

**Lansdowne Oil & Gas plc**  
**Interim Results for the six months to 30 June 2011**

Lansdowne Oil & Gas, (“Lansdowne” or “the Company” or “the Group”) is pleased to announce its interim results for the six months to 30 June 2011.

**Operational highlights**

- 3D seismic data acquired over the Barryroe oil discovery (Lansdowne 20%)
- Rig contracted by operator Providence Resources to drill appraisal well on Barryroe expected to commence within the next month.
- 3D seismic acquired over the Lansdowne operated oil and gas prospects: Amergin (Lansdowne 100%); Rosscarbery (Lansdowne 99%); and Middleton (Lansdowne 100%). Processing of data progressing well with data due for delivery in November 2011.

**Financial highlights**

- Loss after tax for period of £429,000 (6 months to June 2010 loss £626,000).
- Placing of new shares completed in March 2011 raising £4.5 million net of expenses.
- Shareholder loans totalling £1.9 million converted to equity in March 2011, reducing borrowings to £0.2 million.
- Placing of new shares completed in July 2011 raising £6.0 million net of expenses.

**Contacts**

**Lansdowne Oil & Gas plc**

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# **Lansdowne Oil & Gas plc**

## **Chairman's Statement**

The first six months of 2011 has been a period of considerable progress for the Company on both operational and financial fronts. A share placing was completed successfully in March raising £4.5 million of funds for participation in four 3D seismic surveys which were successfully completed in June and July. We believe the use of 3D seismic data will greatly improve the imaging of the discoveries and prospects in the Company's Celtic Sea licensed areas and substantially reduce the associated risks prior to drilling.

The programme started with the acquisition of 3D seismic by Providence Resources Plc ("Providence"), the operator, over the Barryroe oil discovery (Lansdowne 20%). On completion Lansdowne took over the Polarcus Samur vessel and acquired 3D seismic surveys over three prospects Amergin (Lansdowne 100%), Rosscarbery (Lansdowne 99%) and Middleton (Lansdowne 100%).

All of the surveys were completed on time, and within budget, and processing of the data is progressing according to plan. Providence carried out on-board fast-track processing of the Barryroe 3D survey which led to delivery of a fast-track 3D volume in August which was used to finalise the location of the appraisal well. We have been encouraged by the initial review of this 3D data set.

Processing of the data from the Lansdowne 3D surveys is progressing well and data is expected to be delivered in November.

## **Financial results**

The Group recorded a loss after tax of £429,000 for the first six months of 2011 compared to a loss of £626,000 for the first six months of 2010.

Group operating expenses for the first half of 2011 were £409,000 compared to operating expenses of £563,000 for the first six months of 2010.

Net finance expense was £25,000 for the current period against £63,000 for the prior period, reflecting the lower levels of debt carried by the Company following the conversion of shareholder loans to equity in December 2010 and in March 2011.

Cash balances at 30 June 2011 were £3.3 million (30 June 2010: £6,000).

Total equity attributable to the ordinary shareholders of the Company has increased from £5.3 million as at 30 June 2010 to £12.2 million as at 30 June 2011. The increase arises primarily from losses incurred of £0.8 million offset by new equity subscribed of £7.7 million.

On 26 July, 2011 the Company raised a further £6.1 million before expenses, through the placing of 40,871,172 new ordinary shares of 5 pence each at 15 pence per share. That Placing will fund its share of the cost of the planned Barryroe oil appraisal well.

## **Outlook**

We expect the remainder of the year to be a very busy and exciting time for the Company.

In the Annual Report I drew attention to the possibility of an appraisal well being drilled on the Barryroe oilfield later in 2011 and plans for this have firmed up. Providence has contracted a rig to drill an appraisal well, which is expected to commence within the next month.

Whilst the 3D seismic data will address the issue of reservoir continuity, the appraisal well will concentrate on optimising the well deliverability of the waxy Barryroe oil, utilising the latest drilling and completion techniques.

We are also eagerly anticipating the arrival of the 3D seismic data over our Amergin, Rosscarbery and Middleton prospects, following which we will mount a farm-out campaign to bring in industry partners to drill all three prospects in 2012.

John Greenall  
**Chairman**

## Consolidated Interim Income Statement

	Note	Half-year ended 30 June	
		2011 (unaudited) £'000	2010 (unaudited) £'000
<b>Gross loss</b>		-	-
Operating expenses		(409)	(563)
<b>Operating loss</b>		(409)	(563)
Finance income		5	-
Finance costs		(25)	(63)
<b>Loss before taxation</b>		(429)	(626)
Taxation		-	-
<b>Loss for the financial period</b>		(429)	(626)
<b>Loss per share</b>			
Basic and diluted	3	(0.60)p	(1.72)p

## Consolidated Statement of Comprehensive Income

	Half-year ended 30 June	
	2011 (unaudited) £'000	2010 (unaudited) £'000
Loss for the period	(429)	(626)
<b>Other comprehensive income net of tax</b>		
Currency translation differences	(28)	(27)
<b>Total comprehensive loss for the period</b>	(457)	(653)

## Consolidated Interim Balance Sheet

	Note	30 June 2011 (unaudited) £'000	31 December 2010 (audited) £'000	30 June 2010 (unaudited) £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill and other intangible assets	4	10,500	10,194	9,796
Property, plant & equipment		1	-	3
		10,501	10,194	9,799
<b>Current assets</b>				
Trade and other receivables		240	22	27
Cash at bank and on hand		3,308	26	6
		3,548	48	33
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		(214)	(1,365)	(1,141)
Loans and borrowings	5	(173)	(1,391)	(2,009)
Net current liabilities		(387)	(2,708)	(3,150)
<b>Non-current liabilities</b>				
Deferred income tax liabilities		(1,421)	(1,421)	(1,421)
<b>Net assets</b>		12,241	6,065	5,261
<b>Equity</b>				
Share capital		4,075	2,685	1,932
Share premium		12,823	7,672	7,188
Other reserves		98	70	58
Retained earnings – deficit		(4,755)	(4,362)	(3,917)
<b>Total equity</b>		12,241	6,065	5,261

## Consolidated Interim Statement of Cash Flows

		<b>Half-year ended 30 June</b>	
		<b>2011</b>	2010
		<b>(unaudited)</b>	(unaudited)
	Note	<b>£'000</b>	£'000
<b>Cash flows from operating activities:</b>			
Cash used in operations	6	<b>(1,194)</b>	(258)
Net finance expense		<b>20</b>	63
<b>Net cash used in operating activities</b>		<b>(1,174)</b>	(195)
<b>Cash flows from investing activities:</b>			
Interest received on investments		<b>4</b>	-
Acquisition of intangible exploration assets		<b>(204)</b>	(268)
Acquisition of property, plant and equipment		<b>(1)</b>	-
<b>Net cash used in investing activities</b>		<b>(201)</b>	(268)
<b>Cash flows from financing activities:</b>			
Issue of share capital in Company		<b>4,593</b>	211
Proceeds from borrowings		<b>65</b>	239
Interest paid		<b>(2)</b>	-
<b>Net cash from financing activities</b>		<b>4,656</b>	450
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		<b>3,281</b>	(13)
Cash and cash equivalents at start of period		<b>26</b>	26
Effect of exchange rate fluctuations on cash held		<b>1</b>	(7)
<b>Cash and cash equivalents at end of period</b>		<b>3,308</b>	6

## Consolidated Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Accumulated Deficit £'000	Total £'000
At 1 January 2010	1,756	7,153	85	(3,291)	5,703
Loss for the year	-	-	-	(1,139)	(1,139)
Currency translation differences	-	-	(15)	-	(15)
Total comprehensive income for the year	-	-	(15)	(1,139)	(1,154)
Share based payments charge	-	-	-	68	68
Issue of new shares – gross consideration	176	35	-	-	211
Issue of new shares – debt conversion	753	484	-	-	1,237
At 31 December 2010	<b>2,685</b>	<b>7,672</b>	<b>70</b>	<b>(4,362)</b>	<b>6,065</b>
At 1 January 2011	<b>2,685</b>	<b>7,672</b>	<b>70</b>	<b>(4,362)</b>	<b>6,065</b>
Loss for the period	-	-	-	(429)	(429)
Currency translation differences	-	-	28	-	28
Total comprehensive income for the period	-	-	28	(429)	(401)
Share based payments charge	-	-	-	36	36
Issue of new shares	<b>1,390</b>	<b>5,151</b>	-	-	<b>6,541</b>
At 30 June 2011	<b>4,075</b>	<b>12,823</b>	<b>98</b>	<b>(4,755)</b>	<b>12,241</b>
At 1 January 2010	1,756	7,153	85	(3,291)	5,703
Loss for the period	-	-	-	(626)	(626)
Currency translation differences	-	-	(27)	-	(27)
Total comprehensive income for the period	-	-	(27)	(626)	(653)
Issue of new shares	176	35	-	-	211
At 30 June 2010	1,932	7,188	58	(3,917)	5,261

## **Notes to the Interim Statement**

### **1. Basis of Presentation**

#### **Accounting Policies**

The interim financial information for the six months ended 30 June 2011 has been prepared on the basis of the accounting policies which will be adopted in the 2011 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 2011 and the comparative results for six months to 30 June 2010 are unaudited. The comparative figures for the year ended 31 December 2010 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 2010, 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 2010.

#### **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.

The Group and Company have been successful in raising funds of £10.5 million (net) through the Placing of 68,662,915 new ordinary shares and at the same time converting shareholder loans to equity, in order to progress the development of the exploration licences held, and to meet commitments and overheads for planned activities over the next 12 months. This additional funding has allowed the Company to conduct further appraisal and 3D seismic surveys in order to enhance the drilling prospects and value of the interests held. It will also allow the Company to fund its share of an appraisal well scheduled to be drilled on the Barryroe acreage before the end of 2011.

The Directors consider that 3D seismic surveys over the prospects in the licences held will assist the development on the Company's portfolio of licences by reducing the risk currently assigned to these prospects and assisting in identifying further drilling targets. Following the completion of the planned 3D seismic studies, the Company intends to progress the development of the licences held and may need to raise additional funding at this time. The Directors believe that the Company has a number of available funding options; the Company could carry out a farm out campaign with a view to attracting industry partners to drill wells, or the Company has the option of issuing new equity. The Company retains the financial support of its main shareholders, if required, in order to allow the Company time to evaluate these future requirements in the best interest of the Company and its shareholders.

The Directors believe that at the date of this financial information there exists a material uncertainty regarding whether or not the Company will be able to raise the required future



funding to progress the development of the licences held, which may cast significant doubt upon the ability of the Company to continue as a going concern and therefore to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making inquiries and considering all the relevant factors, the Directors are of the opinion that the results from the 3D seismic surveys will be positive and that longer term funding options are achievable based on recent discussions with a number of interested parties.

If for any reason the uncertainty described above cannot be successfully resolved, the going concern basis may no longer be appropriate. The financial statements do not include any adjustments that would result if the Group and Company was unable to continue as a going concern.

Although this material uncertainty exists, the Directors have a reasonable expectation that the Group and Company will have adequate resources to continue in operational existence for the foreseeable future and have therefore concluded that it is appropriate to adopt the going concern basis in preparing this financial information.

## 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.

	<b>Half year ended 30 June</b>	
	<b>(pence per share)</b>	
	<b>2011</b>	2010
Loss per share for loss from continuing operations attributable to the equity holders of the Company		
- basic and diluted	<b>(0.60)</b>	(1.72)

The calculations were based on the following information.

	<b>£'000</b>	£'000
Loss attributable to equity holders of the Company	<b>(429)</b>	(626)
Weighted average number of shares in issue		
- basic and diluted	<b>71,352,981</b>	36,429,418

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 2011, intangible fixed assets totalled £9.1 million (30 June 2010 £8.4 million), all of which relate to Ireland. Movements in the period include additions of £0.5 million and exchange differences of £0.2 million. Goodwill at 30 June 2011 and 2010 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 has subsequently been extended until 31 December 2011.

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 £248,000 at that date, including accrued interest remains outstanding and is repayable on 31 December 2011.

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

	Six months ended 30 June	
	2011 £'000	2010 £'000
<b>Loss for period</b>	<b>(429)</b>	<b>(626)</b>
Adjustments for:		
Depreciation of property, plant and equipment	-	1
Equity settled share-based payment transactions	<b>36</b>	-
Unrealised foreign exchange losses	<b>(74)</b>	83
Operating cash flows before movements in working capital	<b>(467)</b>	<b>(542)</b>
Change in trade and other receivables	<b>(218)</b>	(16)
Change in trade and other payables	<b>(509)</b>	(300)
<b>Net cash used in operating activities</b>	<b>(1,194)</b>	<b>(258)</b>

## **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 24.68 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 2011 the Group owed SeaEnergy £nil (2010: £157,500) under the agreement.

There has been no turnover during the period between the Lansdowne and SeaEnergy Groups. As at 30 June 2011 the Group had other outstanding amounts owed to SeaEnergy PLC of £4,426 (2010: £522,146). Amounts due to SeaEnergy are unsecured. Interest is payable at 4 per cent. plus LIBOR.

On 16 December 2010 the Company allotted and issued 3,377,367 new ordinary shares to Ramco Hibernia Limited (“Ramco”), a wholly owned subsidiary of SeaEnergy PLC, at a subscription price of 9 pence per share, to satisfy the repayment of £304,000 of loan amounts due by the Company pursuant to the loan facility provided to the Company by Ramco’s parent SeaEnergy PLC (“the Ramco Facility”).

On 23 March 2011 the Company allotted and issued a further 2,659,834 new ordinary shares at 25 pence per share to Ramco pursuant to a Loan Conversion Agreement which converted in full all principal and interest amounts owed to SeaEnergy PLC.

### **(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.

### **(c) Deferred remuneration**

S A R Boldy and E Brown agreed to defer contractual salary and pension payments totalling £62,000 at 31 December 2010. No guarantees were given by the Company and no interest was charged on the outstanding balances. The deferred remuneration was paid following the completion of a Placing of new shares in March 2011.

#### **(d) Placing of shares in July 2011**

The subscriptions for Placing Shares by LC Capital and Ramco were considered related party transactions pursuant to the AIM Rules for Companies because LC Capital and Ramco are substantial shareholders in the Company.

Steven Lampe is a managing member of Lampe Conway and Co. LLC, the investment manager of LC Capital and a Director of SeaEnergy PLC. Steven Bertram and Christopher Moar are both directors of Ramco and SeaEnergy PLC. Accordingly, Steven Lampe, Steven Bertram and Christopher Moar are deemed involved in the related party transactions.

The independent Directors, namely John Greenall, Dr. Stephen Boldy, Emmet Brown and Viscount Torrington, having consulted with the Company's nominated adviser, finnCap, considered that the terms of the subscription for Placing Shares by LC Capital and Ramco were fair and reasonable insofar as the Company's shareholders were concerned.

#### **8. Post balance sheet event**

On 26 July 2011 the Company announced that it had raised a further £6.1 million before expenses, by the placing (the "Placing") for cash of 40,871,172 new ordinary shares of £0.05 each ("Ordinary Shares") (the "Placing Shares") at 15 pence per Placing Share.

The net proceeds of the Placing will be used to enable the Company to participate in the drilling of an appraisal well on the Barryroe oilfield, in which it holds a 20% interest, with the remaining interests being held by the operator, Providence (50%) and San Leon Energy Plc (30%).

LC Capital subscribed for 13,071,316 Placing Shares in the Placing. LC Capital has an interest in 36,401,552 Ordinary Shares, representing 29.75% of the Company's enlarged issued share capital. Ramco subscribed for 11,428,684 Placing Shares in the Placing. Ramco has an interest in 30,194,193 Ordinary Shares, representing 24.68% of the Company's enlarged issued share capital.

Following the Placing, there are 122,358,159 Ordinary Shares in issue.

#### **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](http://www.lansdowneoilandgas.com).