3LEGS RESOURCES PLC

Annual Report and Accounts

for the year ended 31 December 2014

DIRECTORS, OFFICERS and ADVISORS

DIRECTORS

R Armstrong	Non-Executive Chairman
C Weinberg	Non-Executive Director
J Mellon	Non-Executive Director
G Bailey	Non-Executive Director

SECRETARY
Stone Limited

REGISTERED OFFICE
Commerce House
1 Bowring Road
Ramsey
Isle of Man, IM8 2LQ

AUDITOR
Baker Tilly UK Audit LLP
2 Whitehall Quay
Leeds
LS1 4HG

SOLICITORS
Cooley (UK) LLP
Dashwood
69 Old Broad Street
London, EC2M 1QS

Cains Advocates Limited
Fort Anne
Douglas
Isle of Man, IM1 5PD

REGISTRARS
Capita Registrars (Isle of Man) Limited
3rd Floor, Exchange House
54-62 Athol Street
Douglas
Isle of Man, IM1 1JD

NOMINATED ADVISER AND BROKER
Northland Capital Partners Limited
131 Finsbury Pavement
London
EC2A 1NT

JOINT BROKER
Peterhouse Corporate Finance Limited
New Liverpool House
15 Eldon Street
London, EC2M 7LD

BANKERS
HSBC Bank plc
HSBC House, Ridgeway Street
Douglas
Isle of Man, IM99 1A

CHAIRMAN'S STATEMENT

The Company was listed on the AIM market in June 2011 having raised £62.5m before expenses in order to focus on the exploration and development of unconventional oil and gas resources in Europe. However, in view of the disappointing results the then Board announced last September that it had concluded that it could not justify further investment in its concessions. After considering the options open to it, the Board decided that the return of the remaining cash resources, net of wind up costs, to shareholders followed by an orderly liquidation would be in their best interests.

Subsequently, a group of investors approached the then Board to explore whether it would consider an alternative to liquidation that would offer the Company's then shareholders some additional value. These shareholders would receive a slightly larger sum of cash, since the Company would save the costs of liquidation, and would also have a continuing interest in the Company which was valued at £0.2m at the price at which new investors proposed to invest (in the event, the sum of £0.8m) into the Company. The Board decided to put this alternative proposal to shareholders, who duly voted in favour at a meeting held on 13 February 2015, at which they also approved the second and final distribution of cash of £1.1m or 1.33p per Ordinary Share.

As part of these arrangements Colin Weinberg and I joined the Board and the existing directors resigned, other than Alex Fraser who has subsequently stepped down. Shareholders also voted to adopt the new Investing Policy, namely to invest in and/or acquire companies within the technology sector or within the resources sector.

However, subject to shareholders' approval at the forthcoming Annual General Meeting, the planned focus of the Company's Investing Policy will be amended to that of life sciences and related technologies. In early June, the Company secured additional funding of £0.5m representing 29.9% of the enlarged share capital, from Jim Mellon and Dr Greg Bailey, both of whom have joined the Board. Jim and Greg have a successful track record of identifying profitable investments in healthcare and related sectors and the proposed new direction for the Company will enable it to capitalise on their expertise and contacts in this area. The new Investing Policy is set out in the Appendix to the Notice of Annual General Meeting to be held on 31 July 2015. The current Investing Policy is described on page 4 below as a matter of record.

Full details of the Company's previous activities for the first nine months of 2014 were provided in the interim results statement and subsequent developments are highlighted in the Directors' Report. The results for the twelve months to 31 December 2014 reflect the decision of the Board to cease its exploration activities, which was achieved by selling its relevant subsidiaries for a nominal consideration. Accordingly, exploration expenditure which had formerly been carried forward as an asset on the balance sheet as both capital exploration expenditure in respect of the interests held in the Eastern Baltic Basin licences and also under "an investment accounted for using the equity method" had to be written off. As a result, the Company made a loss on disposal of subsidiaries and its interest in joint ventures of £34.1m, leading to a loss for the full year of £35.0m.

Further to the restructuring that has taken place, the Company has become an Investing Company and the Board looks forward to implementing its new Investing Policy.

I would like to express my thanks to our shareholders and advisers for their support during this period of change.

Richard Armstrong

Chairman

STRATEGIC REPORT

As referred to in the Chairman's Statement, further to the sale of the operating businesses, the Board has embarked on a new strategy for the Company. The Directors believe that their broad collective experience together with their extensive network of contacts will assist them in the identification, evaluation and funding of suitable investment opportunities. When necessary, other external professionals will be engaged to assist in the due diligence of prospective opportunities. The Directors will also consider appointing additional directors with relevant experience if the need arises.

The objective of the Directors is to generate capital appreciation and any income generated by the Group will be applied to cover costs or will be added to the funds available to further implement the Investment Policy. In view of this, it is unlikely that the Directors will recommend a dividend in the early years. However, they may recommend or declare dividends at some future date depending on the financial position of the Group.

The Directors confirm that, as required by the AIM Rules, they will at each Annual General Meeting of the Group seek shareholder approval of its Investing Policy.

INVESTING POLICY

As an AIM Investing Company, 3Legs Resources is required to set out its investing strategy in the form of an Investing Policy. The current investing policy was set out in a circular to shareholders dated 27 January 2015 and approved by shareholders at an Extraordinary General Meeting on 13 February 2015. The investing policy, which subject to shareholders approval at the forthcoming Annual General Meeting will be changed to focus on life sciences and related sec tors, is set out below.

The Board proposes to invest in and/or acquire companies within the technology sector or within the resources sector, particularly where a resource can be brought into production through the application of modern technologies. Initially the geographical focus will be North America, Asia and Europe but investments may also be considered in other regions to the extent that the Board considers that valuable opportunities exist and positive returns can be achieved.

In selecting investment opportunities, the Board will focus on businesses, assets and/or projects that are available at attractive valuations and hold opportunities to unlock embedded value. Where appropriate, the Board may seek to invest in businesses where it may influence the business at a board level, add their expertise to the management of the business, and utilise their industry relationships and access to finance; as such investments are likely to be actively managed.

The Company's interests in a proposed investment and/or acquisition may range from a minority position to full ownership and may comprise one investment or multiple investments. The proposed investments may be in either quoted or unquoted companies; be made by direct acquisitions or farm-ins; and may be in companies, partnerships, earn-in joint ventures, debt or other loan structures, joint ventures or direct or indirect interests in assets or projects. The Board may focus on investments where intrinsic value can be achieved from the restructuring of investments or merger of complementary businesses.

The Board expects that investments will typically be held for the medium to long term, although short term disposal of assets cannot be ruled out if there is an opportunity to generate an attractive return for Shareholders. The Board will place no minimum or maximum limit on the length of time that any investment may be held.

There is no limit on the number of projects into which the Company may invest, and the Company's financial resources may be invested in a number of propositions or in just one investment, which may be deemed to be a reverse takeover under the AIM Rules. The Directors intend to mitigate risk by appropriate due diligence and transaction analysis. Any transaction constituting a reverse takeover under the AIM Rules will also require Shareholder approval. The Board considers that as investments are made, and new promising investment opportunities arise, further funding of the Company may also be required.

Where the Company builds a portfolio of related assets it is possible that there may be cross holdings between such assets. The Company does not currently intend to fund any investments with debt or other borrowings but may do so if appropriate. Investments are expected to be mainly in the form of equity, with debt potentially being raised later to fund the development of such assets. Investments in later stage assets are more likely to include an element of debt to equity gearing. The Board may also offer new Ordinary Shares by way of consideration as well as cash, thereby helping to preserve the Company's cash for working capital and as a reserve against unforeseen contingencies including, for example, delays in collecting accounts receivable, unexpected changes in the economic environment and operational problems.

The Board will conduct initial due diligence appraisals of potential businesses or projects and, where they believe further investigation is warranted, intend to appoint appropriately qualified persons to assist. The Board believes it has a broad range of contacts through which it is likely to identify various opportunities which may prove suitable. The Board believes its expertise will enable it to determine quickly which opportunities could be viable and so progress quickly to formal due diligence. The Company will not have a separate investment manager. The Board proposes to carry out a comprehensive and thorough project review process in which all material aspects of a potential project or business will be subject to rigorous due diligence, as appropriate. Due to the nature of the sector in which the Company is focused it is unlikely that cash returns will be made in the short to medium term; rather the Company expects a focus on capital returns over the medium to long term.

The Company needs either to implement, to the satisfaction of the London Stock Exchange, the Investing Policy or to make an acquisition or acquisitions which constitute a reverse takeover under Rule 14 of the AIM Rules, in either case, within 12 months of the Company becoming an investing company on 3 November 2014, in order to avoid suspension of its Ordinary Shares from trading on AIM.

BOARD OF DIRECTORS

The current Directors joined the Board during 2015, pursuant to the recent restructuring of the Company and its change of status to that of an investing company. They are:

Richard Armstrong

Richard Armstrong is a former equity analyst and corporate broker. He has extensive experience in reconstructing and raising capital for turnaround situations especially in the quoted microcap sector, such as Weatherly International plc, K P Renewables plc (now IGas Energy plc), Future Internet Technologies plc (now Artilium plc) and Mobilefuture plc. In most cases, he has joined the board of these companies and has played a major role in helping them to acquire or establish operating businesses.

Colin Weinberg

Colin Weinberg is a former stockbroker with some 40 years' experience with a range of firms including most recently Durlacher plc and Walker Crips Weddle Beck plc. He is a former director of Peckham Building Society and is currently a director of Associated British Engineering plc, a listed company and of AIM – quoted Kennedy Ventures plc.

Jim Mellon

Jim Mellon is an investor with interests in several industries. After leaving Oxford, where he studied PPE,he worked in Asia and the United States in two fund management companies, GT and Thornton, before establishing his own business in 1991. This now has two components: a listed fund management company, Charlemagne Capital; and an Asian investment group, Regent Pacific Group Limited. In addition, Jim is the controlling shareholder and a director of Manx Financial Corporation, an Isle of Man-based bank; Speymill Group, a property business; and Webis Holdings; and a co-founder of Uramin and Red Dragon Resources, both mining groups. Burnbrae, his private company, is a substantial landlord in Germany and in the Isle of Man, and it owns outright the hotel chain, Sleepwell Hotels Limited. Jim spends most of his time working on startup ideas and on investing. His first book, 'Wake Up!' was published in 2005, and the second, '10 Investments for the Ten Years Ahead', in 2008. In 2014, Jim's third book Fast Forward was published which he co-authored with Al Chalabi. Jim is an honorary fellow of Oriel College, Oxford.

Dr Greg Bailey

Greg H Bailey, M.D., is managing partner of Palantir Group, Inc., a merchant bank specialising in biotech and intellectual property and is chairman of Portage Biotech, Inc. a publicly traded drug development company. Dr Bailey has over fifteen years' experience in investment banking and has also founded several companies. Along with comprehensive experience in healthcare, finance and medicine, Dr Bailey also brings to the board of directors an extensive involvement in corporate governance. Dr Bailey has served on multiple public company boards of directors. Dr Bailey was a practicing physician for ten years and holds a M.D. degree from the University of Western Ontario.

DIRECTORS' REPORT

Introduction

The Directors present their report and financial statements for the Group for the year ended 31 December 2014.

Principal activity

The Group's principal activity is now that of an Investing Company as set of in the Strategic report.

Business and financial review and future developments

The year to 31 December 2014 has been a year of major change for the Group with the cessation of its exploration activities in Poland and the consequential re-structure of the balance sheet. The key operational developments were highlighted in the Company's interim report. Subsequently, the Company announced the sale of its eastern Baltic Basin concessions to Stena AB for €500,000 in early November. It was also refunded its share of excess cash calls due from the joint venture vehicle Lane Energy Poland Sp. z o.o., as planned. However, the Company decided not to pursue a claim against ConocoPhillips.

The group incurred a loss for the year of £35m as a result of the decision of the former Board to cease its exploration activities, resulting in the need to write off any capitalised development expenditure and to terminate the contractual arrangements with ConocoPhilips. The new Board looks forward to the opportunities that exist for the Group going forward.

The plans for the future are set out in the Chairman's Statement and Strategic Report. The primary aim of the Board is to identify suitable investment opportunities for the Group and they will put in place performance measures to reflect the underlying activities of the investments identified at the time.

Results and dividends

The Group's loss for the year after taxation was £35 million (2013: loss of £4.3 million). The Directors do not recommend the payment of a dividend for the year.

Directors

The Directors of the Group that served during the year and subsequently were as follows:

Tim Eggar, Non-Executive Chairman (resigned 16 February 2015)

Kamlesh Parmar, Chief Executive Officer (resigned 16 February 2015)

David Bremner, Independent Non-Executive Director (retired 31 December 2014)

Rod Perry, Independent Non-Executive Director (retired 31 December 2014)

Richard Hills, Independent Non-Executive Director (retired 31 December 2014)

Alexander Fraser, Chief Financial Officer (appointed 8 October 2014, resigned 29 April 2015)

Richard Armstrong, Director (appointed 16 February 2015)

Colin Weinberg, Director (appointed 16 February 2015)

Jim Mellon, Director (appointed 9 June 2015)

Dr Greg Bailey, Director (appointed 9 June 2015)

Biographical details of serving Directors can be found in the Board of Directors section.

Annual General Meeting and re-election of Directors

The Annual General Meeting will be held on 31 July 2015.

Transactions involving Directors

As part of the subscriptions in February 2015 and June 2015, the following Directors subscribed for shares-

Director	*Number of Shares*	*Percentage of issued share capital*	*Price per share*
R Armstrong	6,465,517	1.05	0.232p
C Weinberg	4,310,345	0.70	0.232p
J Mellon	37,037,037	5.99	0.27p
Galloway Limited[1]	37,037,037	5.99	0.27p
Port Erin Biopharma Investments Limited[2]	18,518,518	2.99	0.27p
G Bailey	92,592,592	14.97	0.27p

[1] Galloway Limited is a company which is indirectly wholly owned by the trustee of a settlement under which James Mellon has a life interest.

[2] James Mellon is the Non-Executive Chairman of Port Erin Biopharma Investments Limited ("PEBI") and, together with companies owned by a trust under which James Mellon has a life interest, he is in aggregate interested in 29 per cent of the issued shares of PEBI.

The following Directors, who held office during 2014, were holders of the Ordinary Shares in the Company at the date of the capital distributions on 2 December 2014 and 20 February 2015. They received total repayment of 19.83 pence per share:

Director	*Number of Shares*	*Total repayment £*
K Parmar	3,448,916	683,920
A Fraser	2,378,916	471,739
T Eggar	546,495	103,370
D Bremner	131,434	26,063
R Hills	56,434	11,191
R Perry	151,434	30,029

During the year ended 31 December 2014, David Bremner had a consultancy agreement with the Company to provide technical and advisory services. During the year David Bremner charged fees of £60,714 (2013: £50,000). As at 31 December 2014, the amount outstanding to David Bremner under his consultancy agreement was £27,936 (2013: £18,000).

Directors' insurance and indemnity provisions

Subject to the conditions set out in the Companies Act 2006 and the Company's Articles of Association, the Company has arranged appropriate Directors' insurance to indemnify the Directors against liability in respect of proceedings brought by third parties. The annual cost of the cover is not material to the Group.

Significant shareholders

Other than the Directors' interests shown above, as at 18 June 2015, the Company had been notified that the following were holders of 3% or more of the Company's issued Ordinary Share capital:

	Number of Shares	*%*
British Polar Engines Limited[1]	86,206,897	13.93
Pires Investments plc	34,482,760	5.58
Vela Technologies plc	23,500,000	3.80

Notes:

Except for the holding of Ordinary Shares listed above, the Directors are not aware of any person holding 3% or more of the issued share capital at the date of this report.

[1]Colin Weinberg is a Director of British Polar Engines Limited and also its parent entity, Associated British Engineering plc.

Share capital

Details of the issued share capital, together with details of the movement in issued share capital during the year, are shown in note 25 to the financial statements.

Principal risks and uncertainties

Market Risks

The value of the Company's assets will depend, to a significant degree, on the Company's ability to identify and make suitable investments in a reasonable timeframe. The Directors intend that appropriate due diligence be carried out by the Company on potential prospects, but there is an inherent risk in investing in companies or businesses.

Funding

It is likely that, if the Company identifies and wishes to pursue an investment opportunity or a reverse takeover, it may need to raise further funds for further working or development capital. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that new investors will be prepared to invest on a basis which is acceptable to shareholders.

Political donations

There were no political donations made by the Group in the current or prior year.

Charitable donations

There were no charitable donations made by the Group in the current or prior year.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future. The Company is committed to identifying opportunities for new investment, in line with the investing policy, and there is no intention to liquidate the company.

The Directors therefore consider it appropriate to prepare the financial statements on a going concern basis.

Payment of suppliers

It is the Group's policy that payments to suppliers are made in accordance with terms and conditions agreed between the Group and its suppliers. The average payment period for creditors for the year was 30 days (2013: 28 days).

Post balance sheet events

Events after the balance sheet date have been disclosed in note 34 to the financial statements.

Statement as to disclosure of information to the auditor

Each Director in office at the date of this report has confirmed, as far as he is aware, that there is no relevant audit information of which the auditor is unaware. Each such Director has confirmed that he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to reappoint Baker Tilly UK Audit LLP as auditor, at a fee to be agreed, will be proposed by the Board.

The Directors' Report was approved by the Board of Directors and signed on its behalf by:

Richard Armstrong
26 June 2015

CORPORATE GOVERNANCE STATEMENT

The Group is subject to the corporate governance regime of the United Kingdom. The Directors acknowledge the importance of the guidelines set out in the QCA Guidelines and therefore intend to comply with these so far as is practicable having regard to the size and nature of the operations of the Group.

For the period up until the year end, the Group had a formalised corporate governance structure based around compliance with the UK Corporate Governance Code which operated throughout the year on the basis as set out in the 2013 Report and accounts. Since this time, the Group has adopted a much simplified corporate governance structure which reflects the stage of development of the new operations of the Group

Until the Company has made a number of acquisitions or completed a reverse takeover, the Board does not consider it appropriate to have nomination, remuneration, audit or risk committees. The Board as a whole will instead review its size, structure and composition, the scale and structure of the Directors' fees (taking into account the interests of Shareholders and the performance of the Company), take responsibility for the appointment of auditors and payment of their audit fee, monitor and review the integrity of the Company's financial statements and take responsibility for any formal announcements on the Company's financial performance. In due course, and certainly following a reverse takeover, the Board would intend to put in place nomination, remuneration, audit and risk committees.

Statement of Directors' Responsibilities

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

The Directors have elected to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

In preparing the Group 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 they have been prepared in accordance with IFRS as adopted by the EU;
- 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Isle of Man Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We have audited the Group financial statements of 3Legs Resources plc for the year ended 31 December 2014 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and the related notes. 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 in accordance with section 80C of the Isle of Man 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 auditor

As more fully explained 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the provisions of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Andrew Allchin (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

2 Whitehall Quay

Leeds

LS1 4HG

26 June 2015

3LEGS RESOURCES PLC
Consolidated Income Statement
For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Discontinued operations			
Administrative expenses		(1,854)	(2,034)
Foreign exchange gains/(losses)		54	(632)
Share based payment	28	825	(99)
Non-capitalised exploration and evaluation expense	7	-	(451)
Impairment of intangible exploration and evaluation assets	8	-	(135)
Impairment of loan	9	-	(226)
Operating loss	12	(975)	(3,577)
Share of results of joint venture	10	(481)	(902)
Investment income	11	58	172
Loss on disposal of subsidiaries and joint venture	6	(33,626)	-
Loss for the year		(35,024)	(4,307)
Attributable to:			
Equity holders of the parent		(35,024)	(4,307)
		(35,024)	(4,307)
Loss per Ordinary Share			
Discontinued operations			
Basic and diluted, pence per share	16	(0.41p)	(0.05p)

All activities are derived from discontinued operations.

3LEGS RESOURCES PLC
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2014

	2014	2013
	£'000	£'000
Loss for the year	(35,024)	(4,307)
Other comprehensive income		
Exchange differences arising on translation of foreign operations	329	62
Total comprehensive income for the year attributable to owners of the parent company	(34,695)	(4,245)

3LEGS RESOURCES PLC
Consolidated Balance Sheet
As at 31 December 2014

	Notes	2014 £'000	2013 £'000
Assets			
Non-current assets			
Intangible exploration and evaluation assets	17	-	2,357
Investment accounted for using the equity method	18	-	23,515
		-	25,872
Current assets			
Trade and other receivables	20	95	323
Cash and cash equivalents	21	1,341	26,792
		1,436	27,115
Total assets		1,436	52,987
Liabilities			
Current liabilities			
Trade and other payables	22	(144)	(398)
Provisions	23	-	(25)
		(144)	(423)
Total liabilities		(144)	(423)
Net assets		1,292	52,564
Equity			
Share capital	25	22	21
Share premium account		52,594	68,347
Share-based payment reserves	27	-	889
Accumulated deficit		(51,324)	(16,362)
Cumulative translation reserves		-	(331)
Total equity		1,292	52,564

The financial statements of 3Legs Resources plc were approved by the Board of Directors and authorised for issue on 26 June 2015. They were signed on its behalf by:

Richard Armstrong
26 June 2015

Notes 1 to 34 form part of these financial statements.

3LEGS RESOURCES PLC
Consolidated Cash Flow Statement
For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Net cash outflow from operating activities	29	(1,486)	(2,783)
Investing activities			
Interest received		58	172
Purchases of intangible exploration and evaluation assets		-	(40)
Proceeds of disposal of intangible exploration and evaluation assets		-	250
Investment in joint venture		(8,235)	(10,148)
Net cash used in investing activities		(8,177)	(9,766)
Financing activities			
Issue of share capital		180	17
Return of cash to shareholders		(15,933)	-
Net cash (outflow)/inflow from financing activities		(15,753)	17
Net decrease in cash and cash equivalents		(25,416)	(12,532)
Effect of foreign exchange rate changes on cash and cash equivalents		(35)	(207)
Cash and cash equivalents at beginning of year		26,792	39,531
Cash and cash equivalents at end of year		1,341	26,792

All cash flows are attributable to the operating, investing and financing activities of discontinued operations.

3LEGS RESOURCES PLC
Consolidated Statement of Changes in Equity
For the year ended 31 December 2014

	Share capital £'000	Share premium account £'000	Share-based payment reserves £'000	Accumulated deficit £'000	Cumulative translation reserves £'000	Total £'000
As at 1 January 2013	**21**	**68,330**	**790**	**(12,055)**	**(393)**	**56,693**
Transactions with owners in their capacity as owners:						
Issue of equity shares	-	17	-	-	-	17
Total transactions with owners in their capacity as owners	-	17	-	-	-	17
Loss for the year	-	-	-	(4,307)	-	(4,307)
Other comprehensive income:						
Currency translation differences	-	-	-	-	62	62
Total comprehensive income for the year	-	-	-	(4,307)	62	(4,245)
Share-based payments	-	-	99	-	-	99
As at 1 January 2014	**21**	**68,347**	**889**	**(16,362)**	**(331)**	**52,564**
Transactions with owners in their capacity as owners:						
Issue of equity shares	1	180	-	-	-	181
Return of cash to shareholders	-	(15,933)	-	-	-	(15,933)
Total transactions with owners in their capacity as owners	1	(15,753)	-	-	-	(15,752)
Loss for the year	-	-	-	(35,024)	-	(35,024)
Other comprehensive income:						
Currency translation differences	-	-	-	(2)	331	329
Total comprehensive income for the year	-	-	-	(35,026)	331	(34,695)
Share-based payments	-	-	(825)	-	-	(825)
Transfer to retained earnings in respect of exercised share options	-	-	(64)	64	-	-
As at 31 December 2014	**22**	**52,594**	**-**	**(51,324)**	**-**	**1,292**

3LEGS RESOURCES PLC
Notes to the Consolidated Financial Statements
For the year ended 31 December 2014

1 General information

3Legs Resources plc (the 'Company' and, together with its subsidiary, the 'Group') is incorporated in the Isle of Man, British Isles under the Isle of Man Companies Act 2006. The address of the registered office is Commerce House, 1 Bowring Road, Ramsey, Isle of Man, British Isles, IM8 2LQ.

The principal activity of the Group during 2014 was the exploration, evaluation and development of oil and gas targets. The Company is now classified as an Investing Company.

These financial statements are presented in pounds sterling. Foreign operations are included in accordance with the policies set out in note 3.

2 Adoption of new and revised Standards

Standards affecting presentation and disclosure

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

IFRS 2 Amendment	*Share based payments*
IFRS 3 Amendment	*Business combinations*
IFRS 8 Amendment	*Operating segments*
IFRS 16 Amendment	*Property, plant & equipment*
IFRS 24 Amendment	*Related party disclosures*
IFRS 38 Amendment	*Intangible assets*
IFRS 9 Amendment	*Financial instruments*
IFRS 10/FRS 28 Amendment	*Consolidated financial statements*
IFRS 12 Amendment	*Consolidation*
IFRS 11 Amendment	*Joint ventures*
IFRS 14	*Regulatory deferred accounts*
IFRS 15	*Reverse from contracts with customers*
IAS 1 Amendment	*Disclosures*
IFRS 7 Amendment	*Financial instruments*

The Directors do not expect that the adoption of these Standards or Interpretations in future periods will have a material impact on the financial statements of the Group.

3 Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union ("EU"), and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost convention basis. Historic cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Going concern

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Director's Report.

The Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future. The Company is committed to identifying opportunities for new investment, in line with the investing policy, and there is no intention to liquidate the company.

The Directors therefore consider it appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

A joint venture is an entity in which the Group holds an interest on a long-term basis and which is jointly controlled by the Group and one or more other venturers under a contractual arrangement.

The Group recognises its investment in joint ventures at cost, with subsequent adjustments for its share of any profits or losses incurred by the joint venture since acquisition.

Leasing

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable under operating leases are charged to income on a straight-line basis over the lease term.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency).

For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the functional currency of each Group company ("foreign currencies") are recorded in the functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into the functional currency at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange differences are recognised in the income statement in the period in which they arise except for foreign exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in the income statement on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used.

Foreign exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Operating loss

Operating loss is stated after charging impairment of intangible exploration and evaluation assets but before share of results of joint venture activities accounted for using the equity method, investment income and other gains and losses.

Investment Income

Investment income comprises bank interest income on funds invested. Interest income is recognised on an accrual basis.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively 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 statements 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 the initial recognition of 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 reduced to the extent that it is no longer 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Intangible exploration and evaluation assets

Prior to the disposal of the licences the Group applied the full cost method of accounting for Exploration and Evaluation ("E&E") costs, having regard to the requirements of IFRS 6 *Exploration for and Evaluation of Mineral Resources*. Under the full cost method of accounting, costs of exploring for and evaluating mineral resources are accumulated by reference to appropriate cost centres being the appropriate licence area, but are tested for impairment on a cost pool basis.

E&E assets comprise costs of (i) E&E activities that are on-going at the balance sheet date, pending determination of whether or not commercial reserves exist and (ii) costs of E&E that, whilst representing part of the E&E activities associated with adding to the commercial reserves of an established cost pool, did not result in the discovery of commercial reserves.

Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the income statement as they are incurred.

Exploration and evaluation costs

All costs of E&E are initially capitalised as E&E assets. Payments to acquire the legal right to explore, costs of technical services and studies, seismic acquisition, exploratory drilling and testing are capitalised as intangible E&E assets.

Intangible costs include directly attributable overheads together with the cost of other materials consumed during the exploration and evaluation phases. E&E costs are not amortised prior to the conclusion of appraisal activities.

The Group considered its Baltic Basin licences to be a single cost pool and therefore aggregated all location specific assets for the purposes of determining whether impairment of E&E assets has occurred.

Financial instruments

Recognition of financial assets and financial liabilities

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.

Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset only when the contractual rights to cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amount it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost less any provision for impairment.

Cash and cash equivalents

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

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic resources will result and that outflow can be reliably measured.

Decommissioning

Provision for decommissioning is recognised in full when the related facilities are installed. The decommissioning provision is calculated as the net present value of the Group's share of the expenditure expected to be incurred at the end of the producing life of each field in the removal and decommissioning of the production, storage and transportation facilities currently in place. The cost of recognising the decommissioning provision is included as part of the cost of the relevant asset and is thus charged to the income statement on a unit-of-production basis in accordance with the Group's policy for depletion and depreciation of tangible non-current assets.

Share-based payments

The Group has applied the requirements of IFRS 2 *Share-based Payment* for all grants of equity instruments.

The Group operates an equity-settled share option plan and also issued warrants to certain shareholders (which have since lapsed). The fair value of the service received in exchange for the grant of options and warrants is recognised as an expense. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the Black-Scholes model and the Monte-Carlo model. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

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 and making strategic decision, has been identified as the Board of Directors.

4 Critical accounting judgements and key sources of estimation and uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

The following are the critical judgements and estimations that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Discontinued operations

A discontinued operation is a component of the Group's business that represents a major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

Share-based payments

The Group has an equity-settled share option scheme available to certain Directors, employees and consultants. In accordance with IFRS 2 *Share-based payment,* in determining the fair value of options granted, the Group has applied the Black-Scholes and the Monte Carlo model. As a result, the Group makes assumptions for expected volatility and expected life. The fair value of options granted in the years reported is shown in note 27. As at 31 December 2014 all the existing options lapsed and there are no judgements in place as at that date.

5 Business and geographical segments

At the balance sheet date, all of the Group's exploration assets had been disposed of. Throughout the year until the date of the disposal of the assets, the Directors consider there to be only one business segment, namely the exploration and development of oil and gas resources. The Directors consider there to be one material operating segment, being Poland. All segments relate to discontinued operations.

6 Discontinued operations

On 17 September 2014, the Company reported to shareholders that it had exercised its one-time option to cease participation in activity in its principal exploration project in Poland's Baltic Basin and to terminate its other exploration activities.

The Company was not conducting any other operations elsewhere, and moreover, had committed to its shareholders not to pursue other activities outside of Poland. On 3 November 2014 the Group transferred its 30% joint venture holding in its three western Baltic Basin concessions, to its joint venture partner, ConocoPhillips Poland B.V. for the consideration of $1.00.

Following the withdrawal from Poland, the Company concluded the sale of its entire interest in its three eastern Baltic Basin concessions to a subsidiary of Stena AB on 3 November 2014 for €500,000. The sale was implemented by way of a transfer of 3Legs' entire shareholding in its Polish subsidiary Lane Energy Exploration Sp. z o.o.

Earlier in the year, on 20 January 2014, the Group concluded its disposal of its two German concessions, to Rose Petroleum plc. This was undertaken by way of the sale of Parkyn Energy Holdings plc, the holding company of Parkyn Energy (Germany) Ltd., which in turn held the German concessions, for a consideration of €400,000 towards past costs and a 2% royalty. No income has fallen due under the terms of the royalty agreement to date.

	2014 £'000	2013 £'000
Consideration received:		
Consideration received, satisfied in cash	700	-
Deferred consideration (payment received 3 February 2015)	27	-
Total consideration	**727**	-
Net assets disposed:		
Non-current assets	33,641	-
Trade and other receivables	374	-
Foreign exchange	338	-
Total net assets disposed of	**34,353**	-
Loss on disposal of subsidiaries and joint venture	**(33,626)**	-

As a result of the transactions to dispose and terminate the Group's exploration assets, the Company is now deemed an 'investing company' under Rule 15 of the AIM Rules.

7 Non-capitalised exploration and evaluation expenditure

	2014 £'000	2013 £'000
Baltic Basin expenditure	-	451

8 Impairment of intangible exploration and evaluation assets

	2014 £'000	2013 £'000
Germany	-	135

During 2013, the Group entered into an agreement for the sale of the German concessions in exchange for a contribution of €400,000 towards past costs and a 2% royalty. The two licences were renewed for terms of two years each on 20 December 2013 and the sale was completed on 20 January 2014. The related exploration and evaluation cost was been impaired down to the value of the disposal proceeds in 2013.

9 Impairment of loan

	2014 £'000	2013 £'000
Cowley Mining plc	-	226

The loan to Cowley Mining plc, was impaired in full at 31 December 2013. The Directors consider this to approximate the fair value at the balance sheet date.

10 Share of loss of joint venture

Share of loss of joint venture represents the Group's share of exploration expenditure incurred on its western Baltic Basin concessions which is not capitalised on the balance sheet of Lane Energy Poland Sp. z o.o. The Group transferred its 30% interest in Lane Energy Poland Sp. z o.o. on 3 November 2014 and the full investment including share of losses in 2014 is recognised in the disposal.

	2014 £'000	2013 £'000
Lane Energy Poland Sp. z o.o.	481	902

The loss reported for 2014 is taken from the unaudited management accounts for the period to 30 June 2014, which represents the latest financial information available to the company.

11 Investment income

Investment income comprises interest earned on the Group's cash reserves.

	2014 £'000	2013 £'000
Interest on bank deposits	58	172

12 Operating loss

The operating loss for the year has been arrived at after (crediting)/charging:

	2014 £'000	2013 £'000
Property lease payments	79	114
Staff costs (note 14)	121	1,033
Share-based payments (note 27)	(825)	99
Impairment of intangible exploration and evaluation assets	-	135
Audit fees	20	65
Net foreign exchange (gains)/losses	(54)	632

13 Auditor's remuneration

Amounts payable to Baker Tilly UK Audit LLP and its associates in respect of both audit and non-audit services:

	2014 £'000	2013 £'000
Audit fees		
Fees payable to the Group's auditor for the statutory audit of the Group's annual accounts	20	65
Total audit fees	20	65
Amounts payable to associates of Baker Tilly UK Audit LLP		
Non-audit fees		
Tax services	8	15
Other assurance services, including interim review	16	11
Total non-audit fees	24	26

14 Staff costs

The average monthly number of employees (including Executive Directors) was:

	2014 Number	2013 Number
Executive Directors of Group companies	2	2
Other employees	1	3
	3	5

Their aggregate remuneration comprised:

	2014 £'000	2013 £'000
Wages and salaries	547	794
Social security costs	88	116
Benefits in kind	57	90
Share-based payments	(571)	33
	121	1,033

The share options lapsed following the cessation of the employment of all the option holders at 31 December 2014. This led to the reversal of the share-based payment charge and subsequent credit of £0.6 million to staff costs.

The Directors remuneration of the year ended 31 December 2014 was as follows:

Non-Executive Directors	2014 £'000	2013 £'000
Tim Eggar	48	52
David Bremner	87	77
Richard Hills	26	27
Rod Perry	26	28
Robert Jeffcock (resigned 22 February 2013)	-	4
Barry Rourke (resigned 19 April 2013)	-	10
	187	198

Executive Directors	2014 £'000	2013 £'000
Kamlesh Parmar	326	257
Alexander Fraser*	54	-
	380	257

* For the period since Alexander Fraser's appointment on 8 October 2014.

15 Tax

The tax assessed for the year is at the standard rate of corporation tax in the Isle of Man of 0% (2013: 0%) and is calculated as follows:

	2014 £'000	2013 £'000
Loss on ordinary activities before tax	(35,024)	(4,307)
Loss on ordinary activities by the standard rate of tax	-	-
Foreign tax	-	-
Tax charge for the year	-	-

16 Loss per Ordinary Share

Basic loss per Ordinary Share is calculated by dividing the net loss for the year attributable to Ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the year. The calculation of the basic and diluted loss per Ordinary Share is based on the following data:

	2014 £'000	2013 £'000
Losses		
Loss for the purposes of basic loss per share being net loss attributable to equity holders of the parent		
From discontinued operations	(35,024)	(4,307)

Number of shares	2014 Number	2013 Number
Weighted average number of Ordinary Shares for the purposes of basic loss per share	85,156,833	84,804,650

	2014 £	2013 £
Loss per Ordinary Share		
Basic and diluted, pence per share	(0.41)p	(0.05)p

Dilutive loss per Ordinary Share equals basic loss per Ordinary Share as, due to the losses incurred in 2013 and 2014, there is no dilutive effect from the subsisting share options.

17 Intangible exploration and evaluation assets

	£'000
Cost	
At 1 January 2013	2,839
Additions	40
Impairment (Note 8)	(135)
Disposals	(338)
Reversal of provision	(75)
Exchange differences	26
At 1 January 2014	2,357
Exchange differences	(316)
Disposal on sale of subsidiary	(2,041)
At 31 December 2014	-

18 Investment accounted for using the equity method

The Group had an interest in the joint venture listed below as at 31 December 2013, which it has accounted for using the equity method. The joint venture has a share capital consisting solely of Ordinary Shares, which until 3 November 2014 were held 70% by ConocoPhillips and 30% by a wholly-owned subsidiary of the Group. On 3 November 2014 the Group transferred its 30% equity interest to ConocoPhillips for consideration of $1.00.

Name	Country of incorporation and operation	Proportion of ownership and voting interest %	Measurement method
Lane Energy Poland Sp. z o.o.	Poland	30	Equity

Lane Energy Poland Sp. z o.o. is a private company and there is no quoted market price for its shares.

The aggregate amounts related to the joint venture included within the consolidated accounts are:

	2014 £'000	2013 £'000
Current assets	-	n/a
Long-term assets	-	23,515
Current liabilities	-	n/a
Long-term liabilities	-	n/a
Expenses	(481)	(902)

Investment in Joint Venture	**£'000**
Cost	
At 1 January 2014	23,515
Exchange differences	7
Joint venture cash calls and share of losses	8,321
Transfer of 30% interest	(31,843)
At 31 December 2014	-

19 Subsidiaries

The Company had investments in the following subsidiary undertakings as at 31 December 2014 and 31 December 2013, which have been included in the consolidated financial statements:

	Country of incorporation and operation	**Percentage Interest 2014 %**	**2013 %**	**Activity**
Directly held				
3Legs Management Services Ltd	England and Wales	-	100	Service company
3Legs Management Services US LLC	United States of America	100	100	Service company
3Legs Oil and Gas plc	Isle of Man	-	100	Holding company
Indirectly held				
Diell Trading Ltd	Cyprus	-	100	Holding company
Lane Energy Holdings plc	Isle of Man	-	100	Holding company
Lane Resources Holdings plc	Isle of Man	-	100	Holding company
Lane Resources Poland Sp. z o.o.	Poland	-	100	Exploration
Lane Energy Exploration Sp. z o.o.	Poland	-	100	Exploration
Moorfoot Trading Ltd	Cyprus	-	100	Holding company
Parkyn Energy (Germany) Ltd	Republic of Ireland	-	100	Exploration
Parkyn Energy Holdings plc	Isle of Man	-	100	Holding company

On 1 August 2013 the Group entered into an agreement for the sale of Parkyn Energy Holdings plc, the holding company of Parkyn Energy (Germany) Ltd., which in turn held the Group's two German concessions, to Rose Petroleum plc. This agreement was completed on 20 January 2014.

The Group concluded the sale of its entire interest in its three eastern Baltic Basin concessions to a subsidiary of Stena AB on 3 November 2014 for a consideration of €500,000. The sale was implemented by way of a transfer of 3Legs entire shareholding in its Polish subsidiary Lane Energy Exploration Sp. z o.o.

3Legs Oil and Gas plc, 3Legs Management Services Ltd, Diell Trading Ltd, Lane Energy Holdings plc, Lane Resources Holdings plc, Lane Resources Poland Sp. z o.o. and Moorfoot Trading Limited were disposed of by way of a sale to Cellar Holdings Ltd on 23 December 2014 for the consideration of £1.00.

20 Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables	-	5
Other receivables	27	178
Amounts due from joint venture	-	46
VAT recoverable	20	34
Prepayments and accrued income	48	60
	95	323

The average credit period for trade receivables is nil (2013: 11 days).

Other receivables also includes the remaining consideration of €30,000 due under the share purchase agreement entered into in connection with the sale of the Group's Eastern Baltic concessions

The Directors consider that the carrying amount of the other receivables approximates their fair value. None of the other receivables are past due or impaired.

21 Cash and cash equivalents

Cash and cash equivalents as at 31 December 2014 of £1.3 million (2013: £26.8 million) comprise cash held by the Group. The Directors consider that the carrying amount of these assets approximates to their fair value.

22 Trade and other payables

	2014 £'000	2013 £'000
Trade payables	83	178
Other taxes and social security	-	18
Accruals	61	202
	144	398

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purchases is 30 days (2013: 28 days). The Group has financial risk management policies to ensure that all payables are paid within the credit timeframe.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. No interest is generally charged on balances outstanding.

23 Provisions

Decommissioning	Current £'000
At 1 January 2014	25
Release of provision	(25)
At 31 December 2014	-

In accordance with the Group's environmental policy and applicable legal requirements, the Group expects to restore sites where it has carried on activities, following final conclusion of those activities.

The provision for decommissioning recognised by management reflects management's estimate of the net present value to the Group of its expected expenditure on decommissioning. These estimates are based on established oilfield decommissioning methods and technology at prices forecast to exist at the time of decommissioning. In 2013 the Legowo LE-1 well was plugged and abandoned, all expected decommissioning costs have now been incurred and accounted for, and as such, the remaining provision has reduced accordingly prior to 31 December 2014.

24 Deferred tax

Differences between IFRS and statutory tax rules (in the Isle of Man, the United Kingdom or elsewhere) give rise to temporary differences between the carrying values of certain assets and liabilities for financial reporting purposes and for income tax purposes.

Due to the disposals of subsidiaries with deferred tax assets during the year, as at 31 December 2014 the Group has no deferred tax assets (2013: £0.5 million) in respect of tax losses.

25 Share capital

Authorised and issued equity share capital

	2014		2013	
	Number '000	£'000	Number '000	£'000
Authorised				
Ordinary Shares of £0.00025 each	440,000	110	440,000	110
Issued and fully paid				
Ordinary Shares of £0.00025 each	86,127	22	84,847	21

The Company has one class of Ordinary Shares, which carry no right to fixed income.

On 13 February 2015 the authorised share capital was increased from £110,000 to £260,000.

Issued equity share capital

	Ordinary Shares of £0.00025 Number
At 1 January 2014	84,846,645
Issue of Ordinary Shares	1,280,084
At 31 December 2014	86,126,729

In total 136,696 Ordinary Shares were issued to Non-executive directors under the remuneration plan, with a total value of £31,498.63.

1,143,388 Ordinary Shares were issued as a result of exercised share options.

26 Share premium

	£'000
At 1 January 2014	68,347
Issue of Ordinary Shares – Non-executive directors remuneration	31
Issue of Ordinary Shares – Share option exercise	149
Return of funds to shareholders. 86,126,729 at 18.5 pence per share.	(15,933)
At 31 December 2014	52,594

27 Share-based payment reserves

	Options £'000
At 1 January 2013	790
Share-based payments	359
Lapse of options	(260)
At 1 January 2014	889
Lapse of options	(825)
Exercise of options	(64)
At 31 December 2014	-

28 Share-based payments

Equity settled share option plans

The Directors recognise the need to attract, incentivise and retain key employees. Accordingly the Group has Share Option Plans in place under which options to subscribe for the Company's shares have been granted to certain Directors, employees and consultants.

2007 and 2009 Share Option Plans

The 3Legs Resources plc 2007 Share Option Plan was adopted by the Company on 23 May 2007. The 3Legs Resources plc 2009 Share Option Plan was adopted by the Company on 7 December 2009.

The Group has no legal or constructive obligation to repurchase or settle the options in cash. The options are forfeited if the employee or consultant leaves the Group before the options vest. Details of the share options under these plans outstanding at the end of the year were as follows:

	2014		2013	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January	3,543,388	0.37	3,543,388	0.37
Granted during the year	-	-	-	-
Lapsed during the year	2,400,000	0.23	-	-
Exercised during the year	1,143,388	0.13	-	-
Outstanding at 31 December	-	-	3,543,388	0.37
Exercisable at 31 December	-	-	3,543,388	0.37

The Board has determined that no further options will be granted under either of these plans.

Long-Term Incentive Plan

During 2011 the Group adopted a new Long-Term Incentive Share Option Plan (the "LTIP") under which certain Directors, members of senior management, employees and consultants have been granted options to subscribe for the Company's shares. Under the LTIP, participants are granted options over the issued share capital of the Company. The LTIP has a three year performance period and, in the case of the CEO and other senior managers, the proportion of an option award vesting is dependent on the amount by which the Company's share price outperforms the Retail Price Index over the vesting period. If the performance conditions are not satisfied, then the award will immediately lapse.

Awards under, and pursuant to the terms of, the LTIP have been made to the CEO, senior managers, other employees and certain consultants providing services to the Group. Awards were made in January, June and October 2012 and March 2014.

Details of the share options movements under the LTIP in the year were as follows:

	2014		2013	
		Weighted average exercise price		Weighted average exercise price
	Number	£	Number	£
Outstanding at 1 January	1,285,530	0.37	2,769,603	0.37
Granted during the year	896,071	0.27	-	-
Lapsed during the year	(2,181,601)	0.37	(1,484,073)	-
Exercised during the year	-	-	-	-
Outstanding at 31 December	-	-	1,285,530	0.37
Exercisable at 31 December	-	-	-	-

The fair value of the options has been calculated using the Monte Carlo and Black Scholes models. The significant inputs into the model for the IFRS2 valuation were as follows:

	Grants				
	Jan 2012	Jun 2012	8 Oct 2012	18 Oct 2012	20 Mar 2014
Exercise price	£0.71	£0.37	£0.40	£0.41	£0.27
Expected volatility (%)	50	50	50.8 - 52	50.4	49.6 – 50.1
Expected life (years)	6	6	6	6.5	6
Risk free rates (%)	0.93 - 1.11	0.78 - 0.86	0.72 – 0.95	1.14	1.8 – 2.05
Expected dividends	-	-	-	-	-
RPI growth	n/a	n/a	n/a	2.7%	n/a
Performance condition	None	None	None	Share price growth over RPI	None

Expected volatility is normally determined by calculating the historic volatility of the share price over the most recent period that is commensurate with the expected award term. As the Company's shares had not been publically traded for a sufficiently long period at any of the grant dates, it is not possible to estimate volatility by considering historical price movements. Therefore volatility has been determined using the average share price volatility of 12 listed oil & gas exploration companies. Expected term has been determined by estimating that the participants will on average exercise at the mid-point between vesting and the last date possible to exercise.

Valuation of share-based payments

In the year ended 31 December 2014 the Group recognised a total reversal of charge of (£0.8) million (2013: expense of £0.1 million) related to equity-settled share-based payment transactions. The share options lapsed following the cessation of the employment of all the option holders.

29 Notes to the cash flow statement

	2014	2013
	£'000	£'000
Loss before tax	(35,024)	(4,307)
Adjustments for:		
Effect of foreign exchange rate changes	366	879
Impairment of E&E assets	-	135
Reversal of provision for E&E licences	-	75
Investment income	(58)	(172)
Share-based payments	(825)	99
Share of results of joint venture	481	902
Disposal of subsidiaries and joint venture	33,626	-
Reversal of provision for decommissioning	(25)	-
Operating cash flows before movements in working capital	(1,459)	(2,389)
Decrease in receivables	228	194
Decrease in payables	(255)	(588)
Cash used in operations	(1,486)	(2,783)
Taxation paid	-	-
Net cash outflow from operating activities	(1,486)	(2,783)

Cash and cash equivalents (which are presented as a single class of assets on the balance sheet) comprise cash at bank and short term bank deposits with an original maturity of three months or less. The carrying value of these assets is approximately equal to their fair value.

30 Operating lease arrangements

At 31 December 2014, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2014	2013
	£'000	£'000
Within one year	1	35
Within 2-5 years	-	3
	1	38

Operating lease payments represent rentals payable by the Group for properties located in London, UK and Warsaw, Poland.

31 Capital Commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2014 £'000	2013 £'000
Capital expenditure contracted for but not provided for in the financial statements	-	11,162

The full amount of the commitment in 2013 was in relation to the Group's joint venture obligations.

32 Financial instruments

Capital risk management

The Group manages its capital resources so as to ensure that entities in the Group will be able to continue as a going concern, while maximising the return to shareholders. Until it achieves positive cash-flow, the Group expects to fund its operations through a combination of equity capital raised from the market, asset disposals and, where appropriate, debt finance.

The capital resources of the Group consist of cash and cash equivalents arising from equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

	2014 £'000	2013 £'000
Financial assets		
Cash and cash equivalents	1,341	26,792
Trade receivables	-	5
Other receivables	95	400
	1,436	27,197
Financial liabilities		
Trade payables	144	179
	144	179

Financial risk management objectives

Management provides services to the business, co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group. These risks include foreign currency risk, credit risk, liquidity risk and cash flow interest rate risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

As the Group has no committed borrowings, the Group is not exposed to any risks associated with fluctuations in interest rates on loans.

Foreign exchange risk and foreign currency risk management

Following the disposal of the Group's assets and the cessation of operations, the Group is exposed to an immaterial level of currency risk on a continuing basis. In principle, the Group aims to minimise exposure to foreign exchange risk by matching the currency of income and related expenditure flows where possible.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group has minimal trade and other receivables at the year end.

The Group makes allowances for impairment of receivables where there is an identified event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The credit risk on liquid funds (cash) is considered to be limited because the counterparties are financial institutions with good credit ratings assigned by international credit-rating agencies in the Isle of Man and United Kingdom, respectively. The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows.

All financial liabilities held by the Group are non-interest bearing. Further information relevant to liquidity risk management is included in note 3.

33 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.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Recharge of costs and services		Amounts owing	
	2014	**2013**	**2014**	**2013**
	£'000	**£'000**	**£'000**	**£'000**
Lane Energy Poland Sp. z o.o.	164	190	-	47

Lane Energy Poland Sp. z o.o. is a related party of the Group as up until 3 November 2014 it was a joint venture, in which the Group held 30% of the issued share capital.

	Recharge of costs and services		Amounts owing	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Darley Energy plc and group	6	5	-	5

Darley Energy plc and its group companies are a related party of the Group because they have Directors and shareholders in common with the Company.

	Payment for services		Amounts owing	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
David Bremner	61	50	28	18

David Bremner was a Director of the Company until 31 December 2014 and thus a related party of the Group until this date.

Remuneration of key management personnel

The remuneration of the Executive Directors and senior management, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2014	2013
	£'000	£'000
Short-term employee benefits	854	879
Termination benefits	-	-
Share based payments	(571)	64
	283	943

34 Events after the balance sheet date

On 13 February 2015, the Company held an Extraordinary General Meeting at which the following resolutions were passed; to approve the final capital return of 1.33 pence per Ordinary Share; to allot and issue 345,025,861 Ordinary Shares of £0.00025 each at a price of 0.232 pence per share; and to approve the adoption of the Investing Policy. In addition the authorised share capital was increased from £110,000 to £260,000 and the Board was given authority to allot further Ordinary Shares on a non pre-emptive basis for an aggregate par value of £150,000.

On 9 June 2015, the Company issued 185,185,185 new Ordinary Shares at a price of 0.270 pence per share and stated that it proposed to ask shareholders to approve a new Investing Policy focussing on life sciences and related technologies sectors at the next Annual General Meeting.