

BLACK LION RESOURCES PLC



Directors' Report And Financial Statements

For the year ended 28 February 2013

Company Registration No 07153526 (England and Wales)

BLACK LION RESOURCES PLC

DIRECTORS AND ADVISERS

Directors	T H G Lyle E Bosshard B Van der Vliet
Secretary	D Papworth
Company number	07153526
Registered office	Salisbury House 29 Finsbury Circus London EC2M 5QQ
Registered auditors	Kingston Smith Devonshire House 60 Goswell Road London EC1M 7AD

BLACK LION RESOURCES PLC

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BLACK LION RESOURCES PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2013

The directors present their report and financial statements for the year ended 28 February 2013

Principal activities and review of the business

The principal activity of the company is to invest in oil and gas opportunities onshore in the USA, on the continental shelf of West Africa and in South East Asia and Australasia

During the year the Group acquired a small group of fields in Texas for a total consideration of \$650,000 in a mixture of cash ordinary and preference shares

Results and dividends

The consolidated profit and loss account for the year is set out on page 5

Future developments

The company intends to commence the exploitation and development of the oil and gas reserves

Directors

The following directors have held office since 1 March 2012

T H G Lyle

E Bosshard

B Van der Vliet

Auditors

The auditors, Kingston Smith LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BLACK LION RESOURCES PLC


DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2013

Statement of disclosure to auditors

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

On behalf of the board



THG Lyle

Director

27/08/2013

BLACK LION RESOURCES PLC

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BLACK LION RESOURCES PLC

We have audited the group and parent company financial statements (the "financial statements") of Black Lion Resources Plc for the year ended 28 February 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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, 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 and express an opinion on 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 of the financial statements

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 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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 28 February 2013 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

BLACK LION RESOURCES PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF BLACK LION RESOURCES PLC

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the 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



Jonathan Sutcliffe (Senior Statutory Auditor)
for and on behalf of Kingston Smith

28/8/2013

Chartered Accountants
Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

BLACK LION RESOURCES PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 28 FEBRUARY 2013

	Notes	2013 £	2012 £
Administrative expenses		(67,274)	(63,892)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	3	(67,274)	(63,892)
		<hr/>	<hr/>
Tax on loss on ordinary activities	4	-	-
		<hr/>	<hr/>
Loss on ordinary activities after taxation		<u>(67,274)</u>	<u>(63,892)</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

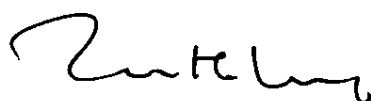
BLACK LION RESOURCES PLC

BALANCE SHEETS

AS AT 28 FEBRUARY 2013

		Group		Company	
	Notes	2013 £	2012 £	2013 £	2012 £
Fixed assets					
Intangible assets	6	433,860	-	-	-
Investments	7	-	-	154,766	-
		<u>433,860</u>	<u>-</u>	<u>154,766</u>	<u>-</u>
Current assets					
Debtors	8	6,070	7,308	288,291	7,308
Cash at bank and in hand		64,846	79,989	64,846	79,989
		<u>70,916</u>	<u>87,297</u>	<u>353,137</u>	<u>87,297</u>
Creditors amounts falling due within one year	9	(411,794)	(9,957)	(411,794)	(9,957)
		<u>(340,878)</u>	<u>77,340</u>	<u>(58,657)</u>	<u>77,340</u>
Net current (liabilities)/assets					
		(340,878)	77,340	(58,657)	77,340
Total assets less current liabilities		<u>92,982</u>	<u>77,340</u>	<u>96,109</u>	<u>77,340</u>
Capital and reserves					
Called up share capital	10	9,410	8,581	9,410	8,581
Share premium account	11	268,081	185,994	268,081	185,994
Profit and loss account	11	(184,509)	(117,235)	(181,382)	(117,235)
		<u>92,982</u>	<u>77,340</u>	<u>96,109</u>	<u>77,340</u>
Shareholders' funds	12				
		<u>92,982</u>	<u>77,340</u>	<u>96,109</u>	<u>77,340</u>

Approved by the Board and authorised for issue on 27th August 2013



T H G Lyle
Director

Company Registration No 07153526

BLACK LION RESOURCES PLC

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 28 FEBRUARY 2013

	£	2013 £	£	2012 £
Net cash outflow from operating activities		(96,075)		(26,716)
Taxation		(1,984)		-
		<hr/>		<hr/>
Net cash outflow before management of liquid resources and financing		(98,059)		(26,716)
Financing				
Issue of ordinary share capital	82,916		164	
	<hr/>		<hr/>	
Net cash inflow from financing		82,916		164
		<hr/>		<hr/>
Decrease in cash in the year		(15,143)		(26,552)
		<hr/>		<hr/>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 28 FEBRUARY 2013

1	Reconciliation of operating loss to net cash outflow from operating activities			2013	2012
				£	£
	Operating loss			(67,274)	(63,892)
	Decrease in debtors			1,238	60,340
	Increase/(decrease) in creditors within one year			(30,039)	(23,164)
				<u></u>	<u></u>
	Net cash outflow from operating activities			(96,075)	(26,716)
				<u></u>	<u></u>
2	Analysis of net funds	1 March 2012	Cash flow	Other non-cash changes	28 February 2013
		£	£	£	£
	Net cash				
	Cash at bank and in hand	79,989	(15,143)	-	64,846
		<u></u>	<u></u>	<u></u>	<u></u>
	Net funds	79,989	(15,143)	-	64,846
		<u></u>	<u></u>	<u></u>	<u></u>
3	Reconciliation of net cash flow to movement in net funds			2013	2012
				£	£
	Decrease in cash in the year			(15,143)	(26,552)
				<u></u>	<u></u>
	Movement in net funds in the year			(15,143)	(26,552)
	Opening net funds			79,989	106,541
				<u></u>	<u></u>
	Closing net funds			64,846	79,989

BLACK LION RESOURCES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2013

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The directors have prepared cash flow forecasts which demonstrate that the company has enough cash to continue operating for at least the next 12 months from the date they approve these accounts

In common with all oil and gas production companies, the returns are optimised if the well is brought into production sooner. Furthermore, the board have plans to expand activities, and accordingly are raising c£750,000. The ability of the group to raise these funds does not affect the ability of the company to bring the existing well into production.

Accordingly the directors consider that it is appropriate to use the going concern basis when preparing the financial statements.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 28 February 2013. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Oil and gas leases

The Group's intangible assets comprise oil and gas leases and development costs, and the value is dependent upon the success of the Group in exploiting and developing its current oil and gas properties.

The Group follows the full-cost method of accounting for oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves, including directly related overhead costs, are capitalised into a "full-cost pool".

All capitalised costs of oil and gas properties, including the estimated future costs to develop proved reserves, are amortised on the unit of production method using estimates of proved reserves.

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.6 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.7 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

BLACK LION RESOURCES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2013

2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom

3 Operating loss	2013 £	2012 £
Operating loss is stated after charging Fees payable to the group's auditor for the audit of the group's annual accounts (company £7,492, 2012 £5,540)	7,492	5,540
and after crediting Profit on foreign exchange transactions	-	(9)

4 Taxation	2013	2012
Total current tax	-	-
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(67,274)	(63,892)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2012 - 21.00%)	(13,455)	(13,417)
Effects of Non deductible expenses	2,785	4,322
Tax losses carried forward	10,670	9,095
	13,455	13,417
Current tax charge for the year	-	-

5 Loss for the financial year

As permitted by section 408 Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The loss for the financial year is made up as follows

	2013 £	2012 £
Holding company's loss for the financial year	(64,147)	(63,892)

BLACK LION RESOURCES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2013

6 Intangible fixed assets Group

	Oil and gas £
Cost	
At 1 March 2012	-
Additions	433,860
	<hr/>
At 28 February 2013	433,860
	<hr/>
Net book value	
At 28 February 2013	433,860
	<hr/>
At 29 February 2012	-
	<hr/>

BLACK LION RESOURCES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2013

7 Fixed asset investments

Company	Shares in group undertaking £
Cost	
At 1 March 2012	-
Additions	154,766
At 28 February 2013	154,766
Net book value	
At 28 February 2013	154,766

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

Holdings of more than 20%

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

Company	Country of registration or	Shares held	%
		Class	
Subsidiary undertakings			
Black Lion Resources Texas Inc	State of Texas, USA	Ordinary	100.00

The principal activity of these undertakings for the last relevant financial year was as follows

	Principal activity
Black Lion Resources Texas Inc	Oil and gas production and development

8 Debtors

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Amounts owed by group undertakings	-	-	282,221	-
Other debtors	4,570	7,019	4,570	7,019
Prepayments and accrued income	1,500	289	1,500	289
	<u>6,070</u>	<u>7,308</u>	<u>288,291</u>	<u>7,308</u>

BLACK LION RESOURCES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2013

9 Creditors amounts falling due within one year

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade creditors	-	661	-	661
Corporation tax	-	1,984	-	1,984
Other creditors	400,394	-	400,394	-
Accruals and deferred income	11,400	7,312	11,400	7,312
	<u>411,794</u>	<u>9,957</u>	<u>411,794</u>	<u>9,957</u>

10 Share capital

	2013	2012
	£	£
Allotted, called up and fully paid		
9,410,000 Ordinary Shares of each	<u>9,410</u>	<u>8,581</u>

During the year 829,000 ordinary shares of 0 1p each were issued at a premium of 9 9p

There is a share warrant instrument in place pursuant to which the company has issued, and may in future issue, investor warrants and manager warrants to subscribe for ordinary shares on a non-pre-emptive basis. As at the balance sheet date, all of the management warrants and 162,750 of the investor warrants remained unexpired and unexercised.

BLACK LION RESOURCES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2013

11 Statement of movements on reserves Group

	Share premium account	Profit and loss account
	£	£
Balance at 1 March 2012	185,994	(117,235)
Loss for the year	-	(67,274)
Premium on shares issued during the year	82,087	-
	<hr/>	<hr/>
Balance at 28 February 2013	268,081	(184,509)
	<hr/>	<hr/>

Company

	Share premium account	Profit and loss account
	£	£
Balance at 1 March 2012	185,994	(117,235)
Loss for the year	-	(64,147)
Premium on shares issued during the year	82,087	-
	<hr/>	<hr/>
Balance at 28 February 2013	268,081	(181,382)
	<hr/>	<hr/>

BLACK LION RESOURCES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2013

12 Reconciliation of movements in shareholders' funds	2013	2012
Group	£	£
Loss for the financial year	(67,274)	(63,892)
Proceeds from issue of shares	82,916	164
Net addition to/(depletion in) shareholders' funds	15,642	(63,728)
Opening shareholders' funds	77,340	141,068
Closing shareholders' funds	92,982	77,340

Company	2013	2012
	£	£
Loss for the financial year	(64,147)	(63,892)
Proceeds from issue of shares	82,916	164
Net addition to/(depletion in) shareholders' funds	18,769	(63,728)
Opening shareholders' funds	77,340	141,068
Closing shareholders' funds	96,109	77,340

13 Directors' remuneration	2013	2012
	£	£
Sums paid to third parties for directors' services	28,083	13,244

14 Employees

Number of employees

There were no employees during the year apart from the directors

Employment costs	2013	2012
	£	£
Wages and salaries	28,083	13,244

15 Post Balance Sheet Events

On 23rd May 2013, redeemable preference shares were issued to Global Universal Inc in satisfaction of \$400,000 (included in other creditors) due in accordance with the sale and purchase agreement on the acquisition of the interests in oil and gas leases in the Fort Worth area of Texas

BLACK LION RESOURCES PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2013

16 Related party relationships and transactions

City & Merchant Limited

City & Merchant Limited ("C&M") have a common director with Black Lion Resources Plc who has control and therefore is a related party. C&M is also the Company's Corporate Advisor.

Advisory fees of £13,171 (2012: £10,000) were charged to the company by C&M during the period. At the balance sheet date, £nil (2012: £91) was owed to C&M and is held in trade creditors.

Included within other debtors is a balance of £1,540 (2012: £3,340) due from C&M.

Company

The company has taken advantage of the exemption available in FRS 8 "Related party disclosures" whereby it has not disclosed transactions with any wholly owned subsidiary undertaking.