

Lansdowne Oil & Gas plc

Preliminary Results for the year ended 31 December 2008

Lansdowne Oil & Gas, (“Lansdowne” or “the Company”) is pleased to announce its preliminary results, for the year ended 31 December 2008. Lansdowne is an upstream oil and gas company, focused on exploration and appraisal opportunities offshore Ireland. The Group has targeted the Irish offshore shelf areas for exploration as these provide shallow water (generally less than 100 metres), and relatively low drilling costs and these factors, combined with favourable fiscal terms, have the potential to deliver high value reserves.

Highlights

- Acquisition and interpretation of new seismic survey data over portfolio
- Updated Competent Persons Report (“CPR”) issued February 2009
- Amergin prospect included in CPR for first time – net prospective resources to the Company of 64 MMBOE
- Best case prospective resources over Cretaceous gas prospects increased from 267.5bscf to 331.4 bscf
- Barryroe oil discovery contingent resources of 23.4 MMBOE
- Lee Licensing Option (09/1) awarded in March 2009

Financial

- Loss for year £1.0 million (2007: £1.1 million)
- New £0.5 million loan facility entered into in February 2009
- Repayment date on existing facilities extended from March 2009 to March 2010

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Lansdowne Oil & Gas plc

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Lansdowne Oil & Gas plc

Preliminary Results for the year ended 31 December 2008

Chairman's Statement

Strategy

Lansdowne Oil and Gas plc (“Lansdowne”) is an upstream oil and gas company, focused on exploration and appraisal opportunities offshore Ireland. The Group has targeted the Irish offshore shelf areas for exploration, as these provide shallow water (generally less than 100 metres), and relatively low drilling costs and these factors, combined with favourable fiscal terms, have the potential to deliver high value oil and gas reserves.

Our focus over the past year has been on the integration of the assets acquired with Milesian Oil & Gas Limited (“Milesian”), in late 2007 and the acquisition and interpretation of new seismic over our portfolio. Both of these objectives have been successfully completed and have resulted in RPS Energy completing an updated Competent Persons Report (“CPR”) in February of this year. This report is available on the Company's website at www.lansdowneoilandgas.com

The CPR included an evaluation of the Amergin prospect for the first time. The new 2D seismic that was acquired and processed showed a major improvement over all previous datasets and mapping has confirmed Amergin as a robust tilted fault block structure with best case potentially recoverable prospective resources net attributable to Lansdowne of 64.4 MMBOE.

The Company's low risk Cretaceous gas prospects, held in exploration licences (4/07 and 5/07) in the vicinity of the Kinsale Head field, were re-evaluated as part of the CPR exercise. Best case prospective gas resources net attributable to Lansdowne in the three main prospects, Rosscarbery, Middleton and East Kinsale amount to 331.4 bscf. This compares with a figure of 267.5 bscf reported at the time of Lansdowne's listing on AIM in April 2006.

The Cretaceous Barryroe oil discovery, held under Licensing Option 08/1, was also reviewed as part of this update. Best estimate contingent resources (2C) net attributable to Lansdowne's 40% interest have been estimated at 23.4 MMBOE. This compares with a figure of 23.0 MMBOE reported at the time of Lansdowne's listing on AIM in April 2006.

We have also added to our acreage with a new Licensing Option 09/1 “Lee” awarded 100% to Lansdowne in March 2009. This acreage lies along the northern margin of the basin and the primary exploration target is for oil in Jurassic aged sandstone reservoirs.

Issue of Deferred Consideration Shares

In December 2007 the Company announced the completion of the acquisition of Milesian which included deferred consideration of up to 8,110,099 new ordinary shares in the Company, which would be payable dependent upon the results of an updated Independent Technical Report following completion of a 2D seismic programme over Milesian's Celtic Sea acreage. The Independent Technical Report included in the CPR, completed by RPS Energy, was used as the basis for the calculation of deferred consideration shares. As a result of the

updated CPR, in February 2009 the Company allotted 2,396,209 deferred consideration shares to the former shareholders of Milesian.

Board

With the completion of the Milesian acquisition, the integration of the Amergin prospect and the issuing of the deferred shares, Non-Executive Director Richard Pollock retired from the board in January 2009. I would like to thank Richard for his considerable contribution in the transition period since the Milesian acquisition in December 2007.

Financial Results

The Group recorded an after tax loss of £1.0 million for the year ended 31 December 2008 compared to a loss of £1.1 million for the year ended 31 December 2007. The loss for the 2007 included the write-off of £0.5 million of intangible exploration assets held against the Donegal Licence, which was relinquished during that year. There were no amounts written off intangible assets in the current year but the reduction in amounts written off was offset by increased operating expenses.

Group operating expenses for the year were £0.8 million, compared to £0.6 million in 2007. The increase reflects the increased headcount and associated overheads following the Milesian acquisition at the end of 2007.

Net finance expense was for the year was £161,000 (2007: net finance income of £34,000). Included in the current year figure is the amortisation of warrant costs of £119,000 (2007: £Nil). Interest payable on loans from shareholders amounted to £46,000 (2007: £Nil). Average cash balances and interest rates were lower in 2008 than 2007.

Total equity attributable to the shareholders of the Company has increased from £6.8 million as at 31 December 2007 to £6.9 million as at 31 December 2008. The increase reflects the placing of new shares in May 2008 to raise £0.9million and currency translation adjustments and share based payment credits of £0.2 million. These increases were offset by the current year losses of £1.0 million.

Cash balances of £34,000 (2007: £343,000) were held at the end of the financial year. Loan facilities from shareholders, originally agreed in November 2007, totalling £1,000,000 were drawn down in full during the year (“the 2007 Facilities”).

In February 2009 the Company entered into a further new loan agreement with one of its principal shareholders, LC Capital Master Fund, Ltd (“LC”), pursuant to which LC has agreed to provide Lansdowne with a loan facility of up to £500,000 (the “New Facility”). Repayment in full, in cash, together with all accrued interest shall be effected on 12 March 2010 (or such later date as the Company and LC may agree). By way of security for the New Facility the Company has 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

The 2007 Facilities were included as current liabilities at the year end as the terms of the loan agreements provided for repayment of the loans in full and in cash together with all accrued interest by not later than 12 March 2009 (or such other date as the Company and the existing lenders may agree). The Company has agreed with each of the existing lenders to extend the terms of the 2007 Facilities to 12 March 2010 (or such other date as the Company and the

existing lenders may agree, but not earlier than the repayment date for the New Facility). Repayment of the 2007 Facilities shall be subordinated to repayment of the New Facility. The terms of the 2007 Facilities remain the same in all other respects.

The Company has undertaken to grant each of K Anderson and LC Capital Master Fund Limited warrants to subscribe for up to 1,750,000 new ordinary shares following the 2009 AGM. In the event of any of the outstanding 2007 warrants being exercised prior to the AGM, the number of new warrants would be reduced a number equal to the number of 2007 warrants exercised. The new warrants shall be granted on an unconditional basis. The exercise price of each warrant shall be 20 pence per warrant share and the exercise period for the warrants shall expire on 12 March 2010. The new warrants will be granted only if the requisite approval of the Company's shareholders is obtained at the AGM and the Consent of the Panel for Takeovers and Mergers is obtained in advance of such grant.

Outlook

With a new owner of the Celtic Sea gas infrastructure now in place, I hope to see exploration activity in the area increase and expect that Lansdowne will play an important part in that activity. Discussions with potential farm in partners are ongoing, and once finalised the Company will be better placed to evaluate the options available for the requisite funding to support future operations.

John Greenall
Chairman

Lansdowne Oil & Gas plc
Consolidated Balance Sheet
As at 31 December 2008

	2008	2007
	Unaudited	Audited
Note	£'000	£'000
Assets		
Non- current assets		
Goodwill and other intangible assets	4	9,665
Property, plant & equipment	5	8,112
	<u>9,670</u>	<u>8,116</u>
Current Assets		
Trade and other receivables	54	217
Current income tax assets	4	-
Cash and cash equivalents	34	343
	<u>92</u>	<u>560</u>
Liabilities		
Current Liabilities		
Trade and other payables	(482)	(420)
Borrowings	5	(944)
Net current (liabilities) / assets	<u>(1,334)</u>	<u>140</u>
Non-current liabilities		
Deferred income tax liabilities	9	(1,421)
	<u>6,915</u>	<u>6,843</u>
Net assets		
Shareholders Equity		
Share capital	6	1,636
Shares to be issued	6	1,150
Share premium	6,123	5,380
Other reserves	131	(1)
Retained earnings - deficit	(2,125)	(1,143)
Total Equity	<u>6,915</u>	<u>6,843</u>

Lansdowne Oil & Gas plc
Consolidated Income Statement
For the year ended 31 December 2008

	2008	2007
Note	Unaudited	Audited
	£'000	£'000
Cost of sales	(52)	(5)
Write-off of intangible exploration assets	4	(544)
Gross loss	(52)	(549)
Administration expenses	(836)	(578)
Operating loss	(888)	(1,127)
Finance income	21	37
Finance costs	(182)	(3)
Loss before income tax	(1,049)	(1,093)
Income tax expense	-	-
Loss for the year attributable to equity holders of the company	(1,049)	(1,093)
Loss per share attributable to equity holders of the company		
Basic and diluted	3	(3.3p)
		(5.2p)

All activities relate to continuing operations.

Lansdowne Oil & Gas plc
Consolidated Statement of Changes in Equity
For the years ended 31 December

	Share capital £'000	Shares to be issued £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Year ended 31 December 2007						
At 1 January 2007	1,041	-	1,712	-	(253)	2,500
Loss for the financial year	-	-	-	-	(1,093)	(1,093)
Share based payments charge	-	-	-	-	203	203
Issues of new shares – gross consideration (note 6)	446	1,120	3,836	-	-	5,402
Costs of issue	-	-	(168)	-	-	(168)
Currency translation differences	-	-	-	(1)	-	(1)
At 31 December 2007	1,487	1,120	5,380	(1)	(1,143)	6,843
Year ended 31 December 2008						
At 1 January 2008	1,487	1,120	5,380	(1)	(1,143)	6,843
Loss for the financial year	-	-	-	-	(1,049)	(1,049)
Share based payments charge	-	-	-	-	67	67
Issues of new shares – gross consideration (note 6)	149	30	743	-	-	922
Costs of issue	-	-	-	132	-	132
At 31 December 2008	1,636	1,150	6,123	131	(2,125)	6,915

Lansdowne Oil & Gas plc
Consolidated Statement of Cash Flows
For the year ended 31 December 2008

	Note	2008 Unaudited £'000	2007 Audited £'000
Cash flows from operating activities			
Cash used in operations	8	(841)	(426)
Net finance income		161	(34)
Net cash used in operating activities		<u>(680)</u>	<u>(460)</u>
Cash flows from investing activities			
Interest received		12	35
Acquisition of intangible exploration assets		(1,515)	(212)
Acquisition of subsidiary net of cash acquired		-	16
Acquisition of property, plant and equipment		(2)	(1)
Net cash used in investing activities		<u>(1,505)</u>	<u>(162)</u>
Cash flows from financing activities			
Proceeds of issue of share capital		892	-
Proceeds from borrowings (note 5)		1,000	-
Net cash generated by financing activities		<u>1,892</u>	<u>-</u>
Effect of exchange rate fluctuations on cash held		(16)	(3)
Net decrease in cash and cash equivalents		<u>(309)</u>	<u>(625)</u>
Opening cash and cash equivalents		343	968
Closing cash and cash equivalents		<u>34</u>	<u>343</u>

Lansdowne Oil & Gas plc
Notes to the Financial Information
For the year ended 31 December 2008
Unaudited

1. Basis of Presentation

This consolidated financial information for the year ended 31 December 2008 is unaudited, and has been prepared on the basis of the IFRS accounting policies to be adopted in the financial statements for the period ended 31 December 2008

The preliminary results have been prepared on the going concern basis which assumes that the Company and its subsidiaries will continue in operational existence for the foreseeable future. Particular attention is drawn to uncertainty as to whether or not the Group can be considered a going concern.

The uncertainty surrounds the future funding of the Group's activities. The Directors have prepared cash flow forecasts for the Group for the period ending 12 months from the date of approval of this financial information. These indicate that the Group will have adequate cash resources to meet its obligations as they fall due. All work programme obligations will have to be financed either by farm-out arrangements or from an issue of new shares or a combination of both. In the short term the Group is reliant on the continuing support of its major shareholders pending successful conclusion to farm out discussions. Following the conclusion of farm out discussions the Board intend to raise further finance by the issue of new share capital.

The Group balance sheet as at 31 December 2008 shows net current liabilities of £1.3 million. However, the Directors consider that it is appropriate to adopt a going concern assumption in preparing this financial information as the following significant developments occurred after the balance sheet date:

- The repayment date for loan facilities, totalling £1.0 million provided by major shareholders has been extended from March 2009 to March 2010 (or such other date as the Company and the lenders may agree).
- A further new loan facility of £0.5 million, expiring March 2010 (or such later date as the Company and the lender may agree) has been provided by LC Capital Master Fund Limited, a significant shareholder.
- The three principal shareholders have undertaken to provide or procure sufficient funds as and where necessary to allow the Company to continue operations and pay its liabilities as they fall due for at least the next twelve months.
- Updated competent person's report published showing enhanced resources.
- A number of potential partners are in discussions with a view to entering into farm-in arrangements to fund future exploration activities.
- Permission will be sought at the AGM for authority to issue new share capital, on a non pre-emptive basis.

If for any reason the uncertainties described above cannot be successfully resolved, the going concern basis may no longer be applicable and adjustments to the Group profit and loss account and Group balance sheet would be required to record additional liabilities and write down assets to their recoverable amounts.

The figures and financial information for the year ended 2008 do not constitute the statutory financial statements for that year under section 240 of the Companies Act 1985. The auditors have not yet reported on those financial statements. The auditors have indicated that their report will contain reference to the significant uncertainties disclosed above. The figures and financial information for the year ended 2007 do not constitute the statutory financial statements for that year. Those financial statements have been prepared under section 240 of the Companies Act 1985 and included the auditors' report which, whilst unqualified, contained reference to the significant uncertainties disclosed in note 1 to those financial statements. Those financial statements did not contain a statement under either section 237(2) or section 237(3) of the Companies Act 1985

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 Ordinary Share

The loss for the year was wholly from continuing operations.

	Year ended 31 December (pence per share)	
	2008	2007
Loss per share for loss from continuing operations attributable to the equity holders of the Company - basic and diluted	(3.3)	(5.2)

The calculations were based on the following information.

Loss attributable to equity holders of the Company	(£1,049,000)	(£1,093,000)
Weighted average number of shares in issue - basic and diluted	31,557,045	21,158,133

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 three classes of dilutive potential ordinary shares; share options, share warrants and shares to be issued as deferred consideration (note 9). As a loss was incurred for both 2008 and 2007 the issue of new shares would have been antidilutive.

4. Goodwill and Other Intangible Assets

	Exploration / appraisal assets	Goodwill	Total
	£'000	£'000	£'000
Year ended 31 December 2007			
Opening net book amount at 1 January 2007	1,645	-	1,645
Acquisition of subsidiary (note 9)	5,386	1,413	6,799
Additions	212	-	212
Write-off of intangible exploration assets	(544)	-	(544)
Closing net book amount at 31 December 2007	6,699	1,413	8,112
Year ended 31 December 2008			
Opening net book amount at 1 January 2008	6,699	1,413	8,112
Acquisition of subsidiary (note 9)	30	8	38
Additions	1,515	-	1,515
Closing net book amount at 31 December 2008	8,244	1,421	9,665

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 31 December 2008, intangible fixed assets totalled £8.2 million (31 December 2007 £6.7 million), all of which relate to Ireland.

5. Borrowings

	2008	2007
	£'000	£'000
Loans from shareholders	1,000	-
Unamortised transaction costs	(56)	-
	944	-

2007 Loan facilities

The Company drew down a total of £1 million during the year under Loan agreements dated 29 November 2007 between the Company and K Anderson, and LC Capital Master Fund Limited. Interest is payable at the rate of LIBOR plus one per cent. and is payable at the same time as any outstanding loan balances. The terms of the 2007 Loan Agreements provided for repayment of the loans in full and in cash together with all accrued interest by not later than 12 March 2009 (or such other date as the Company and the Existing Lenders may agree). In February 2009, the Company agreed with each of the existing lenders to extend the terms of the 2007 facilities to 12 March 2010 (or such other date as the Company and the Existing Lenders may agree, but not earlier than the repayment date for the New Facility described below). Repayment of the 2007 facilities shall be subordinated to repayment of the new facility. The terms of the 2007 facilities remain the same in all other respects.

New facility

In February 2009 the Company entered into a new loan agreement with one of its principal shareholders, LC Capital Master Fund, Ltd ("LC"), pursuant to which LC has agreed to provide Lansdowne with a loan facility of up to £0.5 million (the "New Facility"). Interest shall accrue at the rate of LIBOR plus one per cent. per annum and shall be paid at the same time as repayment of the loan. Repayment in full, in cash, together with all accrued interest shall be effected on 12 March 2010 (or such later date as the Company and LC may agree).

By way of security for the New Facility the Company has 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.

Unamortised transaction costs

These represent the unamortised portion of the fair value of warrants granted at the time the 2007 loan facilities were put in place (note 7(ii)).

6. Share Capital

	Number of shares (thousands)	Ordinary Shares £'000	Shares to be issued £'000	Share premium £'000	Total £'000
At 1 January 2007	20,816	1,041	-	1,712	2,753
29 November 2007 – Acquisition of Milesian Oil & Gas Limited (note 9)	8,921	446	1,120	3,668	5,234
At 31 December 2007	29,737	1,487	1,120	5,380	7,987
21 May 2008 – Placing of new shares	2,974	149	-	743	892
31 December 2008 – Acquisition of Milesian Oil & Gas Limited (note 9)	-	-	30	-	30
At 31 December 2008	32,711	1,636	1,150	6,123	8,909

The total authorised number of ordinary shares is 50 million shares (2007: 50 million shares) with a par value of 5 pence per share. All issued shares are fully paid.

On 3 February 2009 the Company allotted and issued 2,396,209 new ordinary shares of 5p each as the final deferred consideration in respect of the acquisition of Milesian Oil & Gas Limited (see note 9).

The principal trading market for the shares in the UK is the London Stock Exchange's AIM on which the shares have been traded since 21 April 2006. The following table sets forth, for the calendar quarters indicated, the reported highest and lowest price for the shares on AIM, as reported by the London Stock Exchange.

	2008		2007	
	Pence per share		Pence per share	
	High	Low	High	Low
First quarter	46.5	24.5	60.5	59.5
Second quarter	37.5	20.0	61.0	55.5
Third quarter	35.5	32.5	55.5	54.5
Fourth quarter	35.5	18.5	54.5	46.5

7. Warrants

(i) April 2006 Warrants

On 10 April 2006 the Company granted warrants over 312,239 shares (exercisable from 10 April 2006 until 9 April 2011) for services rendered in connection with the brokerage of the Lansdowne IPO. The Company has rebutted the presumption in FRS 20 that the fair value of equity-settled transactions with parties other than employees can be measured reliably at the fair value of the services received because there is no active market for brokerage services settled in this manner. Hence, the fair value of the warrant instruments themselves was used as an estimate of the value of the services received. The Company considers that the fair value of the warrant instruments can be reliably estimated using a Black Scholes valuation model. The valuation given by this method for the warrants granted was £136,000. There were no performance conditions attached to the warrants, so they vest immediately. Therefore, the full charge was expensed in 2006. As the services provided were for transaction costs of the share issue, the expense was deducted from the share premium account.

(ii) November 2007 Warrants

Warrants over 3,500,000 ordinary shares were issued to the providers of the Loan Facility at an exercise price of 50p. The Company considers that the fair value of the warrant instruments can be reliably estimated using a Black Scholes valuation model. The valuation given by this method for the warrants granted was £175,000. There were no performance conditions attached to the warrants, so they vest immediately.

Fair value of warrants and assumptions	2007
Fair value at grant date	5.0p
Share price at grant date	48p
Exercise price	50p
Expected volatility	41.8%
Risk-free interest rate (based on government bonds)	5.25%
Expected dividend yield	0%

The fair value of the warrants has been amortised over the initial period of the Loan Facility. The amortisation of £119,000 for the year ended 31 December 2008 is included in Finance Costs. At 31 December 2008 the unamortised amount of £56,000 has been shown as a deduction from the principal amounts due under the loans (note 5).

(iii) February 2009 Warrants

None of the 2007 Warrants had been exercised at 31 December 2008. On 9 February 2009, the Company executed a new warrant instrument, pursuant to which the Company has granted warrants to subscribe for up to 1,750,000 new ordinary shares of 5 pence each in the capital of the Company to LC Capital Master Fund Limited ("LC") at an exercise price of 10 pence per share (the "New LC Warrants") in exchange for LC cancelling the same number of 2007 Warrants held by it. The New LC Warrants are exercisable in whole or in part on or prior to 12 March 2010.

Fair value of warrants and assumptions	2009
Fair value at grant date	1.43p
Share price at grant date	7.25p
Exercise price	10p
Expected volatility	104%
Risk-free interest rate (based on government bonds)	1.01%
Expected dividend yield	0%

There were no costs related to this warrant issue incurred in 2008.

The fair value of these warrants will be expressed through profit and loss account.

(iv) Proposed Warrants

The Company has undertaken to grant each of K Anderson and LC Capital Master Fund Limited warrants to subscribe for up to 1,750,000 new ordinary shares following the 2009 AGM. In the event of any of the remaining 2007 Warrants being exercised prior to the AGM, the number of new warrants would be reduced a number equal to the number of 2007 warrants exercised. The Warrants shall be granted on an unconditional basis. The exercise price of each warrant shall be 20 pence per warrant share and the exercise period for the warrants shall expire on 12 March 2010. The warrants will be granted only if the requisite approval of the Company's shareholders is obtained at the AGM and the Consent of the Panel for Takeovers and Mergers is obtained in advance of such grant.

8. Reconciliation of Loss before Income Tax to Cash used in Operations.

	2008	2007
	£'000	£'000
Loss before income tax	(1,049)	(1,093)
Adjustments for:		
Depreciation of property, plant & equipment	1	-
Intangible assets written off	-	544
Equity settled share-based payment transactions	67	28
Unrealised foreign exchange gains	132	(1)
Operating cash flows before movements in working capital	(849)	(522)
Change in trade and other receivables	(8)	62
Change in trade and other payables	16	34
Cash used in operations	(841)	(426)

9. Business Combination

Acquisition accounting was used for the acquisition made in 2007.

Milesian Oil & Gas Limited

On 29 November 2007 the Group acquired the entire issued share capital of Milesian Oil & Gas Limited for a consideration of £5.6 million. The acquired business contributed losses of £7,000 to the Group for the period from 29 November 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007 group loss would have been £1.226 million.

In February 2009 the fair value of assets acquired was finalised.

Details of net assets acquired and goodwill are as follows:

	Initial fair value accounting 31 Dec 2007 £'000	Adjustment to deferred consideration £'000	Final fair value 31 Dec 2008 £'000
Purchase consideration:			
Shares issued	4,282	-	4,282
Deferred consideration (shares to be issued)	1,120	30	1,150
Total purchase consideration	5,402	30	5,432
Fair value of net assets acquired	3,989	22	4,011
Goodwill (note 4)	1,413	8	1,421

The assets and liabilities acquired are set out below:

	Book value £'000	Initial Fair value Accounting £'000	Adjustment To deferred consideration £'000	Final Fair value £'000
Intangible assets	340	5,046	30	5,416
Property, plant & equipment	3	-	-	3
Cash	16	-	-	16
Trade and other payables	(3)	-	-	(3)
Deferred income tax liabilities	-	(1,413)	(8)	(1,421)
	356	3,633	22	4,011

The goodwill is attributable to the deferred taxation arising on the difference between the fair values attributed to the net assets acquired and the taxation base of the net assets acquired.

The fair value of the shares issued was based on the published share price (28 November 2007).

Two elements of deferred consideration were payable as follows:

(i) £1.1 million relating to 2,333,419 ordinary shares to be issued in the event of provision of an updated Independent Technical Report which shows that there are at least 63 MMBOE best case potentially recoverable prospective resources from the area covered by Standard Exploration Licence 5/08 (the successor authorisation to licensing option 05/2).

(ii) a further 62,790 ordinary shares for every additional 1 MMBOE best case potentially recoverable prospective resources from the area covered by Standard Exploration Licence 5/08 (over the 63 MMBOE referred to above) reported in the updated report, up to a maximum of 5,776,680 ordinary shares.

The Directors believed that it was probable that the first element of deferred consideration would be payable and as the fair value could be measured reliably, included this element in the initial total purchase consideration. The Directors did not believe that the second element was probable and were not able to reliably estimate this element of consideration. It was therefore initially excluded from the total purchase consideration.

The independent Technical Report was completed in February 2009. This confirmed that there were 64.4 MMBOE best case potentially recoverable prospective resources in the relevant area. Total deferred consideration payable was therefore 2,396,209 ordinary shares. Of this amount 2,333,419 had been provided in the 2007 Financial Statements as shares to be issued. The balance of 62,790 shares has been treated as an adjusting post balance sheet event and included in shares to be issued at 31 December 2008. The adjustment to deferred consideration has been allocated to intangible assets and deferred tax has been provided accordingly.

10. Post Balance Sheet Events

(a) Issue of new shares

On 3 February 2009 the Company issued 2,396,209 new ordinary shares of 5p each as the final deferred consideration in respect of the acquisition of Milesian Oil & Gas Limited (see note 9). The 2007 accounts included an estimated provision for shares to be issued of 2,333,419. The final adjustment of 62,790 shares has been treated as an adjusting post balance sheet event.

(b) Extension of shareholder loans

On 9 February 2009 loan facilities from shareholders were extended (note 5).

(c) New loan facility

On 9 February 2009 the Company entered into a new loan agreement with one of its principal shareholders (note 5).

(d) Warrants

On 9 February 2009, the Company executed a new warrant instrument, pursuant to which the Company has granted warrants to subscribe for up to 1,750,000 new ordinary shares of 5 pence each in the capital of the Company to LC Capital Master Fund Limited ("LC") at an exercise price of 10 pence per share (the "New LC Warrants") in exchange for LC cancelling the same number of 2007 Warrants held by it. The New LC Warrants are exercisable in whole or in part on or prior to 12 March 2010.

(e) Proposed Warrants

The Company has undertaken to grant each of K Anderson and LC Capital Master Fund Limited warrants to subscribe for up to 1,750,000 new ordinary shares following the 2009 AGM. In the event of any of the remaining 2007 Warrants being exercised prior to the AGM, the number of new warrants would be reduced a number equal to the number of 2007 warrants exercised. The Warrants shall be granted on an unconditional basis. The exercise price of each warrant shall be 20 pence per warrant share and the exercise period for the warrants shall expire on 12 March 2010. The warrants will be granted only if the requisite approval of the Company's shareholders is obtained at the AGM and the Consent of the Panel for Takeovers and Mergers is obtained in advance of such grant.

11. Accounts

Copies of the annual accounts for the year ended 31 December 2008 will be sent to shareholders shortly and will be available from the Company's office at Britannia House, Endeavour Drive, Arnhall Business Park, Westhill, Aberdeenshire and the Company's website www.lansdowneoilandgas.com.