Lansdowne
oil & gas

Lansdowne Oil & Gas plc

Interim Results for the six months to 30 June 2012

Lansdowne Oil & Gas, ("Lansdowne" or "the Company" or "the Group") is pleased to announce its interim results for the six months to 30 June 2012.

Operational highlights

- Barryroe appraisal well 48/24-10z successfully tested at a stabilised rate of 3,514 bopd and 2.93 mmscfgd (4,000boepd)
- Barryroe updated P50 oil in place estimates currently total 1,043MMBO for the Middle & Basal Wealden reservoirs. Lansdowne 20% interest.
- Barryroe additional potential identified in Lower Wealden and Purbeckian reservoir intervals with P50 oil in place estimate of 778MMBO
- Barryroe North Licensing Option secured over c. 500 sq kms.
- Amergin, Midleton & Rosscarbery prospects de-risked substantially by 3D seismic mapping. Robust prospects. Industry farm-out data room exercise ongoing.

Financial highlights

- Loss after tax for period of £620,000 (6 months to June 2011 loss £429,000).
- Post balance sheet fundraising of £10.0 million (before expenses) through the placing of 18,182,000 new ordinary shares at a price of 55 pence per share in August 2012.

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Chairman's Statement

The undoubted highlight event of the first half of 2012 was the success of the Barryroe oilfield appraisal well 48/24-10z. On March 15th, Providence Resources as operator of the Barryroe 48/24-10z appraisal well, in which your company has a 20% interest, confirmed that the well had successfully flow tested at a stabilised rate of 3,514 bopd and 2.93 mmscfgd (4,000boepd). The stabilized flow rates were achieved without the use of artificial lift and subsequent laboratory reservoir fluid analysis confirmed that the oil is light with a gravity of 43 degree API and a wax content of 17%. The oil is highly mobile with an in-situ reservoir viscosity of 0.68 centipoises and a gas-oil ratio of c. 800 SCF/STB.

On March 23rd, following the successful testing of the lower basal 24’ net oil bearing interval, an additional 17’ thick net gas bearing section was perforated to test the potential of the upper part of the basal Wealden sandstone section. The surface test spread equipment was optimized for the lower oil zone test and was therefore equipment constrained on this gas zone test, which achieved highly productive flow rates of c.7 MMSCFGD & 1,350 BOPD (c. 2,516 BOEPD) through a restricted 36/64” choke, with a flowing well head pressure of c. 1,700 psig. The productivity of the gas bearing interval far exceeded expectations and thereby constrained the ability to fully open the well up to its maximum potential. Preliminary modelling of the pressure data indicates that a co-mingled flow rate of c. 17 MMSCFGD & 3,350 BOPD (c. 6,183 BOEPD) at a flowing well head pressure of c. 500 psig is achievable.

On May 24th, the results of further analysis of the 48/24-10z well test data which were acquired by Schlumberger during well testing operations were announced. The data were analyzed using a leading wellbore modelling software system to determine the potential Initial Production (IP) rates achievable from a single horizontal development well. The analysis forecasts that a 1,000’ horizontal well could deliver an IP of c. 12,500 BOPD & c. 11 MMSCFD (c. 14,300 BOEPD) through a standard 4.5” outer diameter (OD) production tubing under natural lift. Further well deliverability analysis and optimization studies are ongoing to incorporate artificial lift which is expected to form part of the field development plan.

On July 25th, Providence Resources announced the completion of a series of comprehensive post-well studies in order to update the in-place volumetric resource estimate for the Barryroe discovery contained within Standard Exploration Licence (SEL) 1/11. This assessment has incorporated the data from all 6 wells drilled on Barryroe, together with the recently acquired/processed 3D seismic data, existing 2D seismic data, as well as utilizing other regional data. This analysis demonstrates that the Barryroe trap at Base Wealden level is situated in the hanging wall side of an inverted major intra-basinal growth-fault system and covers an area of several hundred square kilometres. The crest of the structure is located at c. 6,400 ft TVDSS with a deepest logged hydrocarbons at c. 7,300 ft TVDSS with no evidence of an oil-water contact. Reservoir fluid data from the recent 48/24-10z well indicate that there is unlikely to be any primary gas cap present at the crest of the structure in the Basal Wealden sands.

The updated P50 oil in place estimates currently total 1,043MMBO for the Middle & Lower Wealden reservoirs. Further upside potential in hydrocarbon bearing Lower Wealden and Purbeckian sands as well as in deeper Upper Jurassic exploration objectives was also noted.

On August 9th, the Barryroe consortium announced that it had secured a new Licensing Option 12/4 (“Barryroe North”) on an area of c. 500 sq kms contiguous to the north of Barryroe where seismic mapping suggests that parts of the Barryroe Oilfield may extend. The area is contiguous with Lansdowne’s Amergin (SEL 5/08) and Rosscarbery (SEL 5/07) licences and further consolidates the Company’s position in the emerging Basal Wealden play fairway.

On September 5th the oil in place volume estimates for the additional Lower Wealden and Purbeckian reservoir intervals were announced, with a further P50 potential of 778MMBO being identified.

During the report period the exploration aspect of your company’s portfolio also came into focus. On February 23rd, your company announced an update on the interpretation of the 3D seismic surveys acquired in the summer of 2011 over its prospects in the North Celtic Sea.

The findings were most encouraging with the Amergin Prospect interpreted as having pre-drill probabilistic STOIIP for the primary targets (Basal Wealden and Upper Jurassic) P50 un-risked case calculated as 472 MMBO, with potential ultimate recoverable resources estimated internally as 151 MMBO. These figures compare to 212 MMBO and 62 MMBO respectively derived from the older 2D seismic and published in the RPS Competent Person’s Report (“CPR”) in February 2011. In addition the two secondary targets in the Cretaceous Wealden have been estimated to contain P50 un-risked STOIIP of 267 MMBO with potential ultimate recoverable resources of 80 MMBO. No volumes were calculated for these additional Wealden sands in the Competent Person’s Report published in February 2011. Additional follow-on structures have been identified in the licensed area which could be pursued in the event of a successful test of the Amergin structure.

Likewise, the Midleton Prospect was identified as a four-way dip closed faulted anticline at the primary Lower Cretaceous “A” Greensand level - the main reservoir in the nearby Kinsale Head Gas field and the sole producing reservoir in the nearby Ballycotton Gas field. Following the 3D seismic, internal pre-drill probabilistic GIIP of the Midleton prospect for the Lower Cretaceous “A” Greensand P50 un-risked gas case is calculated as 204 bcf, with potential ultimate recoverable gas resources estimated internally as 174 bcf. These figures compare to 75 bcf and 56 bcf respectively derived from the older 2D seismic and published in the Competent Person’s Report in February 2011. An amplitude anomaly, which Lansdowne considers may be an indicator of gas, has been identified on the 3D seismic at “A” Greensand level and may reduce perceived risk on this prospect ahead of drilling. A further amplitude anomaly has been identified in the Upper Wealden and this forms a new, secondary target in the prospect. Following the interpretation of the 3D seismic internal pre-drill probabilistic GIIP of the Midleton prospect for the Lower Cretaceous Upper Wealden P50 un-risked gas case is calculated as 126 bcf, with potential ultimate recoverable gas resources estimated internally as 94 bcf. Volumes were not calculated for the Upper Wealden in the Competent Person’s Report published in February 2011. Additional follow-on features have been identified for future drilling in the licensed area in the event of a successful test on Midleton.

On April 12th, Lansdowne announced the results of the 3D seismic survey that covered the Galley Head gas discovery and other prospects in the Rosscarbery licence area. As a result the Galley Head gas discovery is now interpreted by Lansdowne as having gross P50 in place volume of 30 BSCF GIIP with 25 BSCF potentially technically recoverable. This compares favourably with the historic “CPR”, February 2011 that calculated gross P50 in place volume of 7.1 bcf GIIP with some 5.3 BSCF considered technically recoverable. The Carrigaline gas discovery, lies outside the area covered by the 2011 3D seismic survey and remains unchanged from the February 2011 CPR which calculated gross P50 in place volume of 81.8 BSCF with P50 technically recoverable gas of 60.8 BSCF. Internal pre-drill P50 un-risked probabilistic estimates of the GIIP for the shallow Lower Cretaceous “A” Greensand and Upper/Middle Wealden gas prospects, covered by the 2011 3D seismic is calculated as 254 BSCF, with potential ultimate recoverable gas resources estimated internally as 199 BSCF. These figures compare to 324 BSCF and 239 BSCF respectively derived from the older 2D seismic and published in the CPR. Amplitude anomalies, which Lansdowne considers may be an indicator of gas, have been identified on the 3D seismic at “A” Greensand and Wealden horizons on some prospects and may reduce the perceived risk ahead of any drilling. In summary, the Rosscarbery licence contains the Galley Head gas discovery that now looks more promising than previously thought, along with a number of other identified gas prospects as interpreted by 3D seismic. Should drilling prove successful there would appear to be scope for a cluster development of these prospects in due course.

A farm-out process was initiated in May with the appointment of Macquarie Capital as advisor and the establishment of a data room for industry review. The farm-out process is ongoing and is aimed at seeking a partner(s) to drill commitment wells on the Amergin, Midleton and Rosscarbery prospects as part of Lansdowne’s plans for a three well programme in the North Celtic Sea.

Your company will continue to work closely with the Operator of Barryroe, Providence Resources, to focus on the ongoing evaluation work on the oil field, following the success of the 48/24-10z appraisal well earlier this year. Lansdowne will also continue to focus on our farm-out campaign for our exploration prospects, where discussions are continuing following the data-room exercise held over the summer.

I am delighted to say that your company’s board and management believe there is great potential for finding additional resources of oil and gas in the resurgent North Celtic Sea Basin, in which Lansdowne is playing an important role.

Outlook

At the end of July, the company appointed Cenkos Securities plc as its NOMAD and broker, and in August, raised £10 million before expenses through the issue of 18,182,000 new ordinary shares of 5p each to institutional shareholders at a price of 55p per share , thereby strengthening the balance sheet and broadening the institutional shareholder base. The money will be used to pay our share of ongoing costs associated with the continuing evaluation of the Barryroe field by the operator Providence Resources and the company’s working capital requirements.

The highlight of the continued evaluation of the field is likely to be the revised recovery estimate for the field which is likely to be announced in the fourth quarter.

We will also continue to focus on our farm-out campaign, where discussions continue following the data room exercise held over the summer.

In tandem with, and subject to the outcome of, that initiative we plan to speak to other organisations in order to gain access to a drilling rig in 2013 to drill our two gas prospects and the Amergin oil prospect in conjunction with industry partners.

All in all, the period ahead promises to be an exciting one and I hope to be able to report continued progress in the weeks and months ahead.

Financial results

The Group recorded a loss after tax of £621,000 for the first six months of 2012 compared to a loss of £429,000 for the first six months of 2011.

Group operating expenses for the first half of 2012 were £574,000 compared to operating expenses of £409,000 for the first six months of 2011.

Net finance expense was £47,000 for the current period against £20,000 for the prior period.

Cash balances at 30 June 2012 were £719,000 (30 June 2011: £3.3 million). In August 2012, the Company raised £10.0 million before expenses through a Placing of new shares.

Total equity attributable to the ordinary shareholders of the Group has increased from £12.2 million as at 30 June 2011 to £17.3 million as at 30 June 2012.

John Greenall
Chairman

Consolidated Interim Income Statement

		Half-year ended 30 June	
		2012	2011
		(unaudited)	(unaudited)
	Note	**£'000**	£'000
Gross loss		-	-
Operating expenses		**(574)**	(409)
Operating loss		**(574)**	(409)
Finance income		**3**	5
Finance costs		**(50)**	(25)
Loss before taxation		**(621)**	(429)
Taxation		**-**	-
Loss for the financial period		**(621)**	(429)
Loss per share			
Basic and diluted	3	**(0.51)p**	(0.60)p

Consolidated Statement of Comprehensive Income

	Half-year ended 30 June	
	2011	2010
	(unaudited)	(unaudited)
	£'000	£'000
Loss for the period	**(621)**	(429)
Other comprehensive income net of tax		
Currency translation differences	**6**	(28)
Total comprehensive loss for the period	**(615)**	(457)

Consolidated Interim Balance Sheet

	Note	30 June 2012 (unaudited) £'000	31 December 2011 (audited) £'000	30 June 2011 (unaudited) £'000
Assets				
Non-current assets				
Goodwill and other intangible assets	**4**	**22,857**	17,786	10,500
Property, plant & equipment		**1**	1	1
		22,858	17,787	10,501
Current assets				
Trade and other receivables		**2,198**	36	240
Cash at bank and on hand		**719**	3,228	3,308
		2,917	3,264	3,548
Liabilities				
Current liabilities				
Trade and other payables		**(7,035)**	(1,719)	(215)
Loans and borrowings	**5**	**(173)**	(173)	(173)
		(7,208)	(1,892)	(387)
Net current (liabilities) / assets		**(4,291)**	1,372	3,161
Non-current liabilities				
Deferred income tax liabilities		**(1,316)**	(1,316)	(1,421)
Net assets		**17,251**	17,843	12,241
Equity				
Share capital		**6,118**	6,118	4,075
Share premium		**16,736**	16,736	12,823
Other reserves		**59**	65	98
Retained earnings – deficit		**(5,662)**	(5,076)	(4,755)
Total equity		**17,251**	17,843	12,241

Consolidated Interim Statement of Cash Flows

	Note	Half-year ended 30 June 2012 (unaudited) £'000	2011 (unaudited) £'000
Cash flows from operating activities:			
Cash used in operations	**6**	**(435)**	(1,194)
Net finance expense		**47**	20
Net cash used in operating activities		**(388)**	(1,174)
Cash flows from investing activities:			
Interest received on investments		**-**	4
Acquisition of intangible exploration assets		**(2,111)**	(204)
Acquisition of property, plant and equipment		**-**	(1)
Net cash used in investing activities		**(2,111)**	(201)
Cash flows from financing activities:			
Issue of share capital in Company		**-**	4,593
Proceeds from borrowings		**-**	65
Interest paid		**-**	(2)
Interest received		**3**	-
Net cash from financing activities		**3**	4,656
Net (decrease)/increase in cash and cash equivalents		**(2,496)**	3,281
Cash and cash equivalents at start of period		**3,228**	26
Effect of exchange rate fluctuations on cash held		**(13)**	1
Cash and cash equivalents at end of period		**719**	3,308

Consolidated Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Accumulated Deficit £'000	Total £'000
At 1 January 2011	2,685	7,672	70	(4,362)	6,065
Loss for the year	-	-	-	(780)	(780)
Currency translation differences	-	-	(5)	-	(5)
Total comprehensive income for the year	-	-	(5)	(780)	(785)
Share based payments charge	-	-	-	66	66
Issue of new shares – gross consideration	3,043	8,087	-	-	11,130
Issue of new shares – debt conversion	390	1,558	-	-	1,948
Cost of share issues	-	(581)	-	-	(581)
At 31 December 2011	6,118	16,736	65	(5,076)	17,843
At 1 January 2012	**6,118**	**16,736**	**65**	**(5,076)**	**17,843**
Loss for the period	**-**	**-**	**-**	**(621)**	**(621)**

Currency translation differences	**-**	**-**	**(6)**	**-**	**(6)**
Total comprehensive income for the period	**-**	**-**	**(6)**	**(621)**	**(627)**
Share based payments charge	**-**	**-**	**-**	**35**	**35**
At 30 June 2012	**6,118**	**16,736**	**59**	**(5,662)**	**17,251**
At 1 January 2011	2,685	7,672	70	(4,362)	6,065
Loss for the period	-	-	-	(429)	(429)
Currency translation differences	-	-	28	-	28
Total comprehensive income for the period	-	-	28	(429)	(401)
Share based payment charge	-	-	-	36	36
Issue of new shares	1,390	5,151	-	-	6,541
At 30 June 2011	4,075	12,823	98	(4,755)	12,241

Notes to the Interim Statement

1. Basis of Presentation

Accounting Policies

The interim financial information for the six months ended 30 June 2012 has been prepared on the basis of the accounting policies which will be adopted in the 2012 Annual Report and Accounts, and IAS 34, "Interim Financial Reporting".

The interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The results for the six months to 30 June 2012 and the comparative results for six months to 30 June 2011 are unaudited. The comparative figures for the year ended 31 December 2011 do not constitute the statutory financial statements for that year. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRSs as adopted by the European Union. Those financial statements have been delivered to the Registrar of Companies and include the auditor's report which was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. It did, however, contain an emphasis of matter over the going concern basis of preparation for the Group. Therefore, this interim statement should be read with due regard to the uncertainties described within note 1 of the financial statements for the year ended 31 December 2011.

Going Concern

The Directors have prepared the interim financial information on the going concern basis which assumes that the Group and Company and its subsidiaries will continue in operational existence for the foreseeable future.

2. Segmental Reporting

The Group has only one reportable business segment, which is the exploration for oil and gas reserves in Ireland. All operations are classified as continuing.

3. Loss per Share

The loss for the period was wholly from continuing operations.

	Half year ended 30 June (pence per share)	
	2012	2011
Loss per share for loss from continuing operations attributable to the equity holders of the Company		
- basic and diluted	**(0.51)**	(0.60)

The calculations were based on the following information.

	£'000	£'000
Loss attributable to equity holders of the Company	**(621)**	(429)
Weighted average number of shares in issue		
- basic and diluted	**122,358,159**	71,352,981

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one class of dilutive potential ordinary shares - share options. As a loss was recorded for both periods the issue of new shares would have been anti-dilutive.

4. Goodwill and Other Intangible Assets

Oil and gas project expenditures, including geological, geophysical and seismic costs, are accumulated as intangible fixed assets prior to the determination of commercial reserves. At 30 June 2012, intangible fixed assets totalled £21.5 million (30 June 2011 £9.1 million), all of which relate to Ireland. Movements in the period include additions of £5.2 million and exchange differences of £0.9 million. Goodwill at 30 June 2012 and 2011 amounted to £1.4 million.

5. Loan Facilities

2009 Loan facilities

In February 2009 the Company entered into a loan agreement with one of its principal shareholders, LC Capital Master Fund Ltd ("LC"), pursuant to which LC agreed to provide Lansdowne with an initial loan facility of up to £0.5 million. The amount of the facility was subsequently extended, ultimately to a total of £1.6 million, in December 2010.

Interest initially accrued at the rate of LIBOR plus 2 per cent. per annum. Interest on amounts drawn under the facility after 13 October 2010 accrued at the rate of LIBOR plus 4 per cent. per annum.

By way of security for this Facility the Company granted legal charges in favour of LC over the Company's shareholdings in its wholly owned subsidiaries, Lansdowne Celtic Sea Limited and Milesian Oil & Gas Limited.

Repayment of the facilities was initially due on 12 March 2010 but was subsequently extended until 31 December 2012.

On 16 December 2010 the Company allotted and issued new ordinary shares in the share capital of the Company to LC at a subscription price of 9 pence per share to satisfy the repayment of £102,791 due by the Company pursuant to this facility (note 7).

On 7 March 2011 the Company and LC agreed to convert a further part of the amount outstanding in respect of the facility by the issue of 5,131,909 new Ordinary Shares at a subscription price of 25 pence per share.

The remainder of the facility, amounting to £253,000, including accrued interest, was settled in full in September 2012.

6. Reconciliation of Loss for the Period to Net Cash Used in Operating Activities

	Six months ended 30 June	
	2012	2011
	£'000	£'000
Loss for period	**(621)**	(429)
Adjustments for:		
Equity settled share-based payment transactions	**35**	36
Unrealised foreign exchange losses	**(87)**	(74)
Operating cash flows before movements in working capital	**(499)**	(467)
Change in trade and other receivables	**(14)**	(218)
Change in trade and other payables	**78**	(509)
Net cash used in operating activities	**(435)**	(1,194)

7. Related Party Transactions

(a) Transactions with SeaEnergy PLC

Until December 2007, the ultimate controlling party of the Group was SeaEnergy PLC ("SeaEnergy"). Following the issue of new shares to the shareholders of Milesian Oil & Gas Limited in December 2007 SeaEnergy's holding was reduced to 42.6 per cent. and subsequently to 21.48 per cent. It is no longer the controlling party, but retains significant influence. The Company entered into a services agreement with SeaEnergy on 10 April 2006, pursuant to which SeaEnergy undertook to provide the Group with (a) certain management, accounting, IT support, insurance and administrative services required by the Group in connection with its business in consideration of a fee of £10,500 per month and (b) certain commercial and technical services as the Group may require from time to time, such services being charged at an hourly rate of £100 per hour. This agreement can be terminated by SeaEnergy on giving 12 months' notice and by the Company on giving 90 days' notice. The Directors consider the service agreement to be based at fair value on an arm's length basis. As at 30 June 2012 the Group owed SeaEnergy £37,800 (2011: £nil) under the agreement.

There has been no turnover during the period between the Lansdowne and SeaEnergy Groups. As at 30 June 2012 the Group had other outstanding amounts owed to SeaEnergy PLC of £9,946 (2011: £4,426). Amounts due to SeaEnergy are unsecured. Interest is payable at 4 per cent. plus LIBOR.

(b) Loans from directors

2009 loan facility

In February 2009 the Company entered into a loan agreement with LC Capital Master Fund Limited. S Lampe is a managing member of LC Capital Advisors LLC, the general partner of LC. Details of the loan are given in note 5.

8. Post balance sheet events

(a) Award of new Licensing Option

On 9 August 2012 the Company announced that, together with its partner Providence Resources P.l.c. it has been offered a new licensing option (Licensing Option 12/4) over 500 km2 adjacent to the Barryroe oil field, by the Irish Department of Communications, Energy and Natural Resources.

(b) Placing of shares

On 23 August 2012 the Company announced that it had raised £10 million before expenses (the "Placing") through the issue of 18,182,000 new Ordinary Shares of 5 pence each (the "Placing Shares") to institutional investors at a price of 55 pence per Placing Share. The Placing Shares issued represent approximately 12.9 per cent of the issued share capital of the Company, as enlarged by the Placing (the “Enlarged Issued Share Capital”).The Placing Shares, rank pari passu with the existing Ordinary Shares in issue, and were admitted to trading on AIM on 29 August 2012. The Enlarged Issued Share Capital is 140,540,159 Ordinary Shares and the Company does not currently hold any shares in treasury.

9. Copies of the Interim Report

Copies of the interim report can be obtained from the Company Secretary, Lansdowne Oil & Gas plc, Britannia House, Endeavour Drive, Arnhall Business Park, Westhill, Aberdeenshire AB32 6UF and from the Company's website www.lansdowneoilandgas.com.