

Annual  
Report  
and  
Financial  
Statements  
**2015**



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# Chairman's Statement

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The continued depressed oil and gas prices that prevailed through 2015 made life extremely difficult for small oil and gas exploration and production companies like Lansdowne.

With capital expenditure budgets cut dramatically across the industry, the strategy that Lansdowne has followed of farming-out for the drilling phase, having acquired 3D seismic and high graded prospects, proved to be extremely challenging.

Furthermore, the potential to access new funds via the equity capital markets was very limited.

Nevertheless, in March of 2015 the Company secured £2.9 million of additional funding. This was to satisfy Lansdowne's share of certain costs associated with litigation between Providence Resources and Transocean in relation to the drilling of the 48/24-10z well in 2011/12 and also for ongoing working capital requirements. Of this, £1.04 million came from a placing of new shares, while £1.86 million came from the issuance of a senior secured loan note to our largest shareholder, LC Capital Master Fund.

The Midleton exploration well (49/11-3), located on Standard Exploration Licence (SEL) 4/07, in which the company holds a 20% interest, commenced in July and was completed in August. The well was drilled by PSE Seven Heads Limited, a wholly owned subsidiary of PSE Kinsale Energy Limited ("Kinsale Energy") under a farm-out agreement whereby Kinsale Energy funded 100% of the costs of the well.

The well found good quality reservoir sands in the targeted Lower Cretaceous Greensand and Upper Wealden formations and gas was discovered in the former. Unfortunately, the volumes were not considered commercial and the well was plugged and abandoned.

Despite our best efforts, we were unable to secure a farminee to drill our Amergin (SEL 5/08) or our Rosscarbery (SEL 5/07) prospects and, as Lansdowne was not able to demonstrate that drilling would be achieved in 2016, these licences lapsed from 31 December 2015.

The lack of success in our exploration portfolio renders our 20% in SEL 1/11, containing the Barryroe oilfield, even more important. In November 2015, a two year extension was secured for the first phase of SEL 1/11, to July 2017, as well as an extension of the term of the second phase to July 2019. The areal extent of SEL 1/11 was also increased by 118 square km to accommodate mapped potential extensions of the Barryroe accumulation.

Providence Resources has continued a farm-out process on behalf of the Barryroe partnership and has also held discussions with a contractor alliance.

Barryroe, with independently estimated 2C resources of 339 MMBOE, lying some 70km offshore in shallow water (c. 100m), offers a significant potential prize. With combined capital and operating costs estimated at c. US\$30/bbl, we believe the economics remain robust even in the low oil price environment that has prevailed over the last 18 months.

## Financial results

The Group recorded a loss after tax of £15.1 million for the year ended 31 December 2015 compared to a loss of after tax of £1.3 million for the year ended 31 December 2014. Of the loss recorded in 2015, £14.9 million relates to the write-off of amounts previously capitalised in respect of the Amergin, Midleton, and Rosscarbery licences.

Group operating expenses for the year were £1.0 million, compared to £1.3 million for 2014.

Net finance expense for the year was £129,000 (2014: £18,000).

Total equity attributable to the ordinary shareholders of the Group has decreased to £10.4 million as at 31 December 2015 from £24.4 million as at 31 December 2014.

Cash balances of £0.30 million (2014: £0.28 million) were held at the end of the financial year.

## Post-balance sheet events

On 13th April 2016, a judgment was handed down by the Court of Appeal overturning an earlier ruling against Transocean in a dispute with Providence Resources about certain spread costs.

The case related to amounts claimed by Transocean against Providence regarding the use of a semi-submersible drilling unit, the Arctic Ill, in 2011/12 on the Barryroe oilfield, offshore Ireland. The total claim, which was made by Transocean in 2012, amounted to approximately US\$19 million. Providence, in defence of its position, counterclaimed against Transocean. The Hon. Mr Justice Popplewell, in his judgment of 19 December 2014 in the Commercial Court in London, found that Transocean was in breach of contract for failing to maintain various parts of its sub-sea equipment and that Transocean was not, therefore, entitled to the full amount claimed. The ruling also supported Providence's position that Providence was entitled to set off certain spread costs against Transocean's claim.

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As previously announced, Transocean sought and was granted the right to appeal one aspect of Mr Justice Popplewell's judgment. This specifically related to Providence's right of set off and the appeal turned on the Court's interpretation of the wording of the consequential loss clause in the rig contract. The appeal was heard in March 2016.

The financial implications of the Court of Appeal's judgment will result in the payment of approximately US\$7 million (excluding interest and costs) to Transocean by the Barryroe partners. In line with its working interest in the field, Lansdowne is liable for 20% of this amount (c. US\$1.4 million) and any amounts to be paid in future.

On the basis of this issued judgment, Lansdowne has made a provision for its net share of the amount in its Financial Statements for the year ending 31 December 2015.

In order to satisfy its obligations under the Barryroe Joint Operating Agreement and to meet its on-going working capital requirements, in June 2016 the company issued 210 million new shares at 1p each to raise £2.1 million before expenses. In addition, Lansdowne renegotiated the terms of its loan note with LC Capital Master Fund. This is now repayable on 30th June 2017 rather than 9th September 2016 and the coupon has been reduced from 10% per annum to 5% per annum. Furthermore, LC Capital Master Fund agreed to convert £930,000 of the amount outstanding into equity at 1p per share.

### **Outlook**

The Court of Appeal ruling delivered a real body blow at what was already a difficult time for your Company. However we continue to recognise that great value can be created in Barryroe, particularly in the rising oil price environment that now seems to be taking hold and we have moved to access new funds to secure our interest in the Barryroe Joint Venture.

**John Greenall**  
Chairman

## Oil and Gas Interests

The Group has interests in the following Licences, all of which are in Irish waters:

Licence	Interest	Operator	Lapsed
4/07 Midleton Exploration Licence	20 per cent	PSE Kinsale Energy	
5/07 Rosscarbery Exploration Licence	99 per cent	Lansdowne Celtic Sea	31/12/15
5/08 Amergin Exploration Licence	100 per cent	Milesian Oil & Gas	31/12/15
01/11 Barryroe Exploration Licence	20 per cent	Exola	
2/07 Helvick Exploration Licence	10 per cent	Providence Resources Plc	

### Notes

#### 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 deep. The work programme usually includes an exploration well. The licence period is six 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.

# Strategic Report

For the year ended 31 December 2015

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This Strategic Report has been prepared to inform shareholders and help them to assess how the Directors have performed their duty to promote the success of Lansdowne Oil & Gas plc ("the Company") and its subsidiaries (together "the Group").

## Principal activities

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

## Review of business

Details of the Group's activities during the year and its position at the end of the year are given in the Chairman's Statement.

The Group and Company Statements of Financial Position as at 31 December 2015 and 31 December 2014 are shown on pages 18 and 19, respectively. Group net assets at 31 December 2015 were £10.4 million (2014: £24.4 million). At 31 December 2015, the Group held £0.3 million (2014: £0.3 million) as cash or short-term deposits.

The Group had intangible assets totalling £14.3 million (2014: £27.2 million) at the reporting date. These assets relate to the Group's exploration licences in the Celtic Sea and their associated work programmes.

During the year, the Group had two full-time Executive Directors with administration and technical support provided by LHM Casey McGrath under a service agreement. These costs, together with the costs associated with the Company's listed status and general overheads, account for the administrative expenses of £1.0 million (2014 : £1.3 million).

A loss after tax of £15.1 million (2014: £1.3 million) was recorded in the year and the basic and diluted loss per share for the year was 10.2p (2014: 0.9p).

## Key performance indicators

The Group is not yet producing oil and gas and so has no income. Consequently, the Group is not expected to report profits until it disposes of or is able to profitably develop or otherwise turn to account its exploration and development projects.

The Board monitors the activities and performance of the Group on a regular basis and uses both financial and non-financial indicators to assess the Group's performance.

## Principal risks and uncertainties

The Directors are responsible for the effectiveness of the Group's risk management activities and internal control processes. As a participant in the upstream oil & gas industry, the Group is exposed to a wide range of risks in the conduct of its operations. These risks include:

### Financial risks:

- Ability to raise finance to maintain licence participation
- Cost inflation
- Oil and gas price movements
- Adverse taxation legislative changes
- Third party counterparty credit risk
- Adverse foreign exchange movements

### Operational risks:

- Loss of key employees
- Delay and cost overrun on projects, including weather related delay
- HSE incidents
- Poor reservoir performance
- Exploration and appraisal well failures
- Failure of third party services

### Strategic and external risks:

- Future deterioration of capital markets, inhibiting efficient equity and/or debt raising for developments
- Commercial misalignment with co-venturers
- Material fall in oil or gas prices

### Market risks:

The Group is exposed to a variety of risks, including the effects of changes in interest rates and foreign currency exchange rates. These are discussed in note 10. In the normal course of business the Group also faces certain other non-financial or non-quantifiable

# Strategic Report

Continued

risks. 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 market of the London Stock Exchange.

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

## Dollar/Sterling Exchange Rates (Dollar per Pound Sterling)

	At end of year	Average rate *	High	Low
2010	1.56	1.55	1.62	1.47
2011	1.55	1.61	1.67	1.55
2012	1.61	1.59	1.62	1.52
2013	1.65	1.56	1.65	1.49
2014	1.56	1.65	1.72	1.55
<b>2015</b>	<b>1.48</b>	<b>1.53</b>	<b>1.59</b>	<b>1.47</b>

## Euro/Sterling Exchange Rates (Euro per Pound Sterling)

	At end of year	Average rate *	High	Low
2010	1.19	1.16	1.22	1.11
2011	1.20	1.15	1.20	1.10
2012	1.23	1.23	1.28	1.18
2013	1.20	1.18	1.23	1.14
2014	1.28	1.24	1.29	1.19
<b>2015</b>	<b>1.36</b>	<b>1.38</b>	<b>1.44</b>	<b>1.34</b>

\* The average rates are calculated based on the last business day of each full month during the relevant year.

Details of how the Group manages interest rate and foreign currency exchange risks are set out in note 10.

There is no assurance that the Group's exploration and development activities will be successful. The Group's activities may also be curtailed, delayed or cancelled not only as a result of adverse weather conditions but also as a result of shortage or delays in the delivery of drilling rigs and other equipment which, at times, are in short supply. The Group seeks to manage these risks through portfolio management, balancing risk across a range of prospects and leads, which carry varying technical and commercial risks, and carefully managing the financial exposure to each asset in the portfolio through the arrangements set out with counterparties.

The Group competes with other Exploration & Petroleum companies, some of whom have much greater financial resources than the Group, for the identification and acquisition of oil and gas licences and properties and also for the recruitment and retention of skilled personnel.

The market price of hydrocarbon products is volatile and is not within the control of the Group. If significant declines occur in the price of oil or gas, or detrimental changes occur to the Irish fiscal regime, the economic commerciality of the Group's projects can be significantly reduced or rendered uneconomic. The successful progression of the Group's oil and gas assets depends not only on technical success, but also on the ability of the Group to obtain appropriate financing through equity financing, debt financing, farm downs or other means. The availability of such funding will continue to be influenced by macro-economic events, including oil and gas price fluctuations and the overall state of the economy, both of which remain outside the control of the Group. There is no assurance that the Group will be successful in obtaining required financing going forward. If the Group is unable to obtain additional financing needed to fulfil its planned work programmes some interests may be relinquished and/or the scope of the operations reduced.

The risks set out are not exhaustive and additional risks and uncertainties may arise or become material in the future. Any of the risks, as well as other risks and uncertainties discussed in this document, could have a material adverse effect on our business.

**Stephen Boldy**

Chief Executive Officer

22 June 2016

# Directors' Report

For the year ended 31 December 2015

The Directors present their directors' report and audited financial statements for the year ended 31 December 2015.

## Directors

In accordance with the Company's Articles of Association, Directors retire and, being eligible, offer themselves for re-election. Stephen Boldy has a service contract with an unexpired notice period of one year and Richard Slape has a service contract with an unexpired notice period of six months. 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.

## Details of executive directors and company secretary

**Dr Stephen Boldy** (*Chief Executive Officer*), aged 60, joined Ramco Energy plc in March 2003, becoming CEO of Lansdowne in April 2006. 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 UK 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.

**Richard Slape** (*Commercial Director*), aged 50, was appointed with effect from 31 March 2014. Mr. Slape has over 25 years experience working in the upstream oil and gas sector, mainly in financial institutions in the City of London.

**Con Casey**, aged 55, was appointed Company Secretary in January 2013. Mr. Casey has an honours degree in Business Management from Trinity College and is a Fellow of the Association of Chartered Certified Accountants. He has over 30 years' experience in advising companies in the natural resources sector as well as acting as adviser to a number of publicly quoted companies and semi-state organisations. He specialises in the area of corporate finance and is a founding partner of LHM Casey McGrath.

## Details of non executive directors

**John Greenall** (*Non-Executive Chairman*)†, aged 77, 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, including Venture Production, before he retired in 2002.

**Steven Lampe** (*Non-Executive Director*)†, aged 57, an investment manager based in New York, USA, is managing member of Lampe, Conway & Co LLC, a limited liability company organised in the state of Delaware.

**Viscount Tim Torrington** (*Non-Executive Director*)†\*, aged 72, 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. From 1995 to 2000, he served as Managing Director of Heritage Oil & Gas Limited, later listed in Toronto as Heritage Oil Corporation. He has also served as a non-executive Director of other listed companies.

**John Aldersey-Williams** (*Non-Executive Director*)\*, aged 53, has worked in energy since 1984. He started his career as an oil company geologist before completing an MBA. He then spent some years in investment banking, with an energy focus, before returning to the oil industry in financial and commercial roles. From 1999 to 2001, he served as finance director to Texaco's North Sea Upstream Business Unit. From 2001 until 2008, he was a consultant active across the energy sector, before being appointed a Director and subsequently CEO of SeaEnergy PLC in 2012. He has been a director of Lansdowne Oil & Gas plc since 2012.

**Jeffrey Auld** (*Non-Executive Director*)\*, aged 49, has more than 20 years of financial and commercial experience in upstream oil and gas development and production, and is currently a director of Sabalo Energy Limited. His career has involved periods working for exploration and production companies – Premier Oil, PetroKazakhstan and Equator Exploration; as well as periods spent in financial institutions – Goldman Sachs, Canaccord Adams and Macquarie. He was appointed as a Non-Executive Director of Lansdowne Oil & Gas plc in September 2013.

\* A member of the Audit Committee † A member of the Remuneration Committee



# Directors' Report

Continued

## 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 31 December 2015 and 30 May 2016:

	31 December 2015		30 May 2016	
	No. of shares	% of Capital	No. of shares	% of Capital
Lampe Conway & Co LLC/LC Capital Master Fund Limited	45,160,668	27.92%	45,160,668	27.92%
SeaEnergy Hibernia Limited (a subsidiary of SeaEnergy plc)	30,194,193	18.67%	30,194,193	18.67%
Aviva Plc & subsidiaries	14,850,001	9.18%	14,850,001	9.18%
Artemis Investment Management	10,500,000	6.49%	10,500,000	6.49%
Thomas Anderson	9,688,693	5.99%	9,688,693	5.99%
Davy, stockbrokers	5,345,928	3.31%	4,909,889	3.04%

The Directors are not aware of any other holding of 3% or more of the share capital of the Company.

## Dividends

The directors do not recommend the payment of a dividend (2014: £Nil).

## Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 7. Having made enquiries of fellow directors and of the Group's auditors, each of these directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

## Subsequent events

The Directors are not aware of any other event or circumstance which has not been dealt with in note 20 to the financial statements.

## Future developments

The Group's future outlook is described in the Chairman's Statement on page 2.

The Group's prospects are all in the exploration or appraisal stages and do not contain any proven reserves.

A number of companies have expressed an interest in farming into one or more of the Group's licences.

The Group aims to finance the work programme obligations related to the licences which it holds by either reducing its equity interest through new participants farming in, by the issue of new share capital, or by a combination of both.

The Directors have prepared the financial statements on the going concern basis which assumes that the Group and Company will continue in operational existence for at least twelve months from the date of these financial statements as discussed further in the Notes to the Financial Statements, section (d) on page 24.

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### **Financial instruments**

Risk exposures and financial risk management policies and objectives are discussed in note 10 to the financial statements.

### **Auditors**

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG as auditor of the Group is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

**Con Casey FCCA**  
Company Secretary

22 June 2016



# Corporate Governance Statement

for the year ended 31 December 2015

Lansdowne Oil & Gas plc, as an AIM-listed company, is not required to comply with the UK Corporate Governance Code ("the Code") published by the Financial Reporting Council. However, the Board recognises the importance of sound corporate governance and has ensured that the Group has adopted policies and procedures which reflect such of the principles of good governance and the Code as are appropriate to the Group's size.

## Directors

At 31 December 2015, the Board comprised of a Non-Executive Chairman, two Executive Directors and four further Non-Executive Directors. Biographies of the Directors are presented on page 7. John Greenall is the senior Non-Executive Director and Chairman.

2015 Board Meeting attendance record	2015 Eligible	2015 Attended
S A R Boldy	14	14
R Slape	14	14
J Greenall	14	12
T Torrington	14	14
S G Lampe	14	14
J Aldersey-Williams	14	13
J Auld	14	13

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.

## Relationship with former parent company

Two of the current Directors of the Company, S G Lampe and J H Aldersey-Williams, are also Directors of the Company's former parent company, SeaEnergy PLC. SeaEnergy PLC remains a major shareholder through one of its subsidiaries. Under a Relationship Agreement dated April 2006, SeaEnergy PLC has undertaken that the relevant members of the SeaEnergy 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 SeaEnergy PLC of the majority of the Board, that any transactions between persons or companies controlled by SeaEnergy PLC (to the extent that there are any such transactions in the future) will be at arm's length, and that they will not vote (as shareholder or Director) in relation to any such transaction. SeaEnergy PLC has also undertaken that neither it nor any member of the SeaEnergy Group shall, for so long as SeaEnergy PLC has a significant interest in the Company, compete with the Group in the sector and geographic area in which the Group operates.

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

## Audit Committee

The Audit Committee comprises John H Aldersey-Williams (Chairman), Jeffrey Auld and Viscount Torrington. It determines the terms of engagement of the Group's Auditors and, in consultation with the Auditors, the scope of the audit. The Audit Committee receives and reviews reports from management and the Group's Auditor relating to the annual financial statements and the accounting and internal control systems in the Group. The Audit Committee has unrestricted access to, and oversees, the relationship with the Group's Auditor. The Audit Committee meets at least twice a year and meets with the Group's Auditors at least once a year. Other Directors may attend by invitation.

The 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 Auditors. The Committee reviews the nature and amount of non-audit work undertaken by KPMG each year to satisfy itself that there is no effect on their independence. Details of this year's fees are given in note 12 to the financial statements. The Committee is satisfied that KPMG is 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

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view of the Board that an internal audit function is not required given the size and nature of the operations and the Group.

### **Remuneration Committee**

The Remuneration Committee comprises John Greenall, Steven Lampe and Viscount Torrington (Chairman). It 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 Group 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 Group keeps its institutional shareholders up to date with its business and objectives, and obtains their views on the Group, by means of periodic presentations. Additionally, the Group 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 Group has a website, [www.lansdowneoilandgas.com](http://www.lansdowneoilandgas.com), which is regularly updated and contains a wide range of information about the Group including the previous Annual Reports 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 Chairmen of the Audit and Remuneration Committees are 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 21 days ahead of the meeting.

### **Directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair

## Corporate Governance Statement

*Continued*

view of the state of affairs of the group and parent company and of the Group's profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the Group's financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **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.

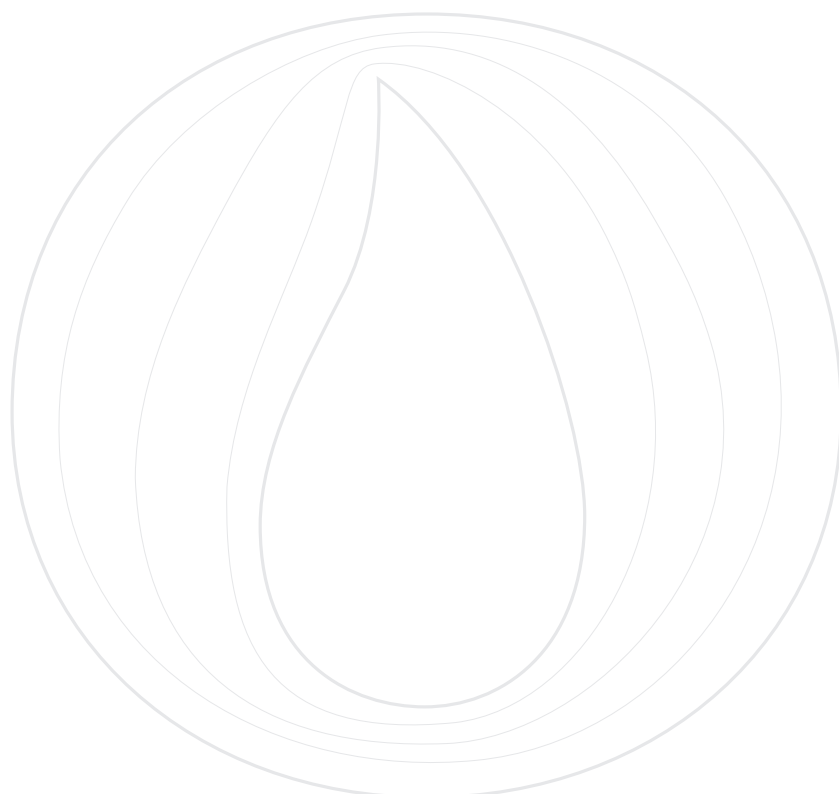
The Directors consider that it is appropriate to adopt a going concern assumption in preparing these financial statements for the reasons outlined in accounting policy (d) to the financial statements.

By order of the Board

**Con Casey FCCA**

Company Secretary

22 June 2016



# Remuneration Report

## for the year ended 31 December 2015

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### Introduction

The following report details how the Company's remuneration committee determines Directors' remuneration packages through the application of the Company's remuneration policy.

### Remuneration Committee

The members of the Remuneration Committee (the Committee) are John Greenall, Steven Lampe and Viscount Torrington (Chairman), all of whom are Non-Executive Directors of the Company.

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 the Group.

### Remuneration Policy

The Group 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. The packages are in line with industry norms.

### Directors' Service Contracts

S A R Boldy and R Slape have service contracts with the Company with a rolling notice period of one year and six months respectively. 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.

### Directors' Remuneration Package

Executive 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 is also entitled to annual bonus equal to 2 per cent of the audited consolidated 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.

### Pensions

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

Retirement benefits accrue to two Executive Directors under the Group's defined contribution scheme where the Company contributes at a rate of between 7 and 15 per cent of salary, dependent on contractual obligations.

# Remuneration Report

Continued

## Directors' detailed emoluments

	Salary and fees £'000	Performance Related Bonus £'000	Benefits £'000	Pension Contributions £'000	2015 Total £'000	2014 Total £'000
<b>Executive Directors</b>						
SAR Boldy	160	47	9	27	243	283
R Slape	175	–	–	12	187	131
E Brown	–	–	–	–	–	246
<b>Non-Executive Directors</b>						
J Greenall	40	–	–	–	40	40
T Torrington	30	–	–	–	30	30
SG Lampe <sup>(1)</sup>	15	–	–	–	15	15
J H Aldersey-Williams <sup>(2)</sup>	–	–	–	–	–	–
JD Auld	30	–	–	–	30	30
<b>2015</b>	<b>450</b>	<b>47</b>	<b>9</b>	<b>39</b>	<b>545</b>	<b>–</b>
2014	529	70	138	38	–	775

<sup>(1)</sup> All fees are paid to Lampe Conway & Co LLC. S Lampe is Managing member of Lampe Conway & Co LLC.

<sup>(2)</sup> Waived fees from 11 September 2012.

In addition to the above cash based emoluments, the expense in the year for share options previously awarded to S A R Boldy was £15,720 (2014: £49,000), J Greenall £1,310 (2014: £4,000), T Torrington £1,310 (2014: £4,000), R Slape £5,000 (2014: £nil) and SG Lampe £1,310 (2014: £3,000).

## Interests in shares

The beneficial interests of the Directors who held office at 31 December 2015 in the ordinary shares of 5p of the Company are as follows:

	At 31 Dec 2014	At 31 Dec 2015	At 30 May 2016
SAR Boldy	52,660	700,660	<b>700,660</b>
R Slape	–	–	–
J Greenall	85,380	85,380	<b>85,380</b>
T Torrington	105,880	2,105,880	<b>2,105,880</b>
SG Lampe	196,078	196,078	<b>196,078</b>
J H Aldersey-Williams	40,000	240,000	<b>240,000</b>
J D Auld	–	–	–
	479,998	3,327,998	<b>3,327,998</b>

S G Lampe has an interest in 45,160,668 shares in the Company held by LC Capital Master Fund Limited. S Lampe is managing member of Lampe Conway & Co. LLC, the investment manager of LC Capital Master Fund Limited.

## Interests in share options

	Exercise Price	At 31 Dec 2014	2015 Granted	2015 Lapsed	At 31 Dec 2015	Normal Exercise Dates
SAR Boldy	36.5p	600,000	–	–	600,000	1 June 2015 to 31 May 2022
SAR Boldy	25p	1,000,000	–	–	1,000,000	20 May 2014 to 19 May 2021
J Greenall	36.5p	50,000	–	–	50,000	1 June 2015 to 31 May 2022
J Greenall	25p	100,000	–	–	100,000	20 May 2014 to 19 May 2021
T Torrington	36.5p	50,000	–	–	50,000	1 June 2015 to 31 May 2022
T Torrington	25p	100,000	–	–	100,000	20 May 2014 to 19 May 2021
S G Lampe	36.5p	50,000	–	–	50,000	1 June 2015 to 31 May 2022
R Slape	15p	–	500,000	–	500,000	1 April 2017 to 24 June 2025
		<b>1,950,000</b>	500,000	–	<b>2,450,000</b>	

Details of the performance criterion, conditional upon which the options are exercisable, is set out in note 14 to the financial statements. During 2015, the share price ranged between a high of 9.50p and a low of 1.50p. The quarterly highest and lowest closing share prices are detailed in note 11.

### On behalf of the Board

#### T Torrington

Chairman, Remuneration Committee

22 June 2016





# Independent Auditor's Report to the Members of Lansdowne Oil & Gas Plc

We have audited the financial statements of Lansdowne Oil & Gas plc for the year ended 31 December 2015. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

## Opinions and conclusions arising from our audit

### 1 *Our opinion on the financial statements is unmodified*

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### 2 *Our opinion on the financial statements is accompanied by an emphasis of matter - going concern*

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made on page 24 of the financial statements concerning the Group and Company's ability to continue as a going concern. The Group incurred a net loss of £15.1 million during the year ended 31 December 2015 and, at that date, had net current liabilities of £4.0 million. These conditions, along with the other matters explained on page 24 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group or the Company was unable to continue as a going concern.

### 3 *Our conclusions on other matters on which we are required to report by the Companies Act 2006 are set out below*

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### 4 *We have nothing to report in respect of matters on which we are required to report by exception*

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Basis of our report, responsibilities and restrictions on use

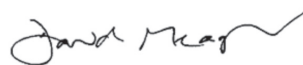
As explained more fully in the Directors' Responsibilities Statement set out on pages 11 and 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**David Meagher (Senior Statutory Auditor)**  
**for and on behalf of KPMG, Statutory Auditor**

Chartered Accountants, 1 Stokes Place  
St. Stephen's Green, Dublin 2

22 June 2016

## Consolidated Income Statement

for the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Administrative expenses		(1,048)	(1,302)
Impairment of intangible assets	4	(14,949)	–
<b>Operating loss</b>		<b>(15,997)</b>	(1,302)
Finance costs	15	(129)	(21)
Finance income	15	–	3
<b>Loss for the year before tax</b>		<b>(16,126)</b>	(1,320)
Income tax credit	16	1,052	–
<b>Loss for the year</b>		<b>(15,074)</b>	(1,320)
<b>Loss per share (pence):</b>			
Basic loss per ordinary share	3	(10.2p)	(0.9p)
Diluted loss per ordinary share	3	(10.2p)	(0.9p)

The results for the period all arise on continuing operations.

## Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

	2015 £'000	2014 £'000
<b>Loss for the year</b>	<b>(15,074)</b>	(1,320)
Items that may be reclassified to profit and loss:		
Currency translation differences	–	3
<b>Total comprehensive loss for the year</b>	<b>(15,074)</b>	(1,317)

The accompanying notes on pages 24-37 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 22 June 2016.



**John Aldersey-Williams**  
Director



**Stephen Boldy**  
Director

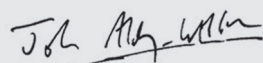
# Consolidated Statement of Financial Position

as at 31 December 2015

Assets	Notes	2015 £'000	2014 £'000
<b>Non-Current Assets</b>			
Intangible assets	4	14,335	27,151
<b>Current Assets</b>			
Trade and other receivables	6	92	197
Cash and cash equivalents		320	276
		412	473
<b>Total Assets</b>		<b>14,747</b>	<b>27,624</b>
<b>Equity and Liabilities</b>			
<b>Shareholders' Equity</b>			
Share capital	11	8,087	7,027
Share premium	11	25,247	25,273
Currency translation reserve		59	59
Share-based payment reserve		923	894
Accumulated deficit		(23,950)	(8,876)
<b>Total Equity</b>		<b>10,366</b>	<b>24,377</b>
<b>Non-Current Liabilities</b>			
Provisions for liabilities	9	240	217
Deferred tax liability	9	-	1,052
<b>Current Liabilities</b>			
Shareholder loan	8	1,968	-
Trade and other payables	7	2,173	1,978
<b>Total Liabilities</b>		<b>4,381</b>	<b>3,247</b>
<b>Total Equity and Liabilities</b>		<b>14,747</b>	<b>27,624</b>

The accompanying notes on pages 24-37 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 22 June 2016.



**John Aldersey-Williams**  
Director



**Stephen Boldy**  
Director

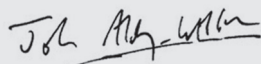
## Company Statement of Financial Position

as at 31 December 2015

Assets	Notes	2015 £'000	2014 £'000
<b>Non-Current Assets</b>			
Investments in subsidiaries	5	-	5,432
<b>Current Assets</b>			
Trade and other receivables	6	92	172
Cash and cash equivalents		319	275
		<b>411</b>	<b>447</b>
<b>Total Assets</b>		<b>411</b>	<b>5,879</b>
<b>Equity and Liabilities</b>			
<b>Shareholders' Equity</b>			
Share capital	11	8,087	7,027
Share premium		25,247	25,273
Share-based payment reserve		923	894
Accumulated deficit		(36,359)	(29,285)
<b>Total Equity</b>		<b>(2,102)</b>	<b>3,909</b>
<b>Current Liabilities</b>			
Shareholder loan	8	1,968	-
Trade and other payables	7	545	1,970
<b>Total Liabilities</b>		<b>2,513</b>	<b>1,970</b>
<b>Total Equity and Liabilities</b>		<b>411</b>	<b>5,879</b>

The accompanying notes on pages 24-37 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 22 June 2016.



**John Aldersey-Williams**  
Director



**Stephen Boldy**  
Director

## Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
<b>Cash flows from operating activities</b>			
Loss for the year		(15,074)	(1,320)
<i>Adjustments for:</i>			
Impairment of assets	4	14,949	-
Foreign exchange gains		-	5
Interest receivable and similar income		-	(3)
Interest payable and similar charges		127	21
Equity settled share-based payment expenses	14	29	91
Tax credit	16	(1,052)	-
Decrease/(increase) in trade and other receivables		105	(51)
Increase/(decrease) in trade and other payables		196	(1,014)
<b>Net cash used in operating activities</b>		<b>(720)</b>	<b>(2,271)</b>
<b>Cash flows from investing activities</b>			
Interest received		-	3
Acquisition of intangible exploration assets	4	(2,133)	66
<b>Net cash from investing activities</b>		<b>(2,133)</b>	<b>69</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital	11	1,034	-
Proceeds from new loan		1,863	-
<b>Net cash from financing activities</b>		<b>2,897</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>44</b>	<b>(2,202)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>276</b>	<b>2,478</b>
<b>Cash and cash equivalents at 31 December</b>		<b>320</b>	<b>276</b>

The accompanying notes on pages 24-37 form an integral part of these financial statements.

## Company Statement of Cash Flows

for the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
<b>Cash flows from operating activities</b>			
Loss for the year		(7,074)	(1,243)
<i>Adjustments for:</i>			
Impairment of assets	5	5,432	-
Interest receivable and similar income		-	(2)
Interest payable and similar charges		105	-
Equity settled share-based payment expenses	14	29	91
Decrease/(increase) in trade and other receivables		80	(45)
(Decrease) in trade and other payables		(1,425)	(1,005)
<b>Net cash used in operating activities</b>		<b>(2,853)</b>	<b>(2,204)</b>
<b>Cash flows from investing activities</b>			
Interest received		-	3
<b>Net cash from investing activities</b>		<b>-</b>	<b>3</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital	11	1,034	-
Proceeds from new loan		1,863	-
<b>Net cash from financing activities</b>		<b>2,897</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>44</b>	<b>(2,201)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>275</b>	<b>2,477</b>
<b>Effect of exchange rate fluctuations on cash held</b>		<b>-</b>	<b>(1)</b>
<b>Cash and cash equivalents at 31 December</b>		<b>319</b>	<b>275</b>

The accompanying notes on pages 24-37 form an integral part of these financial statements.

## Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	Share Capital £'000	Share Premium £'000	Share Based Payment Reserve £'000	Currency Translation Reserve £'000	Accumulated Deficit £'000	Total Equity £'000
<b>Balance at 1st January 2014</b>	<b>7,027</b>	<b>25,273</b>	<b>803</b>	<b>56</b>	<b>(7,556)</b>	<b>25,603</b>
Loss for the financial year	–	–	–	–	(1,320)	(1,320)
Currency translation difference	–	–	–	3	–	3
<b>Total comprehensive loss for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3</b>	<b>(1,320)</b>	<b>(1,317)</b>
Share based payments charge (note 14)	–	–	91	–	–	91
<b>Balance at 31st December 2014</b>	<b>7,027</b>	<b>25,273</b>	<b>894</b>	<b>59</b>	<b>(8,876)</b>	<b>24,377</b>
<b>Balance at 1st January 2015</b>	<b>7,027</b>	<b>25,273</b>	<b>894</b>	<b>59</b>	<b>(8,876)</b>	<b>24,377</b>
Loss for the financial year	–	–	–	–	(15,074)	(15,074)
<b>Total comprehensive loss for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(15,074)</b>	<b>(15,074)</b>
Share based payments charge (note 14)	–	–	29	–	–	29
Issue of new shares – gross consideration (note 11)	1,060	–	–	–	–	1,060
Cost of share issues	–	(26)	–	–	–	(26)
<b>Balance at 31st December 2015</b>	<b>8,087</b>	<b>25,247</b>	<b>923</b>	<b>59</b>	<b>(23,950)</b>	<b>10,366</b>

The accompanying notes on pages 24-37 form an integral part of these financial statements.

## Company Statement of Changes in Equity

for the year ended 31 December 2015

	Share Capital £'000	Share Premium £'000	Share Based Payment Reserve £'000	Accumulated Deficit £'000	Total Equity £'000
<b>Balance at 1st January 2014</b>	<b>7,027</b>	<b>25,273</b>	<b>803</b>	<b>(28,042)</b>	<b>5,061</b>
Loss for the financial year	–	–	–	(1,243)	(1,243)
Share based payments charge (note 14)	–	–	91	–	91
<b>Balance at 31st December 2014</b>	<b>7,027</b>	<b>25,273</b>	<b>894</b>	<b>(29,285)</b>	<b>3,909</b>
<b>Balance at 1st January 2015</b>	<b>7,027</b>	<b>25,273</b>	<b>894</b>	<b>(29,285)</b>	<b>3,909</b>
Loss for the financial year	–	–	–	(7,074)	(7,074)
Share based payments charge (note 14)	–	–	29	–	29
Issue of new shares - gross consideration (note 11)	1,060	–	–	–	1,060
Cost of share issues	–	(26)	–	–	(26)
<b>Balance at 31st December 2015</b>	<b>8,087</b>	<b>25,247</b>	<b>923</b>	<b>(36,359)</b>	<b>(2,102)</b>

The accompanying notes on pages 24-37 form an integral part of these financial statements.



## **1. Presentation of financial statements and accounting policies**

### **(a) Reporting Entity**

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 public limited company, incorporated and domiciled in the UK. The address of its registered office is c/o Pinsent Masons LLP, 30 Crown Place, London EC2A 4ES.

The Company's shares are quoted on the AIM Market of the London Stock Exchange.

### **(b) Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations endorsed by the European Union ("EU") and effective for the current reporting year end, and, in the case of the company as applied in accordance with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS. A summary of the more important accounting policies, which have been applied consistently, are set out below.

### **(c) Functional and presentation currency**

The consolidated financial statements are presented in Sterling, the Company's functional currency, and all values are rounded to the nearest thousand (£'000) except where otherwise indicated.

### **(d) Going concern – basis of accounting**

The Directors have prepared the financial statements on the going concern basis which assumes that the Group and Company will continue in operational existence for at least twelve months from the date of the approval of these financial statements as described below.

The Directors have carried out a detailed assessment of the Group's current and prospective exploration activity, its relationship with the holder of its loan note, and the cash flow projections for the period to 30 June 2017. The following represent the key assumptions underpinning the cash flow projections:

#### ***Barryroe farm out***

The Directors remain confident that, with the positive results from the seismic surveys and the successful Barryroe well test, as well as the level of interest shown by potential partners in the prospect, they will be able to conclude a farm out deal(s) on attractive commercial terms which will provide sufficient resources for the Group to continue with the development of the licences it holds.

#### ***Other options***

Should a farm out deal not be concluded in relation to Barryroe, the Directors believe that the Group has a number of available funding options; the Group's primary aim is to conclude the ongoing farm out campaign with a view to attracting industry partners to drill wells, the Company also has the option of issuing new equity as per note 20 (b).

The Directors have considered the various matters set out above and have concluded that these assumptions are affected by material uncertainties that may cast significant doubt on the ability of the Group and Company to continue as going concerns and that they may therefore be unable to realise assets and discharge liabilities in the normal course of business. Nevertheless, the Group and Company will have sufficient cash resources available to meet their liabilities for at least 12 months from the date of approval of these financial statements.

It is on this basis that the directors consider it appropriate to prepare the financial statements on a going concern basis. These financial statements do not include any adjustment that would result from the going concern basis of preparation being inappropriate.

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### **(e) Basis of measurement**

The Group prepares its financial statements 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.

### **(f) Judgments and key sources of estimation uncertainty**

The Group has used judgments, 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;

- Impairment testing (policies ( i ) and ( j ) below)
- Share based payments (note 14)
- Deferred tax (note 9)

Those areas believed to be key areas of judgments are;

- Going concern (policy (d) above)
- Oil and Gas Intangible exploration/ appraisal assets (policy (i) below)

Further details of the assumptions used can be found in this statement of accounting policies and in the notes to these financial statements.

### **(g) Basis of consolidation**

The consolidated financial statements 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 408 of the Companies Act 2006.

The subsidiaries are those companies controlled, directly or indirectly, by Lansdowne Oil & Gas plc. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

### **(h) Joint arrangements**

The Group participates in a number of joint arrangements where control of the arrangement is shared with one or more other parties. A joint arrangement is classified as a joint operation or as a joint venture, depending on the rights and obligations of the parties to the arrangement .

The classification can have a material impact on the consolidated financial statements. The Group's share of assets, liabilities, revenue, expenses and cash flows of joint operations are included in the consolidated financial statements on a line-by-line basis, whereas the Group's investment and share of results of joint ventures are shown within single line items in the consolidated statement of financial position and consolidated income statement respectively.

### **(i) 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 Statement of Recommended Practice - "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities". 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 within "Property, plant and equipment".

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, un-depleted, 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

## Notes to the Financial Statements

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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 field by field 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.

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 exploration assets are credited against the previously capitalised cost. A gain or loss on disposal of an exploration 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 will be amortised on a unit of production basis which 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.

### (j) Investments

Shares in Group undertakings are held at cost less impairment provisions. 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.

### (k) Operating leases

Rental payable under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

### (l) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

### (m) Decommissioning costs and provisions

Provision is made for the cost of decommissioning oil and gas wells and other oilfield facilities. The cost of decommissioning is determined through discounting the amounts expected to be payable to their present value at the date the provision is recorded and this calculation is re-assessed at each reporting date. This amount is included within development and production assets by licence area and the liability is included in provisions. The cost will be depleted over the life of the licence area on a unit of production basis and charged to the Income Statement. The unwinding of the discount is reflected as a finance cost in the income statement over the expected remaining life of the well.

### (n) 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.

### (o) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the reporting date.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

- 
- Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates or laws enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax assets and liabilities are offset only if certain criteria are met.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

#### **(p) 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.

#### **(q) Share based payments**

The Group incentivises its Directors with access to equity-settled share option schemes, details of which are given in the Directors' Remuneration Report and note 14 of these financial statements.

The cost of awards 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. 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.

No expense is recognised for awards that do not ultimately vest, except for equity settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where an equity settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. All cancellations of equity settled transactions are treated equally.

#### **(r) Finance income and expenses**

Interest income and interest payable is recognised in the Income Statement as it accrues, using the effective interest method.

#### **(s) Foreign currency**

The Group's consolidated financial statements are presented in Sterling, which is also the parent company's functional currency. The assessment of functional currency has been based on the currency of the economic environment in which the Group operates and in which its costs arise. These financial statements have been presented in Sterling.

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.

#### **(t) Financial instruments**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

#### **(u) Segmental Reporting**

The Chief Executive monitors the operating results of its operating segment for the purposes of making decisions and performance assessment. Segment performance is evaluated based on operating profit or loss and is reviewed consistently with operating profit or loss in the consolidated financial statements.

# Notes to the Financial Statements

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## (v) Changes in accounting policies

### Amended standards effective in the current financial year

The following new standards and amendments were adopted by the Group for the first time in the current financial reporting period with no resulting impact to the consolidated financial statement:

#### Standard Effective Date

Annual Improvements to IFRSs 2011-2013 Cycle 1 January 2015

### New Standards and amendments that are not as yet effective and have not been early adopted

A number of new standards, amendments to standards are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early; instead it will apply them from their effective date as determined by their dates of EU endorsement. The Group is still reviewing the impact of these upcoming new requirements to determine their impact.

Standard	Effective Date
Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	1 February 2015
Annual improvements to IFRSs 2010-2012 Cycle	1 February 2015
Amendments to IFRS 11: Accounting for acquisitions of interests in Joint Operations	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Bearer Plants	1 January 2016
Amendments to IAS 27 Equity method in Separate Financial Statements	1 January 2016
Amendments to IAS 1: Disclosure Initiative	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the consolidation exception	Not yet EU endorsed
IFRS 14: Regulatory Deferral Accounts	Not yet EU endorsed
Amendments to IAS 7: Disclosure Initiative	Not yet EU endorsed
Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses	Not yet EU endorsed
IFRS 15: Revenue from contracts with customers including amendments to IFRS 15: Effective date of IFRS 15	Not yet EU endorsed
IFRS 9 Financial Instruments	Not yet EU endorsed
IFRS 16: Leases	Not yet EU endorsed

## 2. Segmental Reporting

The Group has one reportable operating and geographic segment, which is the exploration for oil and gas reserves in Ireland. All operations are classified as continuing and currently no revenue is generated from the operating segment.

## 3. Loss per ordinary share

The loss for the year was wholly from continuing operations.

	2015 £'000	2014 £'000
Loss for the year attributable to equity holders	(15,074)	(1,320)
Weighted average number of ordinary shares in issue – basic and diluted	157,698,252	140,540,159
Loss per share arising from continuing operations attributable to the equity holders of the Company - basic and diluted (in pence)	(10.2)	(0.9)

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one class of potential ordinary shares being share options. As a loss was recorded for both 2015 and 2014, potentially issuable shares would have been antidilutive. The number of issued and potentially issuable shares at 31 December 2015 is 165,007,665 (2014: 143,306,029).

## 4. Intangible assets

Group	Exploration / appraisal assets £'000
<b>Cost</b>	
At 1 January 2014	27,217
Additions, net of re-imburement from partners	(66)
At 31 December 2014	27,151
At 1 January 2015	27,151
Additions	2,133
Impairment	(14,949)
At 31 December 2015	14,335

Oil and gas project expenditures, all of which relate to Ireland, including geological, geophysical and seismic costs, are accumulated as intangible fixed assets prior to the determination of commercial reserves.

For reasons mentioned below, the Directors have impaired capitalised exploration expenditure relating to all licence areas excluding Barryroe in full, as they no longer meet the recognised criteria of IFRS 6, 'Exploration for and Evaluation of Mineral Resources'.

The Midleton exploration well (49/11-3), located on Standard Exploration Licence (SEL) 4/07, in which the company holds a 20% interest, commenced in July and was completed in August. The well was drilled by PSE Seven Heads Limited, a wholly owned subsidiary of PSE Kinsale Energy Limited ("Kinsale Energy") under a farm-out agreement whereby Kinsale Energy funded 100% of the costs of the well.

The well found good quality reservoir sands in the targeted Lower Cretaceous Greensand and Upper Wealden formations and gas was discovered in the former. Unfortunately, the volumes were not considered commercial and the well was plugged and abandoned.

Despite our best efforts, we were unable to secure a farminee to drill our Amergin (SEL 5/08) or our Rosscarbery (SEL 5/07) prospects and, as Lansdowne was not able to demonstrate that drilling would be achieved in 2016, these licences lapsed from 31 December 2015.

# Notes to the Financial Statements

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## 5. Investments in subsidiaries

Company	£'000
<b>Cost</b>	
At 1 January 2014	5,432
Additions	-
At 31 December 2014	5,432
At 1 January 2015	5,432
Additions	-
Impairment	(5,432)
At 31 December 2015	-

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
Lansdowne Celtic Sea Limited	England	Ordinary	100 per cent	Oil and gas exploration
Milesian Oil & Gas Limited	Ireland	Ordinary	100 per cent	Oil and gas exploration
Significant joint operation	Principal activity	Effective interest held		
		2015	2014	
		%	%	
Midleton	Hydrocarbon exploration	20	20	
Barryroe	Hydrocarbon exploration	20	20	
Helvick	Hydrocarbon exploration	10	10	

## 6. Trade and other receivables

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
<b>Amounts falling due within one year:</b>				
Value added tax and other taxes	22	116	22	91
Prepayments	70	81	70	81
	92	197	92	172

## 7. Trade and other payables

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
<b>Amounts falling due within one year:</b>				
Trade payables	223	1,597	222	1,592
Taxes and social security	161	122	161	122
Accruals (i)	1,789	259	162	256
	<b>2,173</b>	1,978	<b>545</b>	1,970

(i) Included within the accruals balance in the current year is £1.58 million due to Providence Resources in respect of the Company's 20% share of the amount owing to Transocean by the Barryroe partners (see Note 20).

## 8. Shareholder loan – Group and Company

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings, which are measured at amortised cost.

	2015 £'000	2014 £'000
<b>Amounts falling due within one year:</b>		
Senior secured loan notes	1,968	–

The Group's senior secured loan note was issued during the year to LC Capital Master Fund Ltd, a related party as outlined in note 19.

The loan note carries a coupon of 10% per annum and is repayable on 9 March 2016. The loan note carries no conversion rights.

This loan was partially converted to equity, and a further extension provided subsequent to the reporting date, as described in note 20 (c).

## 9. Provisions for liabilities

	Deferred tax (i) 2015 £'000	Asset retirement obligation (ii) 2015 £'000	Total 2015 £'000	Deferred tax (i) 2014 £'000	Asset retirement obligation (ii) 2014 £'000	Total 2014 £'000
Beginning of period	1,052	217	1,269	1,052	197	1,249
Unwinding of discount	–	23	23	–	20	20
Provision released during the period (Note 16)	(1,052)	–	(1,052)	–	–	–
As at 31st December	–	240	240	1,052	217	1,269

(i) Deferred tax liabilities comprise of the tax provision on the potential future income stream arising on a successful discovery of oil and/or gas. An unprovided deferred tax asset, in respect of unused losses, amounts to £1.5 million (2014: £1.4 million).

(ii) The provision relates to the cost of abandonment of the Barryroe well, discounted over a seven year period.



# Notes to the Financial Statements

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## 10. Financial risk management

The Group's operations expose it to a variety of financial risks: market risk (including the effects of changes in foreign currency exchange rates, interest rates and commodity prices), credit risk and liquidity risk. The Board approves the use of financial products to manage the Group's exposure to fluctuations in foreign currency exchange rates and interest rates.

### (a) Market risk

#### Foreign exchange risk

Although the Group reports in Sterling, certain transactions are conducted in Euro. Given the low level of business conducted in Euro during the year, foreign exchange rate fluctuations had an immaterial effect on post tax losses.

#### Interest rate risk

The Group's interest rate risk arises from cash deposits and interest bearing liabilities.

Given the low level of average cash balances held by the Group during the year a 10 per cent increase or decrease in average interest rates would have had an immaterial effect on post tax losses.

### (b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks. The Group's policy is to deposit cash with banks with an 'A' rating or better where possible. 100 per cent of cash held on deposit at 31 December 2015 was held with such banks.

There is no credit risk associated with trade receivables.

There are no financial assets which are past due but not impaired at the end of the reporting period.

The maximum credit risk exposure relating to financial assets is represented by carrying values as at the reporting date.

### (c) Liquidity risk

The Board regularly reviews rolling cash flow forecasts for the Group.

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 raising of new capital, through shareholder loans, or a combination of either.

Based on current forecasts the Group has sufficient funding in place to meet its future obligations. This is reliant upon the assumptions outlined in the Statement of Accounting Policies.

There is no difference between the carrying value and the contractually undiscounted cash flows for financial liabilities. At 31 December 2015, all trade and other payables and shareholder loans were due within one year.

#### Fair value of non-derivative financial assets and financial liabilities

The Group's financial instruments comprise cash, trade receivables, trade payables and shareholder loans due within one year and therefore management believes that the carrying values of those financial instruments approximate fair value.

#### Capital management

The Group defines capital as the total equity of the Group.

The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for the shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group regularly reviews its capital structure on the basis of its expected capital requirements in order to achieve the defined strategic objectives and manages its capital accordingly.

## 11. Share capital – Group and Company

	2015	2014
<b>Authorised</b>		
161,741,795 (2014: 140,540,159) ordinary shares at £0.05 pence each	<b>161,741,795</b>	<b>140,540,159</b>

### Issued, called up and fully paid:

	Number of Ordinary shares	Share Capital £'000	Share Premium £'000	Total £'000
At 1st January 2014	140,540,159	7,027	25,273	32,300
Issued in year	–	–	–	–
At 31st December 2014	140,540,159	7,027	25,273	32,300
Issued in year	21,201,636	1,060	–	1,060
Share issue costs	–	–	(26)	(26)
At 31st December 2015	161,741,795	8,087	25,247	33,334

On 10 March 2015, the Company placed 20,753,636 new ordinary shares with new and existing investors at a placing price of 5 pence per placing share, raising approximately £1.04 million before costs.

On 30 June 2015, the Company placed 448,000 new ordinary shares with Stephen Boldy at a placing price of 5 pence per placing share, raising £22,400.

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

	2015 Pence per share		2014 Pence per share	
	High	Low	High	Low
First quarter	<b>9.88</b>	<b>4.05</b>	28.05	14.75
Second quarter	<b>9.50</b>	<b>4.25</b>	23.75	14.50
Third quarter	<b>9.25</b>	<b>1.57</b>	15.38	10.63
Fourth quarter	<b>2.35</b>	<b>1.50</b>	15.13	6.25

## 12. Statutory information

	2015 £'000	2014 £'000
<b>The loss for the year is stated after (crediting)/charging:</b>		
Foreign exchange gains, net	<b>(3)</b>	(2)
Operating lease rentals – premises	<b>70</b>	51
<b>Audit Services:</b>		
Fees payable to Group's auditor for the audit of the Company and consolidated financial statements.	<b>26</b>	<b>26</b>
Fees payable to the Group's auditor for the audit of Company's subsidiaries pursuant to legislation.	<b>6</b>	6

# Notes to the Financial Statements

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## 13. Employee costs

Number of employees	2015 Number	2014 Number
The average monthly number of employees (including Executive Directors) during the year was:		
Oil and gas exploration	2	2
	2015	2014
<b>Staff costs during the year amounted to:</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	382	652
Social security costs	48	85
Pension costs (note 18)	39	38
Share based payment charge	29	91
	<b>498</b>	<b>866</b>

Remuneration of the Directors is disclosed in note 19 and within the Remuneration Report on page 14.

## 14. Share-based payments

### Share options

The Company has granted options to Directors under an Employee Share Option Scheme. Details of the grants are shown in the Remuneration Report on pages 13 to 15. As at 31 December 2015, the following options were outstanding:

Option exercise price	Number	Exercisable at 31 Dec '15	Exercisable at 31 Dec '14	Normal exercise dates	Target variable	Target
25p	1,950,000	1,950,000	1,950,000	19/05/2014 to 18/05/2021	Share price	(1)
36.5p	1,090,000	1,090,000	241,270	01/06/2015 to 31/05/2022	Share price	(2)
15p	500,000	–	–	01/04/2017 to 24/06/2025	Share price	(3)

(1) The Average share price must reach or exceed a share price which is 30 per cent greater than the exercise price. The target share price is therefore 32.5 pence per share.

(2) The Average share price must reach or exceed a share price which is 30 per cent greater than the exercise price. The target share price is therefore 47.5 pence per share.

(3) The Average share price must reach or exceed a share price which is 30 per cent greater than the exercise price. The target share price is therefore 22.5 pence per share.

The share options may only be exercised within the normal exercise dates as shown above.

The number of further options available for grant under the scheme rules is 11,014,016.

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 for prior years and a Black Scholes model with the following inputs:

### Fair value of share options issued in the current year, prior year and related assumptions

Grant date	25/06/15	31/05/12	18/05/11
Fair value at grant date	4.0p	19.0p	9.0p
Share price at grant date	6.9p	36.4p	19.5p
Exercise price	15.0p	36.5p	25.0p
Expected volatility	80.0%	80.8%	75.9%
Expected option life	1.8 years	3.0 years	3.0 years
Risk-free interest rate (based on government bonds)	1.9%	0.73%	2.37%
Expected dividend yield	0%	0%	0%

#### 14. Continued

The cost of awards under the share option scheme is recognised over the vesting period of the award.

The additional vesting hurdle of reaching or exceeding a target share price of 22.5p has not been factored into the valuation model given that it would only further reduce the fair value at grant date, and the fact that these options were forfeit subsequent to year end as disclosed in Note 20.

	2015 £'000	2014 £'000
Expense for share options granted in 2015	5	-
Expense for share options granted in 2012	24	69
Expense for share options granted in 2011	-	22
Total expense in the year	29	91

#### 15. Finance income and costs

	2015 £'000	2014 £'000
<b>Finance income</b>		
Bank interest	-	3
	-	3
<b>Finance costs</b>		
Loan interest	105	-
Unwinding of discount (note 9)	23	20
Retranslation of foreign currency cash balances	1	1
	129	21

#### 16. Income Tax

	2015 £'000	2014 £'000
Current tax charge	-	-
Deferred tax credit	1,052	-
Total income tax credit	1,052	-

The tax assessed for the year is different from the standard rate of corporation tax in the UK as follows;

	2015 £'000	2014 £'000
<b>Loss before income tax</b>	<b>(16,126)</b>	<b>(1,320)</b>
Loss before income tax multiplied by standard rate of tax 20.25% (2014: 21.5%)	<b>(3,265)</b>	<b>(284)</b>
Effects of:		
Expenses not deductible for tax purposes	10	24
Losses not recognised	3,027	-
Losses carried forward	228	260
Deferred tax provision released	1,052	-
Total tax credit	1,052	-

# Notes to the Financial Statements

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## 17. 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 £39,000 (2014: £38,000) for the year. There were no contributions 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 7 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 page 14.

## 18. Capital commitments

The Group has no unprovided contractual commitments for capital expenditure.

## 19. Related party transactions

### (a) Transactions with LHM Casey McGrath

Con Casey is a partner in the accountancy practice, LHM Casey McGrath and he is the company secretary of the Company. The Company entered into a services agreement with LHM Casey McGrath pursuant to which the practice provides the Group with certain management, accounting, IT support, insurance and administrative services required by the Group in connection with its business in consideration of a fee totalling £72,000 (2014: £72,000). This agreement can be terminated by LHM Casey McGrath or by the Company on giving 90 days' notice. The Directors consider the service agreement to be at fair value on an arm's length basis. As at 31 December 2015, the Group owed LHM Casey McGrath £4,758 (2014: £nil) under the agreement.

The company has an operating lease in place with LHM Casey McGrath for the use of rented office space at a monthly consideration of £1,360 for the period 1st January 2015 to 30th September 2015 and a monthly consideration of £885 for the period 1st October 2015 to 31st December 2015, cancellable at one month's notice. Total rent paid in the year amounted to £14,895 (2014: £15,840).

### (b) Amounts due by subsidiaries

At 31 December 2015 amounts owed to the Company by its subsidiaries totalled £21.5 million (2014: £22.1 million). These amounts have been provided in full in the Company's financial statements as there is no immediate prospect of repayment. Amounts due to the Company are unsecured, non-interest bearing and have no fixed repayment terms.

### (c) Compensation of key management personnel

The Board has determined that the Board of Directors comprise the Group's key management personnel. Their compensation was as follows:

	2015 £'000	2014 £'000
Short-term benefits	506	737
Post employment benefits	39	38
Share-based payment expense	29	74
	574	849

### (d) Transactions with LC Capital Master Fund Ltd

In March 2015, the Company entered into a new loan agreement with LC Capital Master Fund Limited. S. Lampe is a managing member of LC Capital Advisors LLC, the general partner of LC. Details of the loan agreement are given in note 8.

## 20. Subsequent events

### (a) Court of appeal legal ruling

On 13 April 2016, a judgment was handed down by the Court of Appeal overturning an earlier ruling against Transocean in a dispute with Providence Resources about certain spread costs.

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The case related to amounts claimed by Transocean against Providence regarding the use of a semi-submersible drilling unit, the Arctic III, in 2011/12 on the Barryroe oilfield, offshore Ireland. The total claim, which was made by Transocean in 2012, amounted to approximately US\$19 million. Providence, in defence of its position, counterclaimed against Transocean. The Hon. Mr Justice Popplewell, in his judgment of 19 December 2014 in the Commercial Court in London, found that Transocean was in breach of contract for failing to maintain various parts of its sub-sea equipment and that Transocean was not, therefore, entitled to the full amount claimed. The ruling also supported Providence's position that Providence was entitled to set off certain spread costs against Transocean's claim.

Transocean sought and was granted the right to appeal one aspect of Mr Justice Popplewell's judgment. This specifically related to Providence's right of set off and the appeal turned on the Court's interpretation of the wording of the consequential loss clause in the rig contract. The appeal was heard in March 2016.

The financial implications of the Court of Appeal's judgment will result in the payment of approximately US\$7 million (excluding interest and costs) to Transocean by the Barryroe partners. In line with its working interest in the field, Lansdowne is liable for 20% of this amount and any amounts to be paid in future. The Directors consider the ruling by the Court of Appeal to be an adjusting event as defined by IAS 10 *Events After the Reporting Period* and have recorded a £1.58m liability as disclosed in note 7.

### **(b) Share placement**

In order to satisfy its obligations under the Barryroe Joint Operating Agreement and to meet its on-going working capital requirements, in June 2016 the company issued 210 million new shares at 1p each to raise £2.1 million before expenses.

In connection with the Placing, the Company will also be granting the Company's placing agents, Brandon Hill Capital, a total of 10,500,000 warrants to subscribe for new ordinary shares in the Company exercisable at a price of 1 penny per share over a term of 3 years.

In addition, the Company shall have an option, exercisable on one or more occasions at any time for 12 months from Admission, to require Brandon Hill Capital to use its reasonable endeavours to procure subscribers for new ordinary shares in the capital of the Company to raise up to an aggregate additional £500,000 (the "Additional Placing"). This will be at the lower of 1 penny per share or the price that is 90% of the closing mid-market share price of the Company's ordinary shares on the day on which the Company requests Brandon Hill Capital to undertake an Additional Placing. To the extent it is unable to procure subscribers for the requisite number of new ordinary shares, Brandon Hill Capital will itself subscribe for such new ordinary shares at such price. Exercise of the option is conditional, inter alia, upon the Company being required to reimburse Providence Resources in respect of further costs and/or awards associated with the Transocean Dispute and the proceeds of the Additional Placing must be applied by the Company for this purpose.

### **(c) Shareholder loan**

On 10 March 2016, Lansdowne extended the term of its senior secured Loan Note by a further 6 months. The Shareholder Loan Note, outlined in Note 8 then became repayable on 9th September 2016 and continued to carry a coupon of 10% per annum. The terms of the Loan Note also contained a redemption premium, which was calculated as 20% of the principal amount outstanding as at the 8th March 2016.

In addition to Note 20(b), Lansdowne renegotiated the terms of its loan note with LC Capital Master Fund. This is now repayable on 30th June 2017 rather than 9th September 2016 and the coupon has been reduced from 10% per annum to 5% per annum. LC Capital Master Fund also agreed to convert £930,000 of the amount outstanding into 93 million new ordinary shares at 1p/share.

### **(d) Amounts due to Directors**

At 31 December 2015, certain directors had deferred salaries and fees amounting to £107,672 recorded within accruals in Note 7. As part of the share placement outlined in Note 20(b), the directors agreed to accept new ordinary shares at a price of 1 penny each in settlement of some or all of the amounts due to them net of tax.

### **(e) Share options**

On 31 May 2016, the 2011 share options granted as part of the company's Employee Share Option Scheme lapsed as a result of attaining the vesting condition of reaching or exceeding the target share price of 32.5p by the fifth anniversary of their grant. The cumulative amount recorded in the share based payment reserve in respect of the 2011 grant of £175,500 has subsequently moved to Accumulated Deficit.

On 10 June 2016, Richard Slape resigned from his role as the Company's Commercial Director. The 500,000 share options awarded to Mr Slape have therefore been forfeit and the £5,000 share based payment expense has been transferred to Accumulated Deficit. The Company has agreed to issue to Mr Slape 500,000 new ordinary shares at a price of 1 penny per share in part settlement of deferred salary and pension contributions due to him.

The Directors are not aware of any other event or circumstance arising which has not been dealt with in this report which may have a significant impact on the operations of the Group.

## Notice of Annual General Meeting

Notice is hereby given that the 10th Annual General Meeting of the members of Lansdowne Oil & Gas plc ("the Company") will be held at the offices of Pinsent Masons LLP, 30 Crown Place, Earl Street, London EC2A 4ES, on 20 July 2016 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 2015 and the Auditors' Report thereon.
- 2 To consider the re-election of Stephen Boldy who retires by rotation and being eligible offers himself for re-election as a Director.
- 3 To consider the re-election of Jeffrey Auld who retires by rotation and being eligible offers himself for re-election as a Director.
- 4 That KPMG be appointed Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting at which financial statements are laid before the Company and that their remuneration be fixed by the Directors.
- 5 To consider the following Resolution as an Ordinary Resolution:

THAT in accordance with Article 2.9 of the Company's current articles of association ("the Current Articles"), the Directors be and they are hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 ("the Act") to allot relevant securities (as defined in section 560 of the Act), in addition to any existing authorities, up to an aggregate nominal amount equal to £1,600,548 such authority to expire at the conclusion of the next Annual General Meeting of the Company (save that the Company may, before such expiry, make any 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 any such offer or agreement as if this authority had not expired).
- 6 To consider the following Resolution as a Special Resolution:

THAT, subject to and conditional upon the passing of Resolution 5 above, in accordance with Article 2.10 of the Current Articles, the Directors be and they are hereby empowered pursuant to and in accordance with section 570 of the Act, in addition to any existing authorities, to allot equity securities (as defined in section 560 of the Act) for cash as if sub-section 561(1) of the Act did not apply to the allotment of such equity securities pursuant to the provision of that Article, provided that this power shall be limited to:

  - 6.1 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 factional 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
  - 6.2 the allotment (otherwise than pursuant to paragraph 6.1 above) to any person or persons of equity securities up to an aggregate nominal amount of £960,329;

and this power shall expire on the conclusion of the next Annual General Meeting of the Company (save that the Company may, before such expiry, make any 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 any such offer or agreement as if this authority had not expired).
- 7 To consider the following Resolution as a Special Resolution:

THAT, in accordance with section 701 of the Act, 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 sub-section 693(4) of the Act), provided that:

  - 7.1 the maximum number of ordinary shares hereby authorised to be acquired is 48,016,439 ordinary shares of 1 pence each, being approximately 10 per cent. of the Company's existing issued share capital;
  - 7.2 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 derived from the Daily Official List of The London Stock Exchange for the five dealing days immediately preceding the date of purchase, and the minimum price is 1 pence per share being the nominal value thereof, in both cases exclusive of expenses;

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- 7.3 the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company; and
- 7.4 the Company may before the expiry of the authority hereby conferred make a contract to purchase its ordinary shares under such authority, 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

**Con Casey**

Company Secretary

22 June 2016

**Notes**

Every member entitled to attend and vote at the above Annual General Meeting is entitled to appoint a proxy or proxies, who need not be a member of the Company, to attend, speak and on a show of hands, or on a poll, vote instead of him or her. A member may appoint more than one proxy in relation to the Annual General Meeting, provided that each proxy is appointed to exercise the rights attached to a different share of shares held by that member. 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, Computershare Investor Services (Ireland) Ltd., Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 at least (i) 48 hours before the time appointed for the holding of the Annual General Meeting or the adjourned meeting and (ii) in the case of a poll taken more than 48 hours after it was demanded, 24 hours before the time appointed for the taking of the poll. In calculating these periods, no account shall be taken of any part of a day that is not a working day.

Only persons entered on the registrar of members of the Company at 6.00pm on 18 July 2016 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.

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 are available for inspection at the registered office of the Company on any weekday from the date of this notice until the date of the Annual General 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.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's registrars, Computershare Investor Services (Ireland) Ltd. (CREST participant ID: 3RA50), not later than 48 hours before the time fixed for the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Computershare is able to retrieve the message by enquiry to CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages and normal system timings and limitations will apply in relation to the input of a CREST Proxy Instruction. It is the responsibility of the Crest member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001.



## Advisers

### Secretary

Con Casey FCCA

### Registered Office

c/o Pinsent Masons LLP  
30 Crown Place  
London EC2A 4ES

Registered in England and Wales  
Number 05662495

### Nominated Adviser and Broker

Cantor Fitzgerald Europe  
One Churchill Place  
Canary Wharf  
London E14 5RB

### Solicitors

Burness Paull LLP  
50 Lothian Road  
Festival Square  
Edinburgh EH3 9WJ

Pinsent Masons LLP  
30 Crown Place  
London EC2A 4ES

Mason Hayes Curran  
South Bank House  
Barrow Street  
Dublin 4

### Auditors

KPMG  
1 Stokes Place  
St. Stephen's Green  
Dublin 2

### Registrars

Computershare Investor Services  
(Ireland) Ltd.  
Heron House  
Corrig Road  
Sandyford Industrial Estate  
Dublin 18

### Bankers

Bank of Ireland  
175 Rathmines Road Lower  
Dublin 6

Bank of Ireland Global Markets  
Colville House  
Talbot Street  
Dublin 1

### Website

[www.lansdowneoilandgas.com](http://www.lansdowneoilandgas.com)

A large, stylized graphic of an oil drop, composed of several concentric, rounded outlines in a light green color. The drop is centered on the page and occupies most of the white space. The top and bottom of the page are solid green.

**Lansdowne**  
oil & gas plc

[www.lansdowneoilandgas.com](http://www.lansdowneoilandgas.com)