shares used in calculating diluted loss per share (millions)	3,343	2,727
Basic loss per share (expressed in pence)	(0.35)	(0.24)
Diluted loss per share (expressed in pence)	(0.35)	(0.24)

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

10 Finance charges

	2015	2014
	£ 000's	£ 000's
Loan interest payable	161	281
Loan facility fees	79	1,012
Total	240	1,293

Loan facility fees include the fair value of warrants issued in connection with the loans (see note 21).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

11	Intangible assets				2015
					Group
	Intangible evaluation assets £000's	Software £000's	Goodwill £000's		Total £000's
Cost					
As at 1 January 2015	14,047	-	3,083		17,130
Adjustment (*)	-	-	(1,233)		(1,233)
Additions	700	133	-		833
Foreign exchange difference on translation	(324)	-	-		(324)
As at 31 December 2015	14,423	133	1,850		16,406
Amortisation and Impairment					
As at 1 January 2015	2,461	-	-		2,461
Amortisation	692	18	-		710
Impairment	-	-	1,850		1,850
Foreign exchange difference on translation	(92)	-	-		(92)
As at 31 December 2015	3,061	18	1,850		4,929
Net book value					
As at 31 December 2015	11,362	115	-		11,477
As at 31 December 2014	11,586	-	3,083		14,669

(*) The deferred consideration component of the goodwill has been reversed from the accounts due to the unlikelihood of the underlying production milestone being achieved by the expiry date (see note 23).

Impairment review

The Directors carried out an impairment review of the intangible assets and determined that a write down was only required with respect to goodwill.

11	Intangible assets				2015
					Company
					Software £000's
Cost					
As at 1 January 2015					-
Additions					133
Foreign exchange difference on translation					-
As at 31 December 2015					133
Amortisation and Impairment					
As at 1 January 2015					-
Amortisation					18
Foreign exchange difference on translation					-
As at 31 December 2015					18
Net book value					
As at 31 December 2015					115
As at 31 December 2014					-

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

11	Intangible assets				2014
		Intangible evaluation assets £000's	Decommissioning costs £000's	Goodwill £000's	Group Total £000's
<u>Cost</u>					
	As at 1 January 2014	12,563		3,083	15,646
	Additions	1,693	-	-	1,693
	Foreign exchange difference on translation	(209)	-	-	(209)
	As at 31 December 2014	14,047	-	3,083	17,130
<u>Amortisation and Impairment</u>					
	As at 1 January 2014	1,921		-	1,921
	Amortisation	631	-	-	631
	Foreign exchange difference on translation	(91)	-	-	(91)
	As at 31 December 2014	2,461	-	-	2,461
<u>Net book value</u>					
	As at 31 December 2014	11,586	-	3,083	14,669
	As at 31 December 2013	10,642		3,083	13,725

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

12	Property, plant and equipment	2015				
		Oil and gas assets	Property, plant and equipment (**)	Decommissioning costs	Group Total	Company Property, plant and equipment (**)
		£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Cost or Valuation						
As at 1 January 2015		13,348	2,403	905	16,656	10
Additions		6,355	706	141	7,202	248
Foreign exchange difference on translation		351	13	(35)	329	
As at 31 December 2015		20,054	3,122	1,011	24,187	258
Depreciation						
As at 1 January 2015		1,175	945	41	2,161	9
Depreciation (*)		4,030	415	51	4,496	39
Foreign exchange difference on translation		95	(7)	(2)	86	
As at 31 December 2015		5,300	1,353	90	6,743	48
Net book value						
As at 31 December 2015		14,754	1,769	921	17,444	210
As at 31 December 2014		12,173	1,458	864	14,495	1

(*) Depreciation of oil and gas assets was higher due to a change in the estimated oil reserves which, is an input into the unit of production calculation.

(**) Property, plant and equipment includes leasehold improvements.

Impairment review

The Directors carried out an impairment review and determined that a write down was not required.

12	Property, plant and equipment	2014				
		Oil and gas assets	Property, plant and equipment	Decommissioning costs	Group Total	Company Property, plant and equipment
		£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Cost or Valuation						
As at 1 January 2014		4,531	1,455	796	6,782	9
Additions		8,281	879	150	9,310	1
Foreign exchange difference on translation		536	69	(41)	564	-
As at 31 December 2014		13,348	2,403	905	16,656	10
Depreciation						
As at 1 January 2014		50	573	15	638	9
Depreciation		1,076	376	28	1,480	-
Foreign exchange difference on translation		49	(4)	(2)	43	-
As at 31 December 2014		1,175	945	41	2,161	9
Net book value						
As at 31 December 2014		12,173	1,458	864	14,495	1
As at 31 December 2013		4,481	882	781	6,144	-

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

13	Investment in associate	2015	2014
	Group	£ 000's	£ 000's
	<u>Cost</u>		
	As at 1 January	-	-
	Additions	34	-
	Disposals	-	-
	As at 31 December	34	-

LGO Energy plc, the parent company of the Group, holds 25% of the share capital of the following company:

Company	Country of registration	Proportion held	Nature of business
Indirect			
<i>Via Leni Trinidad Ltd</i>			
Beach Oilfield Limited	Trinidad & Tobago	25%	Oil and Gas Production and Exploration Company

13	Investment in subsidiaries	2015	2014
	Company	£ 000's	£ 000's
	<u>Cost</u>		
	As at 1 January	1	1
	Additions	-	-
	Disposals	-	-
	As at 31 December	1	1

LGO Energy plc, the parent company of the Group, holds 100% 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			
<i>Via Leni Gas & Oil Holdings Ltd</i>			
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
<i>Via Leni Investments Cps Ltd</i>			
Compañía Petrolífera de Sedano S.L.	Spain	100%	Oil and Gas Production and Exploration Company
<i>Via Leni Investments Byron Ltd</i>			
Leni Gas and Oil US Inc.	United States	100%	Oil and Gas Production and Exploration Company
<i>Via Leni Investments Trinidad Ltd</i>			
LGO Trinidad Holdings Limited	St Lucia	100%	Investment Company
<i>Via LGO Trinidad Holdings Limited</i>			
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
Trinity-Inniss E&P Ltd	Trinidad & Tobago	100%	Oil and Gas Production and Exploration Company

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

14	Trade and other receivables	2015		2014	
		Group £ 000's	Company £ 000's	Group £ 000's	Company £ 000's
	Current trade and other receivables				
	Trade receivables	357	-	1,280	-
	VAT receivable	1,648	55	1,373	45
	Taxation receivable	59	-	58	-
	Other receivables (*)	132	132	9	-
	Prepayments	279	250	83	72
	Total	2,475	437	2,803	117
	Non-current trade and other receivables				
	Loans due from subsidiaries (**)	-	29,928	-	27,455
	Total	-	29,928	-	27,455

(*) Other receivables of £607,000 were impaired due to irrecoverability.

(**) The loans due from subsidiaries are interest free, have no fixed repayment date and are denominated in GBP. Loans to the operating entities were reviewed for impairment, but no charge was taken as it is expected that they will be recovered. Loans to two of the Company's non-operating subsidiaries were impaired due to irrecoverability.

15	Inventories	2015		2014	
		Group £ 000's	Company £ 000's	Group £ 000's	Company £ 000's
	Inventories – Crude Oil	143	-	161	-
	Inventories - Consumables	166	-	142	-
	Total	309	-	303	-

16	Derivative financial instrument	2015		2014	
		£ 000's		£ 000's	
	Equity swap arrangement				
	Cost				
	As at 1 January	-		-	500
	Cost of arrangement	-		-	-
	Settlement payments received	-		-	(908)
	Realised gain credited to income statement	-		-	408
	As at 31 December	-		-	-

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

17	Trade and other payables	2015		2014	
		Group £ 000's	Company £ 000's	Group £ 000's	Company £ 000's
	Current trade and other payables				
	Trade payables	5,081	187	4,013	290
	Accruals	1,131	263	666	260
	Sub total	6,212	450	4,679	550
	Deferred consideration payable	120	120	737	737
	Taxation payable	20	-	9	-
	Total	6,352	570	5,425	1,287
	Non-current trade and other payables				
	Deferred consideration payable	-	-	1,233	1,233
	Deferred taxation	-	-	1,011	-
	Total	-	-	2,244	1,233

18	Borrowings	2015		2014	
		Group £ 000's	Company £ 000's	Group £ 000's	Company £ 000's
	Current borrowings				
	Unsecured loans ¹	-	-	2,248	2,248
	Unsecured loan ²	-	-	644	644
	Interest on unsecured loans	-	-	23	23
	Secured loan ³	7,006	-	-	-
	Non-current borrowings				
	Secured loan ⁴	246	-	-	-
	Total	7,252	-	2,915	2,915

1 The loans carry an interest charge of 9%, have repayment dates up to 31 December 2015 and are denominated in US Dollars.

2 The loan carries an interest charge of 10%, has a repayment date of 1 January 2016 and is denominated in US Dollars. By 5th March 2015, all outstanding unsecured loan liabilities were repaid.

3 The loan was issued by BNP Paribas. Initially, it carried a variable repayment amount, dependent on oil price, however, later during the year, was converted to a fixed repayment schedule. The loan is repayable on demand and has been accounted for accordingly however, an indicative repayment schedule was agreed with BNP Paribas, ending in September 2017. The loan is denominated in US Dollars.

4 The loan carries an interest charge based on a U.S. government treasury bill plus 4.66%, has a repayment date of April 2022 and is denominated in Trinidad Dollars.

The carrying amounts of all the borrowings approximate to their fair value.

19	Provisions	2015		2014	
		Group £ 000's	Company £ 000's	Group £ 000's	Company £ 000's
	Provisions for decommissioning costs				
	At 1 January	906	-	796	-
	Additions	141	-	150	-
	Foreign exchange difference on translation	(36)	-	(40)	-
	At 31 December	1,011	-	906	-

The provisions relate to the estimated costs of the removal of the Spanish and Trinidadian production facilities and site restoration at the end of the production lives of the facilities.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

20 Share capital

Called up, allotted, issued and fully paid	Number of shares	Nominal value £ 000's
As at 31 December 2013	2,250,773,917	1,125
2 April 2014 consideration at 0.88p per share	14,218,605	7
25 April 2014 cash at 0.95p per share	144,736,842	72
17 June 2014 cash at 2.00p per share	1,000,000	1
7 July 2014 cash at average of 1.17p per share	54,265,989	27
7 July 2014 cash at 2.00p per share	3,200,000	2
17 July 2014 cash at 3.50p per share	200,000,000	100
30 October 2014 cash at 4.75p per share	48,418,167	24
27 November 2014 consideration at 4.05p per share	6,227,329	3
1 December 2014 consideration at 0.66p per share	6,000,000	3
As at 31 December 2014	2,728,840,849	1,364
15 January 2015 cash at 3.00p per share	33,333,333	17
15 January 2015 cash at 3.00p per share	19,166,667	10
23 February 2015 cash at 2.50p per share	96,062,500	48
24 February 2015 cash at 2.50p per share	172,760,000	85
9 July 2015 consideration at 3.30p per share	3,889,697	2
5 October 2015 cash at 0.90p per share	111,111,110	56
12 October 2015 consideration at 0.90p per share	14,679,556	7
8 December 2015 consideration at 0.43p per share	41,487,776	21
14 December 2015 consideration at 0.28p per share	43,668,470	22
As at 31 December 2015	3,264,999,958	1,632

During the year 536.16 million shares were issued (2014: 478.07 million).

Total share options in issue

During the year no options were issued (2014: 77.50 million).

As at 31 December 2015 the options in issue were:

Exercise price	Vesting criteria	Expiry date	Options in issue
1p	-	31 Dec 2020	56,000,000
1p	500 bopd	31 Dec 2020	49,333,333
1p	600 bopd	31 Dec 2020	49,333,333
1p	700 bopd	31 Dec 2020	49,333,334
4p	1250 bopd	31 Dec 2020	16,250,000
4p	1500 bopd	31 Dec 2020	45,000,000
4p	1750 bopd	31 Dec 2020	16,250,000
As at 31 December 2015			281,500,000

No options lapsed during the year (2014: nil), no options were cancelled in the year (2014: nil), and no options were exercised during the year (2014: nil).

Total warrants in issue

During the year, 7.60 million warrants were issued (2014: 36.33 million).

As at 31 December 2015 the warrants in issue were:

Exercise price	Expiry date	Warrants in issue
4.5p	25 Jun 2017	4,081,802
6.2p	15 Oct 2017	2,158,692
5.1p	22 Dec 2017	3,931,838
4.2p	16 Jan 2018	4,915,084
2.5p	23 Feb 2018	2,688,225
As at 31 December 2015		17,775,641

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**20 Share capital (continued)**

No warrants lapsed during the year (2014: nil), no warrants were cancelled during the year (2014: nil), and nil warrants were exercised during the year (2014: 58.46 million).

21 Share based payments**Share options**

The Company has established an employee share option plan to enable the issue of options as part of remuneration of key management personnel and Directors. Options were granted under the plan for no consideration. Options were granted for between a 6 and 7.5 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.

As at 31 December 2015 the unexpired share options were:

Name	Date granted	Vesting date	Number	Exercise price (pence)	Expiry date	Share price at grant date (pence)	Fair value after discount (pence)
Neil Ritson	1 Jul 2013	1 Jul 2013	25,000,000	1	31 Dec 2020	0.73	0.51
Neil Ritson	1 Jul 2013	31 Aug 2014	25,000,000	1	31 Dec 2020	0.73	0.20
Neil Ritson	1 Jul 2013	31 Aug 2014	25,000,000	1	31 Dec 2020	0.73	0.20
Neil Ritson	1 Jul 2013	30 Sep 2014	25,000,000	1	31 Dec 2020	0.73	0.20
Steve Horton	1 Jul 2013	1 Jul 2013	5,000,000	1	31 Dec 2020	0.73	0.51
Steve Horton	1 Jul 2013	31 Aug 2014	3,333,333	1	31 Dec 2020	0.73	0.20
Steve Horton	1 Jul 2013	31 Aug 2014	3,333,333	1	31 Dec 2020	0.73	0.20
Steve Horton	1 Jul 2013	30 Sep 2014	3,333,334	1	31 Dec 2020	0.73	0.20
Fergus Jenkins	1 Jul 2013	1 Jul 2013	10,000,000	1	31 Dec 2020	0.73	0.51
Fergus Jenkins	1 Jul 2013	31 Aug 2014	7,500,000	1	31 Dec 2020	0.73	0.20
Fergus Jenkins	1 Jul 2013	31 Aug 2014	7,500,000	1	31 Dec 2020	0.73	0.20
Fergus Jenkins	1 Jul 2013	30 Sep 2014	7,500,000	1	31 Dec 2020	0.73	0.20
Staff	1 Jul 2013	1 Jul 2013	10,000,000	1	31 Dec 2020	0.73	0.51
Staff	1 Jul 2013	31 Aug 2014	7,500,000	1	31 Dec 2020	0.73	0.20
Staff	1 Jul 2013	31 Aug 2014	7,500,000	1	31 Dec 2020	0.73	0.20
Staff	1 Jul 2013	30 Sep 2014	7,500,000	1	31 Dec 2020	0.73	0.20
Consultants	1 Jul 2013	1 Jul 2013	6,000,000	1	31 Dec 2020	0.73	0.51
Consultants	1 Jul 2013	31 Aug 2014	6,000,000	1	31 Dec 2020	0.73	0.20
Consultants	1 Jul 2013	31 Aug 2014	6,000,000	1	31 Dec 2020	0.73	0.20
Consultants	1 Jul 2013	30 Sep 2014	6,000,000	1	31 Dec 2020	0.73	0.20
Steve Horton	1 Dec 2014	31 Dec 2014	15,000,000	4	31 Dec 2020	3.675	0.59
Iain Patrick	1 Dec 2014	31 Dec 2014	15,000,000	4	31 Dec 2020	3.675	0.59
Michael Douglas	1 Dec 2014	31 Dec 2014	15,000,000	4	31 Dec 2020	3.675	0.59
James Thadchanamoorthy	1 Dec 2014	31 Dec 2014	16,250,000	4	31 Dec 2020	3.675	1.79
James Thadchanamoorthy	1 Dec 2014	31 Dec 2014	16,250,000	4	31 Dec 2020	3.675	0.59
As at 31 December 2015			281,500,000				

The fair value of the options vested during the year was nil (2014: £0.82 million). The assessed fair value at grant date is determined using the Black-Scholes Model which, 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 fair value is then discounted for the probability of the options actually vesting. The expected price volatility reflects the assumption that the historical volatility is indicative of future trends which, may not necessarily be the actual outcome.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**21 Share based payments (continued)****Warrants**

As at 31 December 2015 the unexpired warrants were:

Date granted	Vesting date	Number	Exercise price (pence)	Expiry date	Share price at grant date (pence)	Fair Value (pence)
24 Jun 2014	24 Jun 2014	4,081,802	4.5	25 Jun 2017	3.9	0.63
15 Oct 2014	15 Oct 2014	2,158,692	6.2	15 Oct 2017	3.7	1.01
22 Dec 2014	22 Dec 2014	3,931,838	5.1	22 Dec 2017	4.4	0.33
16 Jan 2015	16 Jan 2015	4,915,084	4.2	16 Jan 2018	3.3	0.26
24 Feb 2015	24 Feb 2015	2,688,225	2.5	23 Feb 2018	2.9	-
As at 31 December 2015		17,775,641				

The fair value of the warrants vested during the year was £0.01 million (2014: £0.14million). The fair value of the warrants exercised during the year was nil (2014: £0.08 million) and has been transferred through equity from the share based payments reserve to retained earnings. The assessed fair value at grant date is determined using the Black Scholes model or the estimated cash equivalent value, if issued in connection with loans.

The warrants issued on 16 January 2015 were in connection with a loan and therefore the related share based payment expense has been recognised within finance charges (see note 10). The warrants issued on 24 February 2015 were in connection with a placing of shares. No share based payment expense has been recognised in respect of these warrants.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**22 Financial instruments**

The Group uses financial instruments comprising cash, and debtors/creditors that arise from its operations. The Group holds cash as a liquid resource to fund the obligations of the Group. The Group's cash balances are held in various currencies. 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 foreign exchange and therefore takes market rates in respect of currency 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 and short-term debt 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:

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%.

Cash and short term deposits	2015 £ 000's	2014 £ 000's
Sterling	250	237
Euros	159	196
US Dollars	3,456	551
Trinidad Dollars	262	599
Total	4,127	1,583

On 8 October 2015, following the breach of certain loan covenants, BNP Paribas restricted the access to the funds drawn down on the loan totalling £3.02m. Additionally, cashflow generated from ongoing operations was also restricted. On 4 May 2016, this restricted cash balance was netted with the outstanding loan to reduce both the gross exposure and reduce the monthly repayments.

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 on 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 2015 USD		
	Low	Average	High
WTI	34.55	48.66	61.36
Brent	35.26	52.32	66.33

The below shows the Group's 2015 revenue sensitivity to an average price that is up to 30% higher and up to 30% lower than the average price for that year.

	Oil price sensitivity £ 000's						
	Decrease				Increase		
	30%	20%	10%	Current	10%	20%	30%
Trinidad	5,854	6,690	7,527	8,363	9,199	10,036	10,872
Spain	778	890	1,001	1,112	1,223	1,334	1,446
Total	6,632	7,580	8,528	9,475	10,422	11,370	12,318

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**22 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 year-end for a 10% change in foreign currency rates. The table below 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	10% decrease	10% increase	10% decrease
	£ 000's	£ 000's	£ 000's	£ 000's
Euro	(151)	151	20	(20)
US Dollar	(1)	1	186	(186)
Trinidad Dollar	(538)	538	1,028	(1,028)
Total	(690)	690	1,234	(1,234)

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

	As at 31 December 2015	Average for the relevant consolidated year to 31 December 2015	As at 31 December 2014	Average for the relevant consolidated year to 31 December 2014
Euro	1.357	1.377	1.278	1.240
US Dollar	1.480	1.528	1.553	1.646
Trinidad Dollar	9.504	9.715	9.725	10.338

23 Commitments and contingencies

As at 31 December 2015, the Company had the following material 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 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. By the end of 2015, a total of 14 wells had been drilled.

Additionally the Group committed to conduct an Airborne gravity survey by year 5 and drill one exploration well by year 7. The survey was completed in early 2015.

On 27 November 2014, the Company announced that \$2.1 million will be payable to Beach Oilfield Limited subject to the effective transfer of deep petroleum rights. This transaction is forecast to close by September 2016, at which point, the amount payable is US\$1.4 million.

As at 31 December 2015, the Group had the following material contingent liabilities:

Contractually, deferred consideration of US\$2m is payable to a third party upon meeting the production milestone of 2,000 bopd for 30 consecutive days, by August 2016. As the production milestone is unlikely to be achieved by the expiry date, the deferred consideration adjustment has been reversed from the accounts (see note 11).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)**24 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.

Remuneration of Key Management Personnel

The remuneration of the Directors of the Company are set out below in aggregate for each of the categories specified in IAS24 Related party Disclosures.

	2015	2014
	£ 000's	£ 000's
Short-term employee benefits	879	588
Share-based payments	-	776
Total	879	1,313

The figures above include unpaid amounts which, are included within accruals. At the year-end, Neil Ritson was owed £83,000, Steve Horton was owed £20,000 and Michael Douglas was owed £13,000 (see note 7).

Other transactions

During the year, the Company incurred costs of £30,000 in relation to consultancy services provided by NewDevCo Ltd, a related party to Steve Horton, a Director of the Company. This amount was unpaid at the year-end.

During the year, the Company incurred costs of £23,000 in relation to consultancy services provided by Quo Group Ltd, a related party to Michael Douglas, a Director of the Company. £4,000 of the amount was unpaid at the year-end.

25 Events after the reporting period

On 22 January 2016, the Company issued 28,848,519 new Ordinary Shares, at a price of 0.225 pence per share, to a creditor in payment for services provided.

On 16 March 2016, the Company raised £1.06 million before expenses by way of a placing of 424,209,334 new Ordinary Shares, at a price of 0.25 pence per share. Also, the company issued 235,995,235 new Ordinary Shares, at a price of 0.25 pence per share, to creditors in payment for services provided.

On 18 April 2016, the Company raised £0.30 million before expenses by way of a placing of 120,000,000 new Ordinary Shares, at a price of 0.25 pence per share.

On 4 May 2016, the Company raised £3.25 million before expenses by way of a placing of 1,625,000,000 new Ordinary Shares, at a price of 0.2 pence per share. Also on this date, the outstanding BNP Paribas loan liability was reduced by offsetting the funds previously restricted, resulting in lower monthly repayments.

26 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 £1.5 million (2014: £3.1 million).

CORPORATE INFORMATION

Registered Number	05901339
Directors	Steve Horton – Chairman Neil Ritson – Chief Executive Officer Fergus Jenkins – Chief Operations Officer James Thadchanamoorthy – Chief Financial Officer Michael Douglas – Non-Executive Director
Company Secretary	James Thadchanamoorthy
Registered Office	Suite 4B, Princes House 38 Jermyn Street London SW1Y 6DN United Kingdom Tel: +44 (0) 20 3794 9230 Fax: +44 (0) 20 3794 9231 Email: info@lgo-energy.com Website: www.lgo-energy.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	FirstEnergy Capital LLP 85 London Wall London EC2M 7AD United Kingdom
Share Registrars	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham, Surrey GU9 7LL United Kingdom
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