

**LANSDOWNE OIL & GAS plc**

**INTERIM REPORT**

**2007**

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## Chairman's Statement

In my last statement, in May this year, I explained that a review of oil and gas fiscal terms by the Irish Government and a pending general election in Ireland had delayed progress with our various licence applications. I am delighted to report significant progress on that front and can confirm that Lansdowne has been awarded two Standard Exploration Licences.

The results of the fiscal review were announced by Eamon Ryan, the Irish Minister for Communications Energy and Natural Resources on 1 August 2007. The key fiscal change under the new licensing terms is the introduction of a Profit Resources Rent Tax ("PRRT"), which will be levied in addition to the current Corporation Tax of 25 per cent.

This new tax will operate on a graded basis of profitability. Marginal projects will be unaffected, still paying 25 per cent, with more profitable projects facing PRRT on a scale of rates taking their aggregate tax burden to a maximum rate of 40 per cent.

Confirmation of the new terms has removed the uncertainty introduced by the announcement of the review and the linking of the new tax to profitability rather than production has been welcomed. Worked examples of differing field sizes, contained in the Indecon Report that accompanied the announcement of the new terms, indicates no change in the after tax Net Present Value ("NPV") of a 50 bcf gas field offshore Ireland under the new terms. A 100 bcf gas field displays a 4 per cent reduction in NPV, a 250 bcf gas field a 6 per cent reduction in NPV and a 500bcf gas field a 9 per cent reduction in NPV.

All the worked examples show that NPVs for fields offshore Ireland are higher than for comparable sized fields offshore UK and Norway.

The Lansdowne Board considers the new terms offer a fair balance between continuing to encourage exploration, whilst providing for a greater return to the Irish state in these times of higher oil and gas prices.

Lansdowne has been awarded Licence 4/07 which extends over parts of blocks 49/11, 49/12, 49/17 and 49/18 and contains the Midleton and East Kinsale prospect areas. This Licence has been granted to Lansdowne on a 100 per cent basis.

Lansdowne has also been awarded an interest in Licence 5/07, which extends over parts of blocks 48/17, 48/18, 48/19, 48/22 and 48/24 and contains the Rosscarbery prospect, as well as the Galley Head (48/18-1) and Carrigaline (48/24-4) gas discoveries. This Licence has been granted to Lansdowne (Operator 77 per cent) and partners.

The Group is delighted to have been awarded these Licences and is already moving ahead to start planning for drilling the key prospects. Discussions with potential farm-in partners have been continuing and the recent clarification on the licence position and the fiscal terms will allow us to move ahead on a much firmer footing.

Our application to convert the Seven Heads Oil Licensing Option into a Lease Undertaking is still under discussion with the Department of Communications, Energy and Natural Resources.

Our application to extend the first phase of the Frontier Exploration Licence 1/05 in the Donegal Basin has not been granted. It was not possible to extend this Licence without entering into a further drilling commitment and we did not consider that that level of commitment was merited. Consequently that Licence has been relinquished.

## **Financial results**

This is the first financial information presented by the Group that has been prepared under the International Financial Reporting Standards (“IFRS”). The transition to IFRS resulted in no numerical adjustments to the corresponding amounts in the prior interim period.

The Group recorded a loss after tax of £816,000 for the first six months of 2007 compared to a loss of £166,000 for the first six months of 2006. The loss for the period includes the write off of £544,000 of intangible exploration assets held against the Donegal Licence.

Group operating expenses for the first half of 2007 were £286,000 and are in line with expectations. The Group was not fully operational until the second quarter of 2006, resulting in lower operating expenses of £183,000 for the first half of 2006.

Net finance income was £17,000 for both the current and prior interim periods. The higher cash balances in 2006, generated by the Initial Public Offering, were held on deposit for a shorter period than the lower cash balances in 2007.

Total equity attributable to the equity holders of the Company has fallen from £2.7 million as at 30 June 2006 to £1.7 million as at 30 June 2007. The decrease reflects primarily the Donegal write off of £544,000 and operating expenses of £537,000 in the intervening period between these two reporting dates.

## **Outlook**

The success of Island Oil and Gas plc’s drilling programme in the Celtic Sea this summer, which recorded potentially commercial gas flows from Cretaceous reservoirs in the 49/23-2 Old Head and the 57/2-3 Schull appraisal wells, once again demonstrates the viability of this gas play in the Celtic Sea.

The publication of the licensing and fiscal terms and the award of new Exploration Licences clear the way for Lansdowne to move forward to the next stage of the Group’s development, which will focus on drilling wells to search for additional gas reserves in the Celtic Sea. The Group is currently evaluating the options available for raising the requisite funding to support the well programme.

John Greenall  
Chairman

30 August 2007

## Condensed Consolidated Interim Balance Sheet

		<b>30 June 2007</b>	31 December 2006	30 June 2006 restated
		<b>(unaudited)</b>	(audited)	(unaudited)
	Note	<b>£'000</b>	£'000	£'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible exploration/appraisal assets		<b>1,176</b>	1,645	1,529
Property, plant & equipment		<b>1</b>	-	-
	3	<b>1,177</b>	1,645	1,529
<b>Current assets</b>				
Trade and other receivables		<b>49</b>	102	106
Cash and cash equivalents		<b>671</b>	968	1,581
		<b>720</b>	1,070	1,687
<b>Total assets</b>		<b>1,897</b>	2,715	3,216
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		<b>(199)</b>	(215)	(493)
<b>Total liabilities</b>		<b>(199)</b>	(215)	(493)
<b>Net assets</b>		<b>1,698</b>	2,500	2,723
<b>Equity</b>				
Share capital	4, 5	<b>1,041</b>	1,041	1,041
Share premium	5	<b>1,712</b>	1,712	1,712
Retained earnings	5	<b>(1,055)</b>	(253)	(30)
<b>Total equity</b>		<b>1,698</b>	2,500	2,723

The notes on pages 9 to 18 form an integral part of this condensed consolidated interim financial information.

## Condensed Consolidated Interim Income Statement

	Note	Half-year ended 30 June	
		2007 (unaudited) £'000	2006 (unaudited) £'000
<b>Continuing operations</b>			
Cost of sales		(3)	-
Write off of intangible exploration assets	3	(544)	-
<b>Gross loss</b>		<b>(547)</b>	-
Operating expenses		(286)	(183)
<b>Operating loss</b>		<b>(833)</b>	(183)
Finance income		19	17
Finance expense		(2)	-
<b>Loss before taxation</b>		<b>(816)</b>	(166)
Taxation		-	-
<b>Loss for the financial period</b>		<b>(816)</b>	(166)
<b>Loss per share</b>			
Basic and diluted	6	<b>(3.9)p</b>	(1.1)p

There is no recognised income or expense, other than the Group loss for the current and corresponding interim periods and, therefore, no Statement of Recognised Income and Expense has been presented.

The notes on pages 9 to 18 form an integral part of this condensed consolidated interim financial information.

## Condensed Consolidated Interim Statement of Cash Flows

	<b>Half-year ended 30 June</b>	
	<b>2007</b>	2006
	<b>(unaudited)</b>	(unaudited)
Note	<b>£'000</b>	£'000
<b>Cash flows from operating activities:</b>		
Continuing operations	7	
	<u>(220)</u>	<u>(150)</u>
<b>Net cash used in operating activities</b>	<b>(220)</b>	<b>(150)</b>
<b>Cash flows from investing activities:</b>		
Interest received	<b>16</b>	1
Acquisition of intangible exploration assets	<b>(90)</b>	(10)
Acquisition of property, plant and equipment	<b>(1)</b>	-
<b>Net cash used in investing activities</b>	<b>(75)</b>	<b>(9)</b>
<b>Cash flows from financing activities:</b>		
Issue of share capital in Company	-	2,350
Payment of transaction costs	-	(611)
<b>Net cash from financing activities</b>	<b>-</b>	<b>1,739</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(295)</b>	1,580
Cash and cash equivalents at start of period	<b>968</b>	-
Effect of exchange rate fluctuations on cash held	<b>(2)</b>	-
<b>Cash and cash equivalents at end of period</b>	<b>671</b>	<b>1,580</b>

The notes on pages 9 to 18 form an integral part of this condensed interim financial information.



# Notes to the Condensed Consolidated Interim Financial Information

## 1. Presentation of Accounts and Accounting Policies

### General information

Lansdowne Oil & Gas plc (the “Company”) and its subsidiaries (together, the “Group”) explore for and develop oil and gas reserves in the Irish Celtic Sea.

The Company is a limited liability company, incorporated and domiciled in the UK. The address of its registered office is 5 Old Bailey, London EC4M 7BA.

The Company’s shares are quoted on the Alternative Investment Market (“AIM”) of the London Stock Exchange.

This condensed consolidated interim financial information was approved for issue by the Lansdowne Board on 30 August 2007. It was neither audited nor reviewed by the Group’s external auditors.

These interim financial results do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2006 were approved by the Board of Directors on 4 May 2007 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain any statement under section 237 of the Companies Act 1985. It did, however, contain an emphasis of matter over the going concern basis of preparation for the Group. Therefore, this financial information should be read with due regard to the uncertainties described within note 1 of the financial statements for the year ended 31 December 2006. The first uncertainty has been removed with the Irish Government publishing its fiscal terms and granting the Licences for the Celtic Sea (see Chairman’s statement). The second uncertainty surrounding future funding remains.

### Basis of preparation

This condensed consolidated interim financial information for the half-year ended 30 June 2007 has been prepared in accordance with the Listing Rules of the Financial Services Authority and with IAS 34, ‘Interim financial reporting’ as adopted by the European Union (“EU”). The interim condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2006 which have been prepared in accordance with UK Generally Accepted Accounting Principles (“UK GAAP”) and the Statement of Recommended Practice (“SORP”) ‘Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities’.

### Accounting policies

The Group now prepares its accounts in accordance with applicable International Financial Reporting Standards (“IFRS”) as adopted by the European Union. This is the second year of reporting for the Group and this is the first financial information to have been prepared under IFRS. The transition to IFRS resulted in no numerical adjustments to reported figures. The only changes in this financial information compared to the 2006 interim results and 2006 full year financial statements are those required under IFRS to presentation, nomenclature and accounting policies. The IFRS accounting policies adopted by the Group are given in full in this note.

## **Notes to the Condensed Consolidated Interim Financial Information (continued)**

### **1. Presentation of Accounts and Accounting Policies (continued)**

The IFRS standards and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations adopted in these interim results are those issued by the International Accounting Standards Board (“IASB”) up to 31 December 2006 that are mandatory for the year end 31 December 2007. The only relevant new standard or interpretation issued by the IASB, but not yet effective and not applied in this financial information, is IFRS 8, ‘Operating segments’, which is effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement. The Group intends to early adopt this standard once it has been endorsed by the EU and is currently analysing the management information required to produce segmental reporting in line with this standard. No other IFRS as issued by the IASB which are not yet effective are expected to have an impact on the Group’s financial statements.

#### **Basis of accounting**

The Group prepares its accounts on the historical cost basis. Where the carrying value of assets and liabilities are calculated on a different basis, this is disclosed in the relevant accounting policy.

#### **Basis of consolidation**

The consolidated accounts include the results of Lansdowne Oil & Gas plc and its subsidiary undertakings, made up to 31 December each year. No separate income statement is presented for the parent company, as permitted by Section 230 of the Companies Act 1985.

The subsidiaries are those companies controlled, directly or indirectly, by Lansdowne Oil & Gas plc, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. This control is normally evidenced when Lansdowne Oil & Gas plc owns, either directly or indirectly, more than 50 per cent of the voting rights or potential voting rights of a company’s share capital. Companies acquired during the year are consolidated from the date on which control is transferred to the Group, and subsidiaries to be divested are included up to the date on which control passes from the Group. Inter-company balances, transactions and resulting unrealised income are eliminated in full.

The Group allocates the purchase consideration of any acquisition to assets and liabilities on the basis of fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the assets and liabilities is recognised as goodwill. Any goodwill arising is recognised as an asset and subject to annual review for impairment.

#### **Joint ventures**

The Group participates in several unincorporated Joint Ventures which involve the joint control of assets used in the Group’s oil and gas exploration activities. The Group accounts for its proportionate share of assets, liabilities, income and expenditure of Joint Ventures in which the Group holds an interest, classified in the appropriate balance sheet and income statement headings.

## Notes to the Condensed Consolidated Interim Financial Information (continued)

### 1. Presentation of Accounts and Accounting Policies (continued)

#### **Oil and gas intangible exploration/appraisal assets and property, plant & equipment – development/producing assets**

All 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 SORP. The Group’s policy for oil and gas assets is also compliant with IFRS 6 “Exploration for and Evaluation of Mineral Resources”. Under this standard the Group’s exploration and appraisal activities are capitalised as intangible assets and its development and production activities are capitalised as part of the “Property, plant and equipment” asset category.

All costs incurred prior to the acquisition of licences are expensed immediately to the income statement.

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. Exploration and appraisal costs are held, undepleted, until such a time as the exploration phase on the licence area is complete or commercial reserves have been discovered. If commercial reserves are determined to exist and the technical feasibility of extraction demonstrated, then the related capitalised exploration/appraisal costs are first subjected to an impairment test (see below) and the resulting carrying value is transferred to the development and producing assets category within property, plant and equipment. If no commercial reserves exist then that particular exploration/appraisal effort was “unsuccessful” and the costs are written off to the income statement in the period in which the evaluation is made. The success or failure of each exploration/appraisal effort is judged on a well by well basis.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalised within development/producing assets on a field by field basis. Development expenditure comprises all costs incurred in bringing a field to commercial production, including financing costs. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any costs remaining associated with the part replaced are expensed.

Net proceeds from any disposal of an exploration asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the income statement. Net proceeds from any disposal of development/producing assets are credited against the previously capitalised cost. A gain or loss on disposal of a development/producing asset is recognised in the income statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

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.

## Notes to the Condensed Consolidated Interim Financial Information (continued)

### 1. Presentation of Accounts and Accounting Policies (continued)

Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

#### **Property, plant and equipment – other**

Property, plant and equipment is stated at historical cost or deemed cost less accumulated depreciation and any impairment in value. Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of the items of property, plant and equipment. The depreciable amount is the cost less residual value based on prices prevailing at the balance sheet date. The depreciation charge is spread equally over the expected useful economic lives of the assets as follows:

Plant, fixtures and equipment	4-5 years
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Expected useful lives and residual values are reviewed each year and adjusted if appropriate.

Profits and losses on disposal of property, plant and equipment are calculated as the difference between the net sales proceeds and the carrying amount of the asset at the date of disposal.

#### **Investments**

Shares in Group undertakings and associates are held as available for sale investments and shown at fair value where there is a quoted market price available and at cost less impairment provisions where the fair value cannot be reliably determined. Impairments occur where the recoverable value of the investment is less than its carrying value. The recoverable value of the investment is the higher of its fair value less costs to sell and value in use. Value in use is based on the discounted future net cash flows of the investee.

#### **Leases as lessee**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases and are charged to the income statement on a straight-line basis over the term of the lease.

#### **Inventory**

Inventories are stated at the lower of cost and net realisable value on a First In First Out basis of accounting.

#### **Equity**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs, allocated between share capital and share premium.

#### **Taxation**

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

Deferred tax is recognised in respect of all temporary 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. Temporary 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.

## **Notes to the Condensed Consolidated Interim Financial Information (continued)**

### **1. Presentation of Accounts and Accounting Policies (continued)**

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 temporary difference can be deducted. Deferred tax is measured on a non-discounted basis.

#### **Defined contribution pension schemes**

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 equity-settled share option schemes, details of which are given in the Directors' Remuneration Report and note 16 of the 2006 financial statements.

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 retained earnings. 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 schemes. 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.

#### **Revenue and other income**

Revenue from operating activities represents the Group's share of oil, gas and condensate production, and is recognised on the basis of the Group's net working interest in the project or joint venture.

Interest income is recognised on an accruals basis and is presented within "Finance income" in the income statement.

#### **Foreign currency**

The functional and presentational currency of the Company and its subsidiaries is sterling. The assessment of functional currency has been based on the currency of the economic environment in which the Group operates and in which its revenue and costs arise.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency 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 income statement. Gains and losses on trading assets and liabilities are presented within "Operating expenses", and gain and losses on cash and cash equivalents are presented within "Finance income" or "Finance expense".

## Notes to the Condensed Consolidated Interim Financial Information (continued)

### 1. Presentation of Accounts and Accounting Policies (continued)

#### Creditor payment policy

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

- a) settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- c) 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.

#### Financial instruments and risk management

The Group's current and anticipated operations expose it to a variety of financial risks that include the effects of changes in 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

Work programme obligations related to the Group's licences 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 Group has used estimates and assumptions in arriving at certain figures in the preparation of its financial statements. The resulting accounting estimates may not equate with the actual results which will only be known in time. Those areas believed to be key areas of estimation are noted below.

- Amortisation
- Impairment testing
- Share based payments
- Deferred tax

Further details of the assumptions used can be found in this note and in the notes to the 2006 financial statements.

## **Notes to the Condensed Consolidated Interim Financial Information (continued)**

### **1. Presentation of Accounts and Accounting Policies (continued)**

#### **Comparative period**

The corresponding amounts on the consolidated balance sheet have been restated for errors relating to transactions costs for the 2006 AIM listing, in accordance with International Accounting Standard (“IAS) 8 - “Accounting Policies, Changes in Accounting Estimates and Errors”.

The Company granted warrants over 312,239 shares for services rendered in connection with the Initial Public Offering in April 2006. The expense for these warrants of £136,000 was incorrectly omitted from the unaudited interim results for 2006. The correction is a reduction in share premium of £136,000 with the corresponding credit being taken to the share based payments reserve, which is included within retained earnings. A late credit note of £2,000 for transaction costs has also been adjusted for so that the corresponding amount in the share premium account is consistent with the current interim period. The correction is a reduction in trade creditors of £2,000 and a corresponding increase in net assets and share premium. There is no impact on the current or corresponding amounts for the consolidated income statement.

## Notes to the Condensed Consolidated Interim Financial Information (continued)

### 2. Segment Information

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. Capital Expenditure and Impairment

	<b>Tangible and intangible assets £'000</b>
<b>Six months ended 30 June 2006</b>	
<b>Opening net book amount at 1 January 2006</b>	-
Acquisition	474
Additions	270
Transfers from Ramco group at fair value	785
<b>Closing net book amount at 30 June 2006</b>	<u><b>1,529</b></u>
<b>Six months ended 30 June 2007</b>	
<b>Opening net book amount at 1 January 2007</b>	<b>1,645</b>
Additions	76
Write off of intangible exploration assets	(544)
<b>Closing net book amount at 30 June 2007</b>	<u><b>1,177</b></u>

Exploration costs of £544,000 capitalised against the Donegal Licence have been written off during the period. The Group participated in the Inishbeg exploration well which was drilled in August 2006. This frontier exploration well, operated by Lundin Exploration B.V., 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 Group was carried through all the costs associated with the drilling and testing of the well. The well was plugged and abandoned in August 2006. In the 2006 financial statements the Group reported that an extension to Phase I of the Donegal Licence had been applied for, in return for a limited work programme. The response from the Irish Petroleum Affairs Division (“PAD”) indicated that to continue with the original Licence would require a further well commitment. The majority of the Group’s partners in the joint venture did not wish to continue with the Licence and the Group and the remaining partner were not prepared to support a well commitment on their own. For these reasons the Licence has been relinquished.



## Notes to the Condensed Consolidated Interim Financial Information (continued)

### 4. Share Capital

<i>In thousands of shares</i>	<b>Ordinary shares of 5p each</b>	
	<b>2007</b>	2006
In issue at 1 January	<b>20,816</b>	-
Issued for acquisition of Donegal Exploration Ltd	-	5,713
Issued for acquisition of Celtic Sea assets	-	12,287
Preference share conversion	-	934
Issued for cash	-	1,882
In issue at 30 June	<b>20,816</b>	<b>20,816</b>

On 5 January 2006, the Company allotted and issued 5,713,043 ordinary shares to the Ramco group for the acquisition of the Donegal Licence.

On 13 February 2006, the Company allotted and issued 12,286,957 ordinary shares to the Ramco group for the acquisition of the East Kinsale, Middleton, Rosscarbery and Seven Heads Oil Licensing Options.

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.

There has been no issue of shares during the current interim period or between the balance sheet date and the date that this financial information was approved for issue.

### 5. Reconciliation of Movement in Capital and Reserves

	<b>Share capital</b>	<b>Share premium restated</b>	<b>Retained earnings restated</b>	<b>Total equity restated</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance as at 1 January 2006	-	-	-	-
Total recognised income and expense	-	-	(166)	(166)
Issue of ordinary shares	1,041	1,712	-	2,753
Share based payments	-	-	136	136
Balance as at 30 June 2006	<b>1,041</b>	<b>1,712</b>	<b>(30)</b>	<b>2,723</b>
Balance as at 1 January 2007	<b>1,041</b>	<b>1,712</b>	<b>(253)</b>	<b>2,500</b>
Total recognised income and expense	-	-	(816)	(816)
Share based payments	-	-	14	14
Balance as at 30 June 2007	<b>1,041</b>	<b>1,712</b>	<b>(1,055)</b>	<b>1,698</b>

## Notes to the Condensed Consolidated Interim Financial Information (continued)

### 6. Loss per Share

The loss for the period was wholly from continuing operations.

	<b>Half year ended 30 June</b>	
	<b>(pence per share)</b>	
	<b>2007</b>	<b>2006</b>
Loss per share for loss from continuing operations attributable to the equity holders of the Company		
- basic and diluted	<b>(3.9)</b>	<b>(1.1)</b>

The calculations were based on the following information.

	<b>£'000</b>	<b>£'000</b>
Loss attributable to equity holders of the Company	<b>(816)</b>	<b>(166)</b>
Weighted average number of shares in issue		
- basic and diluted	<b>20,815,953</b>	<b>15,269,448</b>

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

	<b>Six months ended 30 June</b>	
	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>Loss for period</b>	<b>(816)</b>	<b>(166)</b>
Adjustments for:		
Intangible assets written off	<b>544</b>	-
Equity settled share-based payment transactions	<b>14</b>	-
Net finance income	<b>(17)</b>	<b>(17)</b>
Operating cash flows before movements in working capital	<b>(275)</b>	<b>(183)</b>
Change in trade and other receivables	<b>78</b>	<b>(40)</b>
Change in trade and other payables	<b>(23)</b>	<b>73</b>
<b>Net cash used in operating activities</b>	<b>(220)</b>	<b>(150)</b>

### 8. Copies of the Interim Report

Copies of this interim report will be posted to all of the Company's shareholders shortly. Further copies can be obtained from the Company secretary, Lansdowne Oil & Gas plc, Britannia House, Endeavour Drive, Arnhall Business Park, Westhill, Aberdeenshire AB32 6UF and from the Company's website [www.lansdowneoilandgas.com](http://www.lansdowneoilandgas.com).