



Lansdowne

oil & gas

Annual Report & Financial Statements 2006



2006

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Chairman's Statement

Strategy

Lansdowne Oil & Gas plc 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), relatively low cost opportunities and these factors, combined with the current good fiscal terms, have the potential to deliver high value reserves.

Summary of Key Events

In January 2006, the Company acquired the entire issued share capital of Ramco Donegal Limited from Ramco Eastern Europe Limited, a fellow subsidiary of Ramco Energy plc, the Company's parent. The purchase consideration was satisfied by the issue of 5,713,043 ordinary shares in the share capital of the Company. Ramco Donegal Limited subsequently changed its name to Donegal Exploration Limited.

In February 2006, the Company raised £750,000 from institutional investors to finance completion of the work programmes on its existing assets and to build Lansdowne's prospect inventory. The Company also acquired interests in the East Kinsale, Middleton, Rosscarbery and Seven Heads Oil Licensing Options

(the Celtic Sea Licensing Options) from Ramco Oil and Gas Limited, a fellow subsidiary of Ramco Energy plc. The purchase consideration was satisfied by the issue of 12,286,957 ordinary shares.

The interests which the Company acquired were 100 per cent of the Middleton and East Kinsale Licensing Options, 77 per cent of the Rosscarbery Licensing Option and 74 per cent of the Seven Heads Oil Licensing Option. Under a farm-in agreement Island Oil and Gas plc ("Island"), act as technical manager in respect of the Seven Heads Oil Licensing Option and fund the Company's share of the work programme. In return, Island has the option to farm-in to 60 per cent of the Company's interest in any successor authorisations covering all or part of the same area. In order to exercise this option, Island is required to fully fund the Company's share of drilling and testing an appraisal well on the Seven Heads Oil prospect. If the Island option is exercised, the Company's interest in Seven Heads Oil would reduce from 74 per cent to 29.6 per cent.

On 21 April 2006, the issued share capital of the Company was admitted to trading on the AIM Market in conjunction with a placing of 1,882,353 shares at an issue

price of 85p per share, which raised £1.6 million before expenses.

The Company participated in the Inishbeg exploration well which was drilled in August 2006. This frontier exploration well, operated by Lundin Exploration B.V. (a subsidiary of Lundin Petroleum), was located offshore Ireland in Block 13/12 off the northwest coast of County Donegal. It was designed to target a large but shallow Triassic gas prospect. Under the terms of a farm-out agreement, the Company was carried through all the costs associated with the drilling and testing of the well by two of its partners in the licence. The well was plugged and abandoned in August 2006. Although the Company considered that the negative results of the 13/12-1 well did not give sufficient confidence in the prospectivity remaining to allow a commitment to be given to drilling a second well, they did indicate the possibility that there could be a viable hydrocarbon play on the acreage.

The Company has therefore requested an extension of the first phase of the frontier exploration licence for a further 18 months to allow additional technical work to be carried out, in advance of a decision on whether to drill a further well. A response to that request is awaited.

During the financial year, the Company successfully completed the work programmes associated with the Celtic Sea Licensing Options by reprocessing existing 2D seismic data, acquiring and integrating further 2D seismic data, conducting geophysical processing studies, reservoir development studies, reservoir engineering studies and conceptual development studies. Comprehensive reports detailing the findings were presented to the Department of Communications, Marine and Natural Resources of the Irish Government.

In December 2006, the Company filed applications for Standard Exploration Licences over parts of the areas held under the Middleton, Rosscarbery and East Kinsale Licensing Options. In addition, an application has been filed to convert the Seven Heads Oil Licensing Option to a Lease Undertaking, to allow the Company and its partners to continue to evaluate development options.

However, during the financial year, the Irish Government announced a review of Licensing and Fiscal terms applicable to the exploration and production of hydrocarbons. It is possible that the existing terms will change as a result of this review and the Company has been informed that any new licences granted are likely to fall

under the new regime. Accordingly, the applications submitted are all conditional on the new fiscal terms being acceptable to the applicants.

Outlook

In August 2006, Island announced that its 49/23-1 Celtic Sea exploration well on the Old Head prospect had successfully discovered gas. Following further technical review of results, Island announced in March 2007 a P50 reserve estimate of 55bcf. Island further announced this month that an appraisal well is expected to commence in May 2007, the results of which will have a bearing on our contiguous interest in the East Kinsale area.

Following completion of the additional technical work in 2006, we asked RPS Scott Pickford to review all of our Celtic Sea projects in the light of the substantial increase in costs related to exploration and development of oil and gas projects. I am pleased to say that their conclusion was that all the projects outlined in our AIM Admission Document remained robust based on the same price assumptions, which were \$35 per bbl for oil and a 30p per therm gas price, and the current fiscal terms.

Judging from the number of discussions we have had with potential farm-in partners,

it is clear that there is much industry interest in the Celtic Sea. A number of companies continue to consider their involvement in our acreage and a response to our Licence applications, which we expect to receive in the near future, will allow us to progress this issue. With regard to the review of fiscal terms, we expect that any amendments will be announced in the next couple of months.

Clarification of these issues would enable us to plan the next stage in the Company's development.

John Greenall
Chairman

Oil and Gas Interests

The Company is interested in the following Licence and Licensing Options:

| Licence | Interest | Operator | Note |
|--------------------------------------|-----------------|-----------------|-------------|
| Donegal Frontier Exploration Licence | 19.25 per cent | Lundin | (1) |
| Rosscarbery Licensing Option | 77 per cent | Lansdowne | (2) |
| Midleton Licensing Option | 100 per cent | Lansdowne | (2) |
| East Kinsale Licensing Option | 100 per cent | Lansdowne | (2) |
| Seven Heads Oil Licensing Option | 74 per cent | Lansdowne | (3) |

Notes

(1) Donegal Frontier Exploration Licence

In December 2006, an application was submitted, by some of the partners in the Licence, to the Petroleum Affairs Division (“PAD”) to extend the first phase of the Licence by 18 months to allow additional technical work to be carried out.

The application is under consideration by the PAD. If it is granted the Company’s interest will increase to 80 per cent (paying) and it will become Operator.

(2) Rosscarbery, Midleton and East Kinsale Licensing Options

Applications were submitted in December 2006 to the PAD for Standard Exploration Licences over parts of the area held under the Licensing Options. The applications are under consideration by the PAD.

(3) Seven Heads Oil

Application was submitted in December 2006 to the PAD to convert the Licensing Option to a Lease Undertaking to allow development options to be evaluated. The application is under consideration by the PAD.

An option has been granted over this interest, which on completion of an appraisal well, paid for by a third party, may reduce to 29.6 per cent.

Irish Licensing Regime

Licensing Option

Gives the holder an exclusive right to apply for an Exploration Licence for a defined period in return for undertaking an agreed work programme.

Exploration Licence

A “Standard” licence covers an agreed work programme in water less than 200 metres. The work programme usually includes an exploration well. The licence period is 6 years.

A “Frontier” licence covers an agreed work programme in areas where the Minister has declared the area to be a “Frontier” area. The work programme usually includes an exploration well, but the licence period is generally longer than other licences (minimum 15 years).

Lease Undertaking

Gives the holder an exclusive right to apply for a Petroleum Lease for a defined period in return for undertaking an agreed work programme.

Financial Review

Description of Business

Lansdowne Oil & Gas plc, an English public limited Company, and its subsidiaries form an energy Group focused on exploration activities. The Company is actively exploring for, and appraising, oil and gas reserves in Ireland.

The Group's shares, since 21 April 2006, have been quoted on the Alternative Investment Market ("AIM") of the London Stock Exchange.

This financial review is intended to assist in the understanding of the Group's results of operations for the period ended 31 December 2006 and of its financial position at that date. The consolidated financial statements and notes included elsewhere contain additional information and should be referred to in conjunction with this review. They have been prepared in accordance with UK Generally Accepted Accounting Principles ("GAAP").

Costs of Sale

This relates to general licence costs and data storage.

Administrative Expenses

The Company has one full time paid Executive Director. Administration and technical support is provided by the Company's parent under a service agreement. These costs and the professional fees associated with the Company's listed status account for the administrative expenses of £409,000.

Loss Before Interest and Taxation

The Group recorded a loss before interest and taxation of £444,000 in 2006.

Net Interest

Interest receivable of £43,000 on cash deposits was recorded in 2006.

Taxation

The current tax charge for the period was £nil and the unprovided deferred tax asset on unrelieved losses was £92,000.

Loss for the Financial Year

A loss for the financial year of £401,000 was recorded in 2006.

Balance Sheet

The Group and Company balance sheets as at 31 December 2006 are shown on page 19. Group net assets were £2.5 million at 31 December 2006. At 31 December 2006, the Group held £968,000 as cash or short term deposits.

The Group had intangible assets totalling £1.65 million at the balance sheet date. These represent the cost of acquiring the Celtic Sea Licensing Options, the Donegal Exploration Licence and the costs carried out under the related work programmes during 2006.

Cash Flow from Operations

As indicated by the consolidated statement of cash flows on page 20, the Group's net cash outflow from operating activities was £391,000 for the period ended 31 December 2006.

Cash Flows Related to Investing Activities

In 2006 the Group invested approximately £398,000 in connection with its oil and gas interests.

Cash Flows Related to Financing Activities

The Group raised £1.74 million (net of cash expenses of £611,000) from the issue of new share capital during the period.

Future Capital Requirements

The Group completed two fund raisings during 2006, raising a total of £2.35 million before expenses to ensure it has access to the funds necessary to complete its work programme obligations. The 2006 Celtic Sea work programmes were all successfully completed.

The Group's prospects are all in the exploration or appraisal stages and do not contain any proven reserves. In December 2006 the Group filed applications for Standard Exploration Licences over parts of the areas held under the Middleton, Rosscarbery and East Kinsale Licensing Options. In addition, an application has been filed to convert the Seven Heads Oil Licensing Option to a Lease Undertaking, to allow the Company and its partners to continue to evaluate development options. These applications are conditional on new fiscal terms being acceptable to the Company, which are expected to be announced by the Irish Government during 2007 following the completion of its licensing and fiscal review.

A number of companies have expressed an interest in farming into one or more of the Company's licences. The conclusion of any farm-out agreement will also depend upon the outcome of the licensing and fiscal review.

In the event that the Group is awarded the licences for which it has applied, it aims to finance the related work programme obligations by either reducing its equity interest through new participants farming in, by the issue of new capital, or by a combination of both.

The additional work which may be carried out on the extension to the Donegal Frontier Exploration Licence would incur modest costs, which would be financed out of existing working capital.

Market Risks

The Group is exposed to a variety of risks, including the effects of changes in interest rates and foreign currency exchange rates. In the normal course of business the Group also faces certain other non-financial or non-quantifiable risks. These are not discussed here. To the extent that the Group's oil and gas assets can be successfully developed, the Group's assets, revenues and cash flows may become dominated by Dollar or Euro based oil and gas operations. Accordingly, the Sterling/Dollar and Sterling/Euro exchange rates are important to the Sterling prices of the Shares traded on the AIM.

The tables below set forth, for the periods and dates indicated, the exchange rate for the Dollar against the Sterling and for the Euro against Sterling.

Dollar/Sterling Exchange Rates

(Dollar per Pound Sterling)

| | At end of period | Average rate ⁽¹⁾ | High | Low |
|-------------|------------------|-----------------------------|-------------|-------------|
| 2005 | 1.71 | 1.81 | 1.92 | 1.71 |
| 2006 | 1.97 | 1.83 | 1.97 | 1.71 |

Euro/Sterling Exchange Rates

(Euro per Pound Sterling)

| | At end of Period | Average rate ⁽¹⁾ | High | Low |
|-------------|------------------|-----------------------------|-------------|-------------|
| 2005 | 1.45 | 1.46 | 1.48 | 1.45 |
| 2006 | 1.49 | 1.46 | 1.49 | 1.43 |

(1) The average rates on the last business day of each full month during the relevant period.

Details of how the Group manages interest rate and foreign currency exchange risks are included in note 1.

Board of Directors

John Greenall (Non-Executive Chairman), aged 68, joined RC Greig & Co in Glasgow in 1960 becoming a partner in 1965. He assisted in the formation and subsequent fund raising of London and Scottish Marine Oil (LASMO) and Clyde Petroleum. Mr Greenall was instrumental in creating Greig Middleton through the merger of RC Greig and WN Middleton in 1983. He joined The Stock Exchange Council in 1985 and served on the Board of its Successor – The Securities Association. In 1994 he joined HCIB (a subsidiary of Guinness Mahon (“GM”)) as Director of Corporate Broking. When GM was taken over by Investec in 1998 he headed up the corporate broking team at that bank. One of HCIB’s specialist research areas was the Exploration & Production sector and he oversaw a number of flotations in the sector – the most recent being Venture Production before he retired in 2002. He is a Non-Executive Director of RP&C International Limited a niche investment bank based in London.

Dr Stephen Boldy (Chief Executive Officer), aged 51, joined Ramco Energy plc (“Ramco”) in March 2003. From 1980 to 1984 Dr Boldy worked as a petroleum geologist for the Petroleum Affairs Division of the Department of Energy in Dublin and then spent almost 19 years with Amerada Hess Corporation, where his appointments included U.K. Exploration Manager and International Exploration Manager. Dr Boldy has extensive experience of working Irish offshore basins and the basins West of Britain and earned his PhD in geology from Trinity College Dublin.

Christopher Moar (Finance Director and Company Secretary), aged 44, joined Ramco in 1993 and was appointed Company Secretary in December 1996. Prior to this he was a planning and financial accountant for Baker Oil Tools (United Kingdom) Limited. Mr Moar has an MA degree in Accountancy from Aberdeen University and qualified as a Chartered Accountant with Arthur Young in 1987.

Steven Bertram (Non-Executive Director), aged 47, is Managing Director of Ramco and has been with Ramco since 1986. He was appointed to the Ramco board as Finance Director in 1991 and became Managing Director of Ramco in 2005. Mr Bertram has a background in both oil exploration and production companies and oil services companies gained through his time with Ramco and during his chartered accountancy training contracts. He has been involved with Ramco from the Company’s original USM listing through its move to AIM and its international offer and listing on the American Stock Exchange in 1997. Mr Bertram has an MA Honours degree in Economics with Accountancy from Aberdeen University and qualified as a Chartered Accountant with Arthur Young in 1984.

Viscount Torrington (Non-Executive Director), aged 63, graduated from Oxford University as a geologist in 1964. He served in technical and managerial roles with Anglo American plc and Lonrho plc. In 1975 he became Managing Director of the Attock Oil Company, later Anvil Petroleum plc. The latter was merged with Berkeley Exploration in 1986, and acquired by Ranger Oil the same year. In 1987, he became a Director of Flextech plc and chief executive of Exploration & Production Services (Holdings) Limited, better known as Expro, a major UK oilfield services contractor. In 1995, he became Managing Director of Heritage Oil & Gas Limited, later listed in Toronto as Heritage Oil Corporation. Viscount Torrington has held non-executive appointments in several companies and is currently chairman of CYC Holdings plc, a company admitted to trading on AIM, which facilitates Chinese entities wishing to list their shares in London. He is also a Non-Executive Director of a private Canadian oil and gas exploration and production company involved in West Africa.

Report of the Directors

The Directors submit their report and audited Group financial statements for the period ended 31 December 2006.

Review of the business, principal activities and future developments

The principal activities of the Group are the exploration and appraisal of hydrocarbons. The activities of the subsidiaries are detailed in note 10 to the financial statements. Reviews of current and future developments of the Company, its subsidiaries, joint ventures and associates are given in the Chairman's Statement, and in the Financial Review.

Results and dividends

The Group consolidated profit and loss account set out on page 18 shows a loss on ordinary activities before tax of £401,000. After tax the Group loss for the year was £401,000. The Directors do not recommend the payment of a dividend and £401,000 will be deducted from the Group's reserves.

Business review and principal activities

The Company meets the requirements of a small entity under the Companies Act 1985 Section 247. Therefore, the Company is exempt from disclosing information in line with the new business review requirements.

Employees

The only current employee is an Executive Director of the Company. Employees are encouraged directly to participate in the business through a share option scheme. Although much of the Group's work is unsuitable for disabled persons, positive efforts are made to recruit and train disabled persons for suitable work.

Directors

Biographies of the present Directors of the Company are listed on page 7.

In accordance with the Company's Articles of Association, all of the Directors retire and being eligible offer themselves for re-election. Stephen Boldy has a service contract with an unexpired notice period of one year. Details of the remuneration of the Directors and the interests of the Directors in the share capital and share options of the Company are disclosed in the Remuneration Report included on pages 13 to 15.

Substantial shareholders

The Directors have been notified of the following interests in 3 per cent or more of the Company's issued share capital at 15 March 2007:

| | No. of shares | per cent of capital |
|-------------------------|---------------|---------------------|
| Ramco Hibernia Limited | 17,953,308 | 86.25 |
| FMR Corp ⁽¹⁾ | 907,620 | 4.36 |

(1) FMR Corp is the parent holding company of Fidelity Management Research Company.

Share capital

Details of allotments made during the year are given in note 15 to the financial statements. No allotments were made between 1 January 2007 and 4 May 2007.

Creditor payment policy

The Company's current policy concerning the payment of its trade creditors is to:

- settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception. UK subsidiaries follow the same policy. The Company's average creditor payment period at 31 December 2006 was 27 days.

Post balance sheet event

On 15 March 2007, Ramco Oil and Gas Limited and Ramco Eastern Europe Limited, both wholly owned subsidiaries of Ramco Energy plc, transferred their shareholdings in the Company to Ramco Hibernia Limited ("RHL") at a fair value consideration of 59.5p per share. RHL is a wholly owned subsidiary of Ramco Energy plc and is now the holder of 17,953,308 ordinary shares of 5p each, representing 86.25 per cent of the issued share capital of the Company. The ultimate ownership of these shares remained unchanged by this transaction.

Auditors

The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution to reappoint PricewaterhouseCoopers LLP as Auditors to the Company will be proposed at the Annual General Meeting.

So far as the Directors are aware, there is no relevant audit information of which the Company's Auditors are unaware. The Directors have taken appropriate steps to make themselves aware of relevant audit information and to establish that the Company's Auditors are aware of that information.

Charitable contributions

Contributions made by the Group during the year for charitable purposes were £nil.

AGM special business

The Annual General Meeting ("AGM") will commence at 12 noon on 31 May 2007 at McGrigors, 5 Old Bailey, London, EC4M 7BA.

In addition to the routine business of the AGM, there are three items of Special Business detailed in the Notice of Meeting as Resolution numbers 8 to 10.

Resolution 8 authorises the Directors to allot unissued shares in the capital of the Company.

Resolution 9 is a disapplication of the statutory pre-emption rights contained in the Companies Act 1985 and empowers the Directors to allot ordinary shares for cash in connection with rights issues and pursuant to employees' share schemes which have been approved in general meeting. It also permits the issue generally of ordinary shares having a nominal value of up to £104,000 (being 10 per cent of the current issued share capital) thereby enabling the Directors to take advantage of opportunities as they arise. This authority will expire at the next Annual General Meeting of the Company.

Resolution 10 is a special resolution giving the Company limited powers to purchase its own shares for cancellation.

By order of the Board,
C G MOAR MA CA
Company Secretary
4 May 2007

Corporate Governance

Lansdowne, as an AIM listed Company, is not required to comply with the July 2003 Combined Code on Corporate Governance. However, the Board recognises the importance of sound corporate governance and has ensured that, following Admission, the Company adopted policies and procedures which reflect such of the Principles of Good Governance and the Code of Best Practice as published by the Committee on Corporate Governance (commonly known as the “Combined Code”), as are appropriate to the Company’s size.

Directors

The Board comprises a Chairman, two Executive Directors and two Non-Executive Directors. Biographies of the Directors are presented on page 7. John Greenall is the senior Non-Executive Director and Chairman.

Relationship with Parent Company

Two of the Directors of the Company, C G Moar and S R Bertram are also Directors of the parent Company, Ramco Energy plc. Under a Relationship Agreement dated April 2006 the parent Company has undertaken that the relevant members of the Ramco Group will exercise their voting rights so as to ensure (so far as they are able by the exercise of such rights) the continued independence from Ramco of the majority of the Board, that any transactions between persons or companies controlled by Ramco (to the extent that there are any such transactions in the future) will be at arms’ length, and that they will not vote (as shareholder or Director) in relation to any such transaction. Ramco has also undertaken that neither it nor any member of the Ramco Group shall, for so long as Ramco has a controlling interest in the Company, compete with the Group in the sector and geographic area in which the Group operates. In addition Ramco has undertaken not to dispose of any Ordinary Shares in which they have a beneficial interest or which are registered in their names save in the event of a takeover becoming or being declared unconditional or where the disposal is being made pursuant to a scheme of arrangement under section 425 of the Act, for a period of 12 months following Admission and for a further period of 12 months on an orderly market basis except with the prior written consent of the Company’s broker and nominated adviser.

The Board is responsible for setting overall Group strategy, policy, monitoring Group performance and authorising significant transactions.

The Board meets not less than four times a year and has adopted a schedule of matters reserved for its decision. All Directors have full and timely access to information and may take independent professional advice at the Group’s expense.

The Board has two standing committees with terms of reference as follows:

Audit and Remuneration Committees

These committees are comprised solely of Non-Executive Directors who take no part in the discussion of their own remuneration. Both are chaired by John Greenall and the other member is Tim Torrington.

Audit Committee

The Audit Committee determines the terms of engagement of the Company’s auditors and determines, in consultation with the auditors, the scope of the audit. The Audit Committee receives and reviews reports from management and the Company’s auditors relating to the interim and annual accounts and the accounting and internal control systems in the Company. The Audit Committee has unrestricted access to, and oversees, the relationship with the Company’s auditors. The Audit Committee meets at least twice a year and meets with the Company’s auditors at least once a year. Directors may attend by invitation.

The External Auditors are engaged to express an opinion on the financial statements. They review and test the systems of internal financial control and data contained in the financial statements to the extent necessary to express their audit opinion. They discuss with management the reporting of operational results and the financial position of the Group and present their findings to the Audit Committee.

The Audit Committee reviews the independence and objectivity of the External Auditors. The Committee reviews the nature and amount of non-audit work undertaken by PricewaterhouseCoopers LLP each year to satisfy itself that there is no effect on their independence. Details of this year’s fees are given in note 3 on page 25. The Committee is satisfied that PricewaterhouseCoopers LLP are independent.

The Group does not have an internal audit function but the need for such a function is reviewed at least annually. It is the current view of the Board that an internal audit function is not considered appropriate given the size and nature of the operations and the Group.

Remuneration Committee

The Remuneration Committee reviews the scale and structure of the Executive Directors' remuneration and the terms of their service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the Non-Executive Directors are set by the entire Board. No Director or manager of the Company may participate in any meeting at which discussion or any decision regarding his own remuneration takes place. The Remuneration Committee also administers any share option schemes or other employee incentive schemes adopted by the Company from time to time.

The Remuneration Report is presented on pages 13 to 15 and contains a statement of remuneration policy and details of the remuneration of each Director.

Risk Management and Internal Control

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. Management from each business area and major project identify their risks, the likelihood of those risks occurring, the impact if they do occur and the actions being taken to manage and mitigate those risks to an acceptable level. This process is reviewed by the Board annually and accords with the Turnbull guidance on internal control. It has been in place throughout the year under review and up to the date of this report.

The Board of Directors has overall responsibility for maintaining a sound system of internal financial control to safeguard shareholders' investment and the Group's assets. Such a system can provide reasonable but not absolute assurance that assets are safeguarded, transactions are authorised and correctly recorded, and that material errors and irregularities are either prevented or would be detected within a timely period. The system, which has been in place throughout the year and up to the date of this report, comprises the following main elements, all of which are reviewed by the Board:

- An organisation structure with clearly defined lines of responsibility and delegation of authority.
- Appointment of employees of the necessary calibre to fulfil their allotted responsibilities.
- Established procedures for budgeting and capital expenditure.
- Monthly reporting of actual performance compared to budget, reviewed by the Board quarterly.
- Rolling monthly forecasts for the financial year.
- The Group reports to shareholders on a half yearly basis to ensure timely reporting of financial results.

Investor Relations

Communications with investors are given high priority. The Company keeps its institutional shareholders up to date with its business and objectives, and obtains their views on the Company, by means of periodic presentations. Additionally the Company is ready to respond appropriately to particular issues or questions that may be raised by investors. All shareholders are sent the Annual Report and financial statements, the Interim Report and can also elect to receive all press releases, many choosing to receive this information by e-mail.

The Company has a website, www.lansdowneoilandgas.com, which is regularly updated and contains a wide range of information about the Company including the AIM admission document and press releases. The Board views the AGM as an opportunity to communicate with private investors and encourages them to attend. The Board aims to ensure that the Chairman of the Audit and Remuneration Committees is available to answer questions. Shareholders are invited to ask questions and are given the opportunity to meet the Directors informally following the meeting. The Company complies with best practice in ensuring that the Notice of the AGM is dispatched to shareholders at least 20 working days ahead of the meeting.

Directors' Responsibilities

Company law requires the Directors to prepare the financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year, and of the profit or loss of the Group for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently. The Directors also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 31 December 2006 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Lansdowne website is the responsibility of the Directors. The work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Going Concern

The financial statements 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.

The Director's consider that it is appropriate to adopt a going concern assumption in preparing these financial statements for the reasons outlined in note 1 to the financial statements.

Remuneration Report

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002, except for the inclusion of a performance graph and provision of details of how remuneration packages have been benchmarked. Lansdowne, as an AIM Company, is not required to comply with these requirements but it is committed to the highest standards of Corporate Governance. This report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration.

The Regulations require the Auditors to report to the Company's members on the 'auditable part' of the Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited Information

Remuneration Committee

The members of the Remuneration Committee (The Committee) are John Greenall (Chairman) and Tim Torrington, both of whom are Non-Executive Directors of the Company. The Committee has followed the provisions set out in Schedules A and B of The Combined Code in preparing this report. The Committee believes that Lansdowne's reward structure is in accordance with those recommendations.

The Committee, which meets at least twice each year, is responsible to the Board for determining the terms and conditions of employment of the Executive Directors and their remuneration packages (including pension rights and any compensation payments) and oversees the operation of the Company's Employee Share Option Scheme.

The Committee has access to external independent professional advice, at the Company's expense, as the Committee sees fit. None of the Committee members has any personal financial interest in the matters to be decided by the Committee or any conflicts arising from cross-directorships or day-to-day involvement in the running of Lansdowne.

Remuneration Policy

Lansdowne operates in the international oil and gas industry and aims to attract, reward, motivate and retain top executives in a manner appropriate to that industry and with the objective of long term accumulation of value for shareholders. The remuneration packages currently being offered are intended to be competitive and comprise a mix of performance related and non-performance related remuneration designed to incentivise Directors, but not to detract from the goals of Corporate Governance. The packages are in line with industry norms.

Directors' service contracts

S A R Boldy has a service contract with the Company with a rolling notice period of one year. The other Directors do not have service contracts with the Company.

The remuneration of Non-Executive Directors is determined by the Board after consideration of appropriate external comparisons and the responsibilities and time involvement of individual Directors. No Director is involved in deciding his own remuneration.

Remuneration Package

Directors' remuneration packages, which are reviewed annually, consist of annual salary, performance related bonuses, health and other benefits, pension contributions and share options.

S A R Boldy was entitled to a bonus equal to 1.375 per cent of the gross proceeds of the Placing in April 2006 (subject to a cap of €150,000), and was required to utilise the net amount of the bonus to participate in the Placing. He is also entitled to an annual bonus equal to 2 per cent of the consolidated audited after tax profits of the Company and its subsidiaries subject to a cap equal to his annual salary during the relevant financial year. He is also entitled to bonus payments on the entering into of binding agreements with third parties in respect of any farm-out arrangements relating to the Group's assets, with a requirement to utilise any such bonus payments to subscribe for Ordinary Shares of the Company.

Remuneration Report *continued*

Audited Information

Directors' detailed emoluments

| | Salary and fees £'000 | Performance related bonus £'000 | Benefits £'000 | 2006 Aggregate emoluments £'000 | Pension contributions £'000 | 2006 Total £'000 |
|--------------------------------|--------------------------|------------------------------------|-------------------|------------------------------------|--------------------------------|---------------------|
| Executive Directors | | | | | | |
| S A R Boldy | 142 | 27 | 1 | 169 | 21 | 191 |
| C G Moar ⁽¹⁾ | — | — | — | — | — | — |
| Non-Executive Directors | | | | | | |
| J Greenall | 10 | — | — | 10 | — | 10 |
| T Torrington | 10 | — | — | 10 | — | 10 |
| S R Bertram | 7 | — | — | 7 | — | 7 |
| 2006 | 169 | 27 | 1 | 196 | 21 | 218 |

(1) C G Moar receives no emoluments in relation to his appointment. He remains an employee of the parent Company, Ramco Energy plc, which is responsible for remunerating him in connection with his appointment as Finance Director of the Company.

In addition to the above cash based emoluments, the expense in the year for share options awarded to S A R Boldy was £12,000.

Interests in share options

| | Exercise price | At incorporation | Granted | Cancelled | At 31 Dec 2006 | Normal exercise dates |
|-------------|----------------|------------------|---------|-----------|----------------|------------------------------|
| S A R Boldy | 85p | — | 200,000 | — | 200,000 | 26 July 2009 to 25 July 2016 |

Details of the performance criterion, conditional upon which the options are exercisable, is set out in note 16 to the accounts. During 2006 the share price ranged between a high of 106.0p and a low of 59.5p. The quarterly highest and lowest closing share prices are detailed in note 15.

Interests in shares

The beneficial interests of the Directors who served during the year in the ordinary shares of 5p of the Company are as follows:

| | At 31 Dec 2006 |
|--------------|--------------------|
| S A R Boldy | 32,660 |
| S R Bertram | 26,144 |
| C G Moar | — |
| J Greenall | 5,880 |
| T Torrington | 5,880 |
| | <hr/> 70,564 <hr/> |

Pensions

Directors' pensions are based on salary only, with bonuses and other discretionary benefits excluded.

As at 31 December 2006

Retirement benefits were accruing to one Executive Director under the Group's defined contribution scheme where the Company contributes at a rate of 15 per cent of salary.

J Greenall

Chairman, Remuneration Committee

4 May 2007

Independent Auditors' Report to the Members of Lansdowne Oil & Gas plc

We have audited the Group and parent Company financial statements (the "financial statements") of Lansdowne Oil & Gas plc for the year ended 31 December 2006 which comprise of the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Matter of Emphasis – Going Concern

In forming our opinion, we have considered the adequacy of the disclosures set out in note 1 to the financial statements concerning the Group's ability to continue in operational existence for the foreseeable future.

The financial statements have been prepared on a going concern basis, the validity of which depends on the successful resolution of uncertainties described in note 1. Should these uncertainties not be successfully resolved the going concern basis of preparation may no longer be applicable and adjustments to the Group profit and loss account and Group balance sheet may be required to record additional liabilities and write down assets to their recoverable amounts.

Our opinion is not qualified in this respect.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 31 December 2006 and of the Group's loss and cash flows for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Aberdeen

4 May 2007

Consolidated Profit and Loss Account

For the year ended 31 December 2006

| | Note | 2006 £'000 |
|--|------|---------------|
| Cost of sales | | (10) |
| Gross loss | | (10) |
| Administrative expenses | | (409) |
| Loss on exchange | | (25) |
| Operating loss | 3 | (444) |
| Interest receivable | 5 | 43 |
| Loss on ordinary activities before taxation | | (401) |
| Tax charge on loss on ordinary activities | 6 | — |
| Loss for the financial year | 17 | (401) |
| Loss per ordinary share – basic and fully diluted | | |
| On loss for the financial year | 7 | (2.2p) |

All activities relate to continuing operations. There is no material difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

There are no recognised gains or losses other than the Group loss for the period and, therefore, no Statement of Total Recognised Gains and Losses has been presented.

This is the first period in which the Group has presented its financial statements, which include the notes on pages 21 to 33. Consequently, there are no corresponding amounts for earlier periods.

Balance Sheets

As at 31 December 2006

| | Note | Group 2006 £'000 | Company 2006 £'000 |
|---|------|------------------------|--------------------------|
| Fixed assets | | | |
| Intangible assets | 8 | 1,645 | — |
| Investments | 9 | — | 365 |
| | | 1,645 | 365 |
| Current Assets | | | |
| Debtors: amounts falling due within one year | 11 | 102 | 32 |
| Cash at bank and in hand | 12 | 968 | 967 |
| | | 1,070 | 999 |
| Creditors: amounts falling due within one year | 13 | (215) | (73) |
| Net current assets | | 855 | 926 |
| Net assets | | 2,500 | 1,291 |
| Capital and reserves | | | |
| Called up share capital | 15 | 1,041 | 1,041 |
| Share premium account | 17 | 1,712 | 1,712 |
| Profit and loss account | 17 | (253) | (1,462) |
| Equity shareholders' funds | 18 | 2,500 | 1,291 |

The notes on pages 21 to 33 form part of these financial statements.

These financial statements were approved by the Board of Directors on 4 May 2007.

S A R Boldy
Chief Executive Officer

C G Moar
Finance Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2006

| | Note | 2006 £'000 |
|---|--------|---------------|
| Operating activities | | |
| Loss for the period | | (401) |
| Adjustments for: | | |
| Net finance income | 5 | (43) |
| Equity settled share-based payment transactions | 16 (a) | 12 |
| Change in debtors | 11 | (23) |
| Change in prepayments | 11 | (17) |
| Change in creditors | 13 | 81 |
| | | (391) |
| Interest paid | | — |
| Income tax paid | | — |
| Net cash outflow from operating activities | | (391) |
| Returns on investments and servicing of finance | | |
| Interest received | | 18 |
| Cash inflow from returns on investments and servicing of finance | | 18 |
| Capital expenditure and financial investments | | |
| Oil and gas expenditure – intangible assets | 8 | (398) |
| Cash outflow for capital expenditure and financial investments | | (398) |
| Acquisitions and disposals | | |
| Acquisition of subsidiary | 10 | — |
| Cash flow from acquisition | | — |
| Financing | | |
| Proceeds from issue of share capital | 15 | 2,350 |
| Payment of transaction costs | 15 | (611) |
| Net cash inflow from financing activities | | 1,739 |
| Net increase in cash | | 968 |
| Cash at 1 January 2006 | | — |
| Cash at 31 December 2006 | 12 | 968 |

The notes on pages 21 to 33 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2006

1. Presentation of Accounts and Accounting policies

Description of business

Lansdowne Oil & Gas plc and its subsidiaries form an exploration and production energy Group, which is currently focused on exploration activities. Current exploration and appraisal of oil and gas reserves are in the Celtic Sea to the south of the Republic of Ireland and in the Donegal basin off the northwest coast of County Donegal.

Composition of accounts

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Principles and the Statement of Recommended Practice 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities'. A summary of the more important accounting policies is set out below, these have been applied consistently.

Accounting policies

Basis of presentation

The financial statements 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.

There are two areas of uncertainty as to whether or not the Group can be considered a going concern.

The first area of uncertainty is whether the Irish Government will renew the Group's exploration licences, which expired in December 2006. In addition, as the Irish fiscal policy in respect of licences is currently being reviewed there is uncertainty regarding whether the terms of any such renewal will be agreeable to management. If the terms are unfavourable the Group will not renew the licences and therefore they have no potential source of future funding or revenue.

The second area of uncertainty surrounds the future funding of the Group's activities, should the licences be granted. The Directors have prepared cash flow forecasts for the Group for the period ending 12 months from the date of approval of these financial statements. These indicate that the Group will have adequate cash resources to meet its obligations, as they fall due but do not include any expenditure in relation to the exploration licences. Therefore, on the assumption that the Group is awarded the licences, all work programme obligations would have to be financed either by a farm-out arrangement or from an issue of new shares or both. No sources of funding have yet been agreed due to the above issues surrounding the granting of the licences and as a result this represents a further uncertainty.

The Directors consider that it is appropriate to adopt a going concern assumption in preparing these financial statements as;

they believe that there is no reason to suggest that the licences will not be granted or that the new licensing and fiscal terms will be unfavourable, and

a number of potential partners have expressed an interest in entering into a farm-in arrangement to fund future exploration activities.

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.

Basis of accounting

These financial statements are prepared under the historical cost convention modified. In accordance with AIM rules the Group will be adopting International Financial Reporting Standards ("IFRS's") as from 1 January 2007. The Group has assessed that there will not be a material impact to the financial statements on transition to IFRS.

Notes to the Financial Statements *continued*

For the year ended 31 December 2006

Basis of consolidation

These financial statements consolidate the financial accounts of Lansdowne Oil & Gas plc and all of its subsidiaries, made up to 31 December each year. No profit and loss account is presented for Lansdowne Oil & Gas plc as permitted by Section 230 of the Companies Act 1985. Transactions and balances between subsidiary undertakings are eliminated; no profit is recognised on sales between subsidiary undertakings. Shares in Group undertakings are held as fixed assets and shown at cost less an appropriate provision where the Directors consider that an impairment in the value of the investment has occurred.

Change in accounting policies

During the year the Group has adopted Financial Reporting Standard (“FRS”) 20 “Share-based Payments” and FRS 22 “Earnings per Share” in its financial statements. The adoption of FRS 20 has resulted in an additional charge to staff costs of £12,000 in the current year due to the share options granted. As all operations are continuing, the adoption of FRS 22 has had no impact on the figures presented.

Fixed assets – Oil and gas interests

Expenditure relating to oil and gas activities is capitalised in accordance with the “successful efforts” method of accounting, as described in the Oil and Gas Statement of Recommended Practice (“SORP”).

All costs incurred prior to the acquisition of licences are written off to the profit and loss account when incurred.

Licence acquisition costs, geological and geophysical costs and the direct costs of exploration and appraisal are initially capitalised as intangible assets, pending determination of the existence of commercial reserves in the licence area. Such costs are classified as intangible assets based on the nature of the underlying asset, which does not yet have any proven physical substance. If commercial reserves are determined to exist, then these costs are first subjected to an impairment test (see below) and the resulting carrying value is transferred to the development and producing assets category as tangible assets. If no commercial reserves exist then the exploration in that particular field was “unsuccessful” and the costs are written off to the profit and loss account in the period in which the evaluation is made.

Development expenditure comprises all costs incurred in bringing a field to commercial production, including financing costs. Upon commencement of production, capitalised costs are amortised on a unit of production basis that is calculated to write off the expected cost of each asset over its life in line with the depletion of proved and probable reserves.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s net realisable value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. These cash-generating units (“CGUs”) are aligned to the business unit and sub-business unit structure the Group uses to manage its business. Cash flows are discounted in determining the value in use.

Decommissioning

The estimated cost of dismantling and restoring the production and related facilities at the end of the economic life of each field is recognised in full at the commencement of oil and gas production. The amount recognised is the present value of the estimated future restoration cost. An offsetting tangible fixed asset is also recognised. The asset is depreciated on a unit of production basis. Changes to the present value of the estimated future restoration cost are accounted for as adjustments to the provision and fixed asset.

Fixed assets – Other activities

The cost of tangible fixed assets is purchase cost together with any incidental expenses of acquisition. Subsequent additions are included at cost. Depreciation is provided on all tangible fixed assets, other than freehold land, at annual rates calculated to write off the cost or valuation of each asset evenly over its expected useful life.

The carrying amounts of assets subject to amortisation are reviewed for possible impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. The carrying amounts of intangible assets that are not amortised are subject to annual impairment tests and any impairment losses on such assets are never reversed. The method of impairment review is similar to that for oil and gas assets. Impairment losses are charged to the profit and loss account unless they arise on previously revalued assets, in which case they are recognised in the statement of total recognised gains and losses to the amount of the revaluation and thereafter in profit and loss account.

As fixed assets are retired, the cost or revalued amount, whichever is applicable, and accumulated depreciation relating to the fixed asset are removed from the balance sheet.

Joint ventures

The Group is engaged in oil and gas development and production through unincorporated joint ventures. The Group accounts for its share of the results and net assets of these joint ventures as jointly controlled assets.

Leases

As lessee, rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Stocks

Stocks are stated at the lower of cost and net realisable value on a FIFO basis of accounting.

Taxation

Corporation tax is provided on taxable profits at the current rate of taxation.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. Deferred tax is measured on a non-discounted basis.

Defined contribution pension scheme

The Group contributes to a defined contribution pension scheme. The pension cost represents contributions payable by the Group to the scheme.

Share based payments

The Group incentivises its employees and Directors with access to an equity-settled share option scheme, details of which are given in the Directors' Remuneration Report.

The cost of awards to employees and Directors under the share option scheme is recognised over the three or five year period to which the performance criteria relate. The amount recognised is based on the fair value of the share options, as measured at the date of the award. The corresponding credit is taken to a share based payments reserve, which is included within the profit and loss reserve. The proceeds on exercise of share options are credited to share capital and share premium.

The share options are valued using a Total Shareholder Return ("TSR") simulation model, which adjusts the fair value for the market-based performance criteria in the scheme. The TSR simulation model is based on the Monte Carlo model and is tailored to meet the requirements of the scheme's performance criteria. The inputs to the model include the share price at date of grant, exercise price, expected volatility, expected dividends, risk free rate of interest and patterns of early exercise of the plan participants.

Share based payments made to parties other than employees are valued at the fair value of the services received, where this can be reliably measured, and at the fair value of the instrument used otherwise. The cost is recognised over the period that the service is received with the corresponding credit taken to the share based payments reserve.

Turnover

Turnover, which excludes value added tax and sales between Group companies, represents the invoiced value of goods and services supplied.

Notes to the Financial Statements *continued*

For the year ended 31 December 2006

Revenue recognition

Revenue associated with the development and production of hydrocarbons for those projects where the Group shares the interest with other parties is recorded on the basis of the Group's net working interest.

The Group's share of any test production for wells under appraisal is recognised as turnover with an equal amount being charged to cost of sales and credited against intangible assets so that a zero margin is recorded, in line with the Oil and Gas SORP.

Foreign currency

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

Financial instruments and risk management

The Group's operations and potential future debt financing expose it to a variety of financial risks that include the effects of changes in potential future foreign currency exchange rates, interest rates and commodity prices.

The Board approves the use of financial products to manage the Group's exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

a) Foreign currency risk

Although the Group reports in Sterling, elements of its business are conducted in Euros. The current exposure to foreign currency risk is minimal due to the low value of expenses transacted in Euros.

b) Interest rate risk

The Group currently has no significant interest rate risk.

c) Credit risk

The Group currently has no significant credit risk.

d) Liquidity risk

In the event that the Group is awarded the licences for which it has applied, the related work programme obligations will be financed by either reducing its equity interest through new participants farming in, by the issue of new capital, or by a combination of both.

Significant estimations and key assumptions

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expense during the year. Although these estimates are based on managements' best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The following significant estimations and key assumptions are applicable to these financial statements.

a) Under the Oil and Gas SORP, expenditure incurred on exploration and appraisal activities may be carried forward on the balance sheet pending determination for a maximum of three years following completion of drilling in an offshore or frontier environment where major development costs may need to be incurred or for a maximum of two years in other areas. After this time, unless further appraisal of the prospect is firmly planned or underway, the costs are written off to the profit and loss account.

b) Deferred tax assets on unrelieved losses are not recognised until the Directors consider that there will be sufficient future profits for the timing differences to reverse against.

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. Group Operating Loss

| | 2006 £'000 |
|--|---------------|
| This is stated after charging: | |
| Operating lease rentals – land and buildings | 13 |

| | 2006 £'000 |
|--|---------------|
| During the year the Group obtained the following services from the Group auditors at costs detailed below: | |
| Audit services: | |
| – fees payable to Company auditor for the audit of parent Company and consolidated accounts | 21 |
| Non-audit services: | |
| – fees payable to the Company's auditor for the audit of Company's subsidiaries pursuant to legislation | 10 |
| – tax services | 18 |

4. Employees and Directors

| | 2006 Number |
|---|----------------|
| The average number of employees, including Executive Directors, during the year: | |
| Oil and gas exploration | 1 |

| | 2006 £'000 |
|---|---------------|
| Staff costs during the year amounted to: | |
| Wages and salaries | 209 |
| Social security costs | 22 |
| Pension costs (note 19) | 21 |
| | 252 |

5. Interest Receivable

| | 2006 £'000 |
|----------------------------|---------------|
| Bank Interest | 42 |
| Other | 1 |
| Interest receivable | 43 |

Notes to the Financial Statements *continued*

For the year ended 31 December 2006

6. Current Taxation

| Analysis of charge in period | 2006 £'000 |
|---|---------------|
| Total current tax: | — |
| Total deferred tax | — |
| Tax on loss on ordinary activities | — |

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

| Factors affecting tax charge for period | 2006 £'000 |
|---|---------------|
| Loss on ordinary activities before tax | (401) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% | (120) |
| Effects of: | |
| Expenses not deductible for tax purposes | 28 |
| Losses not recognised | 92 |
| Total current tax charge | — |

7. Loss per Ordinary Share

The loss per share of 2.2p was calculated on the loss for the financial year of £401,000 and 18,400,167 ordinary shares, being the weighted average number of ordinary shares in issue during the year. The loss for the year was wholly from continuing operations.

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 two classes of dilutive potential ordinary shares; share options and share warrants. In July 2006 share options over 200,000 ordinary shares were granted at an exercise price of 85p (see note 16 (a)). These share options are not exercisable until July 2009 and, therefore, are not potential ordinary shares for the current period. In April 2006 warrants over 312,239 ordinary shares were issued at an exercise price of 85p (see note 16 (b)). Warrants are only considered dilutive if their exercise price is below the average market price of the shares for the period. On that basis the warrants are not considered dilutive for the current period.

8. Intangible Fixed Assets

| | Group exploration costs 2006 £'000 | Company exploration costs 2006 £'000 |
|--|--|--|
| At 1 January 2006 | | |
| Acquisition (note 10) | 474 | — |
| Additions | 386 | — |
| Transfers from Ramco Group at fair value (note 15) | 785 | — |
| At 31 December 2006 | 1,645 | — |

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 2006, intangible fixed assets totalled £1.6 million, all of which relate to Ireland.

9. Investments

| | Group £'000 | Company £'000 |
|----------------------------|----------------|------------------|
| Cost | | |
| At 1 January 2006 | — | — |
| Additions | — | 365 |
| At 31 December 2006 | — | 365 |

The interests in Group undertakings of the Company are listed below:

| Name of undertaking | Country of registration | Class of share | Proportion held | Nature of business |
|------------------------------|-------------------------|----------------|-----------------|-------------------------|
| Donegal Exploration Limited | Ireland | Ordinary | 100 per cent | Oil and gas exploration |
| Lansdowne Celtic Sea Limited | England | Ordinary | 100 per cent | Oil and gas exploration |

10. Acquisitions

Acquisition accounting was used for the acquisitions made in the period, in which there was no purchased goodwill.

a) Donegal Exploration Limited

On 5 January 2006, the Group acquired the entire issued share capital of Ramco Donegal Limited for an all-share consideration of £365,000, which was satisfied by the issue of 5,713,043 ordinary shares. On 18 January 2006, Ramco Donegal Limited changed its name to Donegal Exploration Limited.

The assets and liabilities acquired are set out below:

| | Book value £'000 | Fair value adjustment £'000 | Fair value £'000 |
|-------------------------|------------------------|-----------------------------------|------------------------|
| Intangible fixed assets | 64 | 410 | 474 |
| Debtors | 18 | — | 18 |
| Creditors | (127) | — | (127) |
| | (45) | 410 | 365 |

Satisfied by:

| | |
|--|-----|
| Ordinary shares of Lansdowne Oil & Gas plc | 365 |
|--|-----|

The fair value adjustment is based on past costs incurred on the Donegal Basin licence (blocks 13/7, part of 13/11 (NE) and 13/12 (N)). The original licence was first acquired by Ramco Oil and Gas Limited ("ROGL") on 1 March 2000. This licence was allowed to lapse on 28 February 2002 and costs incurred to date were written off. Ramco Donegal Limited ("RDL") successfully applied for a new licence on the same acreage in January 2005. Costs incurred during 2005 were capitalised into ROGL and then transferred into RDL when the new licence was approved. The book value on acquisition plus the fair value uplift represents the full past costs incurred on the licence at the date of acquisition.

b) Lansdowne Celtic Sea Limited

On 5 January 2006, the Group acquired the entire issued share capital of Lansdowne Celtic Sea Limited from a subsidiary of Ramco Energy plc for £100. The net assets acquired were £1.

c) Celtic Sea assets

On 13 February 2006, the Company issued 12,286,957 ordinary shares to satisfy the £785,000 consideration for the acquisition by Lansdowne Celtic Sea Limited of certain assets and ROGL's interests in the East Kinsale, Middleton, Rosscarbery and Seven Heads Oil Licensing Options.

The contribution to the Group loss of £401,000 for the period was £45,000 by Donegal Exploration Limited and £40,000 by Lansdowne Celtic Sea Limited.

Notes to the Financial Statements *continued*

For the year ended 31 December 2006

11. Debtors

| | Group 2006 £'000 | Company 2006 £'000 |
|---|------------------------|--------------------------|
| Amounts falling due within one year: | | |
| Amounts owed by joint ventures* | 19 | — |
| Value added tax and other taxes | 21 | 4 |
| Other debtors | 45 | 25 |
| Prepayments | 17 | 3 |
| | 102 | 32 |

*All trading balances related to jointly operated assets.

12. Net Funds

| | Group 2006 £'000 | Company 2006 £'000 |
|--------------------------|------------------------|--------------------------|
| Cash at bank and in hand | 968 | 967 |
| Net funds | 968 | 967 |

13. Creditors

| | Group 2006 £'000 | Company 2006 £'000 |
|---|------------------------|--------------------------|
| Amounts falling due within one year: | | |
| Trade creditors | 14 | 4 |
| Amounts due to Ramco Group undertakings | 121 | 16 |
| Other taxes and social security | 12 | 12 |
| Accruals | 68 | 41 |
| | 215 | 73 |

Amounts due to Ramco Group undertakings are unsecured and non-interest bearing and have no fixed repayment terms.

14. Deferred taxation

The unprovided asset for deferred taxation is as follows:

| | Group 2006 £'000 | Company 2006 £'000 |
|-------------------|------------------------|--------------------------|
| Unrelieved losses | 92 | 92 |

15. Share Capital

| | Group 2006 £'000 |
|--|------------------------|
| Authorised: | |
| 50,000,000 ordinary shares of 5p each | 2,500 |
| Allotted, called up and fully paid: | |
| 20,815,953 ordinary shares of 5p each | 1,041 |

The share capital comprises the following;

| | £'000 |
|--|--------------|
| Acquisition of Donegal Exploration Limited | 286 |
| Acquisition of assets from Ramco Oil and Gas Limited | 614 |
| Initial Public Offering | 141 |
| Total share capital | 1,041 |

At 31 December 2005, the Company had allotted and issued two shares of 5p each; one each to its joint owners ROGL and Ramco Eastern Europe Limited ("REEL").

On 5 January 2006, the Company allotted and issued 5,713,043 ordinary shares to REEL to satisfy the £365,000 consideration for the entire issued share capital of RDL. On 18 January 2006, RDL changed its name to Donegal Exploration Limited.

On 13 February 2006, the Company allotted and issued 12,286,957 ordinary shares to ROGL to satisfy the £785,000 consideration for the acquisition by Lansdowne Celtic Sea Limited, a wholly owned subsidiary of the Company, of certain assets and ROGL's interests in the East Kinsale, Midleton, Rosscarbery and Seven Heads Oil Licensing Options. The consideration reflected the fair value of the assets transferred, based on past costs incurred.

On 1 February 2006, the Company converted 6,000,000 authorised ordinary shares of 5p each into 1,200,000 preference shares of 25p each. On 16 February 2006, the Company obtained approximately £750,000 of funding from the issue of 900,267 preference shares to institutional investors. As part of the Initial Public Offering ("IPO") on 21 April 2006 these preference shares were converted to 933,598 ordinary shares. A further 1,882,353 ordinary shares were allotted and issued during the IPO, raising £1,600,000 before cash expenses of £611,000 and the share warrant expense of £136,000.

On 15 March 2007, ROGL and REEL transferred their shareholdings in the Company to Ramco Hibernia Limited ("RHL") at a fair value consideration of 59.5p per share. RHL is a wholly owned subsidiary of Ramco Energy plc and is now the holder of 17,953,308 ordinary shares of 5p each, representing 86.25 per cent of the issued share capital of the Company. The ultimate ownership of these shares remained unchanged by this transaction.

The principal trading market for the shares in the UK is the London Stock Exchange's Alternative Investment Market 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.

| | 2006 Pence per share | |
|----------------|-------------------------|------|
| | High | Low |
| Second quarter | 106.0 | 70.0 |
| Third quarter | 82.5 | 59.5 |
| Fourth quarter | 63.5 | 60.0 |

Notes to the Financial Statements *continued*

For the year ended 31 December 2006

16. Share Based Payments

a) Share Options

The Company has granted options to a Director under an Employee Share Option Scheme. Details of the grant are shown in the Remuneration Report on pages 13 to 15. As at 31 December 2006, the options granted were outstanding and the number of further options available for grant under the scheme rules was 840,000. No options were cancelled or expired in the year.

| Option price | Number of options | Exercisable at 31 December 2006 | Remaining contractual life | Normal exercise date |
|--------------|-------------------|---------------------------------|----------------------------|----------------------|
| 85p | 200,000 | — | 9.6 years | 26/06/09-25/06/16 |

Before these share options can be exercised the Group must meet the performance criterion of being in the top two thirds of the table of growth on Total Shareholder Return (“TSR”) of the companies in the FTSE all share index between the grant date of 26 July 2006 and the earliest exercise date.

The fair value of services received in return for share options is based on the fair value of the share options granted, measured using a TSR simulation model, with the following inputs:

| Fair value of share options and assumptions | 2006 |
|---|-----------|
| Fair value at grant date | 42.7p |
| Share price at grant date | 59.5p |
| Exercise price | 85p |
| Expected volatility | 100% |
| Expected option life | 6.5 years |
| Risk-free interest rate (based on government bonds) | 4.7% |
| Expected dividend yield | 0% |

The total fair value of the options granted in 2006 of £85,000 is charged to the profit and loss account over the vesting period of three years, resulting in a charge in 2006 of £12,000.

b) 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 the year. As the services provided were for transaction costs of the share issue, the expense was deducted from the share premium account.

| Fair value of warrants and assumptions | 2006 |
|---|-------|
| Fair value at grant date | 43.4p |
| Share price at grant date | 85p |
| Exercise price | 85p |
| Expected volatility | 81.7% |
| Risk-free interest rate (based on government bonds) | 4.47% |
| Expected dividend yield | 0% |

17. Reserves

| | Share Premium account £'000 | Profit & loss account £'000 |
|--|-----------------------------------|-----------------------------------|
| Group: | | |
| At 1 January 2006 | | |
| Loss for the financial year | — | (401) |
| Share based payments charge | — | 148 |
| Issues of new shares – gross consideration | 2,459 | — |
| Cost of share issues | (747) | — |
| At 31 December 2006 | 1,712 | (253) |

| | Share Premium account £'000 | Profit & loss account £'000 |
|--|-----------------------------------|-----------------------------------|
| Company: | | |
| At 1 January 2006 | | |
| Loss for the financial year | — | (1,610) |
| Share based payments charge | — | 148 |
| Issues of new shares – gross consideration | 2,459 | — |
| Cost of share issues | (747) | — |
| At 31 December 2006 | 1,712 | (1,462) |

It is Group policy to provide for amounts owed to the Company by subsidiaries if the subsidiary has net liabilities. At 31 December 2006 the amounts owed to the Company from its subsidiaries were £108,000 from Donegal Exploration Limited and £1,186,000 from Lansdowne Celtic Sea Limited. Both subsidiaries have net liabilities. Consequently, the loss for the financial year for the Company included a provision expense in this regard for £1,294,000. This expense eliminates on consolidation for the Group Accounts.

18. Movement in Shareholders' Funds

| | Group 2006 £'000 | Company 2006 £'000 |
|---|------------------------|--------------------------|
| Loss for the financial year | (401) | (1,610) |
| Issue of ordinary share capital | 2,753 | 2,753 |
| Share based payments charge | 148 | 148 |
| Net change in shareholders' funds | 2,500 | 1,291 |
| Shareholders' funds at 1 January 2006 | — | — |
| Shareholders' funds at 31 December 2006 | 2,500 | 1,291 |

Notes to the Financial Statements *continued*

For the year ended 31 December 2006

19. Pension Commitments

The Group contributes to a defined contribution pension scheme. The assets of this scheme are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £21,000. Contributions totalling £nil were payable to the funds at the year end.

Staff are eligible to join the Group's defined contribution scheme after three months' service with the Group. The Group contributes between 5 per cent and 15 per cent of each participating employee's salary to the scheme. The employees may also contribute to the scheme.

Details of the Directors' pension contributions are given in the Remuneration Report on pages 13 to 15.

20. Capital Commitments

The Group has no unprovided contractual commitments for capital expenditure.

21. Other Financial Commitments

| | 2006 Land and buildings £'000 |
|--------------------------------|--|
| <hr/> | |
| Group and Company | |
| Operating leases which expire: | |
| Within one year | 14 |
| | <hr/> 14 |

The licence of land and buildings is renewed annually. Rental expenses are disclosed at note 3.

22. Post Balance Sheet Event

On 15 March 2007, ROGL and REEL transferred their shareholdings in the Company to RHL at a fair value consideration of 59.5p per share. RHL is a wholly owned subsidiary of Ramco Energy plc and is now the holder of 17,953,308 ordinary shares of 5p each, representing 86.25 per cent of the issued share capital of the Company. The ultimate ownership of these shares remained unchanged by this transaction.

23. Related Party Transactions

The ultimate controlling party of the Group is Ramco Energy plc ("Ramco"). The Company entered into a services agreement with Ramco on 10 April 2006, pursuant to which Ramco undertook to provide the Company with (a) certain management, accounting, IT support, insurance and administrative services required by the Company in connection with its business in consideration of a fee of £10,500 per month and (b) certain commercial and technical services as the Company may require from time to time, such services being charged at an hourly rate of £100 per hour. This agreement can be terminated by Ramco 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 31 December 2006 the Group owed Ramco £21,000, or two months unpaid fee.

There has been no turnover during the period between the Lansdowne and Ramco Groups. As at 31 December 2006 Donegal Exploration Limited had historical outstanding amounts owed to Ramco Energy plc of £4,000, Ramco Oil and Gas Limited of £75,000 and Ramco Eastern Europe Limited of £42,000.

24. Ultimate Parent Company

At 31 December 2006, the Ramco Group owned 86.25 per cent of the Company, through investments held in Ramco Oil and Gas Limited (58.8 per cent) and Ramco Eastern Europe Limited (27.45 per cent). On 15 March 2007 these share holdings were transferred to Ramco Hibernia Limited, another wholly owned subsidiary of Ramco Energy plc (see note 15). The Directors consider the ultimate parent of the Lansdowne Group to be Ramco Energy plc, a Company incorporated in Scotland. Copies of the ultimate parent undertaking's consolidated financial statements may be obtained from The Secretary, Ramco Energy plc, Britannia House, Endeavour Drive, Arnhall Business Park, Westhill, Aberdeenshire AB32 6UF.

Advisers

Secretary

Christopher Gilbert Moar MA CA

Registered Office

5 Old Bailey
London EC4M 7BA
Registered in England and Wales
Number 05662495

Nominated Advisor and Broker

John East & Partners Limited
Crystal Gate
28-30 Worship Street
London EC2A 2AH

Solicitors

Burness LLP
50 Lothian Road
Festival Square
Edinburgh EH3 9WJ

McGrigors
5 Old Bailey
London EC4M 7BA

Reddy Charlton McKnight
12 Fitzwilliam Place
Dublin 2
Ireland

Auditors

PricewaterhouseCoopers LLP
32 Albyn Place
Aberdeen AB10 1YL

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0LA

Bankers

Bank of Scotland
39 Albyn Place
Aberdeen
AB10 1YN

Website

www.lansdowneoilandgas.com

Notice of Annual General Meeting

Notice is hereby given that the 1st Annual General Meeting of the members of Lansdowne Oil & Gas plc will be held at McGrigors, 5 Old Bailey, London on 31 May 2007 at 12 noon to conduct the following business:

1. To receive the Report of the Directors, the financial statements for the period ended 31 December 2006 and the Auditors' Report thereon.
2. To consider the re-election of J Greenall, who has been appointed as a Director and being eligible offers himself for re-election as a Director.
3. To consider the re-election of S Boldy, who has been appointed as a Director and being eligible offers himself for re-election as a Director.
4. To consider the re-election of C Moar, who has been appointed as a Director and being eligible offers himself for re-election as a Director.
5. To consider the re-election of S Bertram, who has been appointed as a Director and being eligible offers himself for re-election as a Director.
6. To consider the re-election of T Torrington, who has been appointed as a Director and being eligible offers himself for re-election as a Director.
7. That PricewaterhouseCoopers LLP be reappointed Auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.
8. As special business to consider the following Resolution as an Ordinary Resolution:

That in accordance with Article 2.9 of the Articles of Association of the Company, the Directors be and they are hereby generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (as defined in Section 80 (2) of the Act) up to an aggregate nominal amount equal to 1/3 of the issued share capital of the Company as at the date hereof, provided that such authority shall expire at the conclusion of the next Annual General Meeting of the Company, except that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to allot relevant securities pursuant to such an offer or agreement as if this authority had not expired.

9. As special business to consider the following Resolution as a Special Resolution:

That in accordance with Article 2.10 of the Articles of Association of the Company, the Directors be and they are hereby empowered pursuant to and in accordance with Section 95 of the Act, to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority conferred by Resolution 8 above as if sub-section 89(1) of the Act did not apply to the allotment of such equity securities pursuant to the provisions of that Article, provided that this power shall be limited to:

- (i) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record date as the Directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on any such record date, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and
- (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) to any person or persons of equity securities up to an aggregate nominal amount of £104,000;

and this power shall expire on the conclusion of the next Annual General Meeting of the Company, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after its expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

Notice of Annual General Meeting *continued*

10. As special business to consider the following Resolution as a Special Resolution:

That the Company be and is hereby generally and unconditionally authorised to purchase for cancellation its own ordinary shares by way of market purchase (within the meaning of Section 163(3) of the Act, provided that:

- (a) the maximum number of ordinary shares hereby authorised to be acquired is 2,081,000 ordinary shares of 5p each being approximately 10 per cent of the Company's existing issued share capital;
- (b) the maximum price which may be paid for such shares is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share in the Company as derived from the Daily Official List of The London Stock Exchange for the five business days immediately preceding the date of purchase and the minimum price is 5p per share being the nominal value thereof, in both cases exclusive of expenses; and
- (c) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company; and
- (d) the Company may before the expiry of such authority make a contract to purchase its ordinary shares under the authority hereby conferred, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its ordinary shares in pursuance of any such contract.

By order of the Board
C G Moar
Company Secretary
5 Old Bailey
London EC4M 7BA
4 May 2007

Every member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies, who need not be a member of the Company, to attend and on a poll, vote instead of him or her. Return of the form of proxy will not prevent a member from attending and voting in person. To be effective, forms of proxy must be received by the Company's registrars, Capita Registrars, at least 48 hours before the meeting.

Only persons entered on the register of members of the Company at 10.00 a.m. on 29 May 2007 shall be entitled to attend and vote at the Annual General Meeting or adjourned meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after that time will be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the Annual General Meeting or adjourned meeting.

The following documents are available for inspection at the registered office of the Company on any weekday from the date of this notice until the date of meeting and will be available for inspection at the place of the Annual General Meeting for a period of fifteen minutes prior to the meeting until its conclusion.

A statement of all transactions of each Director and his family interest in the shares of the Company and copies of all service contracts of the Directors with the Company or any of its subsidiaries.

Lansdowne

oil & gas

www.lansdowneoilandgas.com