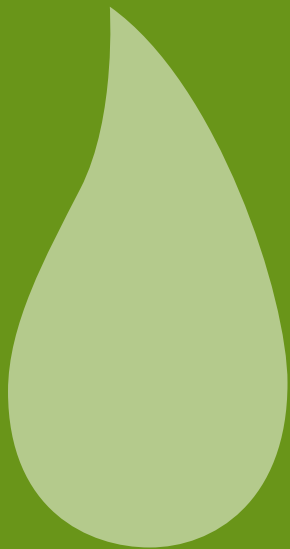




Lansdowne

oil & gas

Annual Report & Financial Statements 2007



2007

Contents

2	Chairman's Statement	22	Consolidated Balance Sheet
4	Operations Review	23	Consolidated Income Statement
8	Oil and Gas Interests	24	Consolidated Statement of Changes in Equity
9	Financial Review	25	Statement of Changes in Equity
11	Board of Directors	26	Consolidated Cash Flow Statement
12	Report of the Directors	27	Notes to the Consolidated Financial Statements
14	Corporate Governance	42	Advisers
17	Remuneration Report	43	Notice of Annual General Meeting
20	Independent Auditor's Report	47	Appendix to Notice of Annual General Meeting

Chairman's Statement

Strategy

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

Summary of key events

At the end of November 2007 the Company announced the proposed acquisition of Milesian Oil & Gas Limited (Milesian) and the acquisition was approved by shareholders on 17 December 2007. The initial consideration was satisfied by the issue of 8,921,118 new Ordinary Shares, representing 30.0 per cent. of the enlarged issued share capital of the Company. Further deferred consideration of up to 8,110,099 new Ordinary Shares may be payable dependent upon the results of the recently completed 2D seismic programme over Milesian's Celtic Sea acreage.

Milesian, like Lansdowne, is an upstream oil and gas company holding acreage in the Celtic Sea, offshore southern Ireland. However, whilst Lansdowne has focused upon targets in the Lower Cretaceous Greensand and Wealden reservoirs, the horizons that produce in the Kinsale, Ballycotton and Seven Heads Gas Fields in the Celtic Sea, Milesian has focused upon Jurassic targets, similar to those that tested oil in the Helvick 49/9-2 discovery.

The Directors believe that by combining their respective Celtic Sea assets they have enhanced the spread of the combined entity's prospects, with

Milesian's substantial Jurassic oil prospects complementing Lansdowne's Cretaceous, predominantly gas, prospects. The Directors further believe that the combined portfolio of assets has a greater critical mass and should improve the chances of concluding successful farm-outs and building a cost-effective multi-well exploration programme in the Celtic Sea.

Following the acquisition in December 2007, Milesian applied for a successor authorisation to Licensing Option 05/2 which it held at the time. In April 2008 Standard Exploration Licence 5/08 was awarded and covers an area of 449 sq kms over parts of blocks 47/25, 48/21, and 48/22. The blocks are located 30 kms from the coastline, in water depths of approximately 100 metres. Within Licence 5/08, Milesian has identified and mapped two large structures, Amergin and Eremon, which are considered prospective. This mapping was carried out on released seismic data, mostly acquired during the 1980's.

The Norwegian-based company, Wavefield Inseis ASA, has completed a 2D seismic survey of approximately 489 kms over Amergin and Eremon to define these structures better using modern seismic data. Amergin has been independently verified as having best case potentially recoverable prospective resources of 63 million barrels of oil equivalent ("MMBOE").

The M/V Malene Østervold seismic vessel arrived in Irish waters at the end of April 2008 and survey operations were completed in early May. The survey was completed ahead of schedule and under budget. Remapping and re-evaluation of the structures is expected to be completed ahead of our interim results, which are expected to be announced in September.

Standard Exploration Licence 5/08 is valid for a period of six years (in two three-year phases) during which Milesian is required to complete the acquisition of 300 kms of new seismic data and to drill an exploration well within the first three year phase. The recently completed seismic survey has fulfilled the former obligation. Under the terms of the Licence, on 31 March 2011, Milesian is required to surrender 50 per cent. of the Licence area.

In April 2008 Lansdowne was also awarded an extension to the area of Exploration Licence 4/07 (Middleton/East Kinsale) to take in part of Block 49/13, held previously by Milesian under Licensing Option 05/1. The area has been extended to encompass a fault block lead identified at Jurassic level and this will be evaluated further in conjunction with the prospects already identified on Middleton/East Kinsale at the Cretaceous level.

In June 2008 the company executed an Option Agreement (the "Option") with Island Oil and Gas plc ("Island") to farm out an area of the Licence, covering part blocks 49/11(p), 49/12(p), 49/13(p), 49/17(p) and 49/18(p). The Option, if exercised, would be subject to the approval of the Minister for Communications, Energy and Natural Resources.

Under the terms of the Option, Island has acquired a seismic survey of approximately 134 km of 2D data over the Area and will have the right to carry out the drilling and testing of a farm-in well (the "Well") in the Area. The Option extends to the 31 December 2008 and, if exercised, the Well is expected to commence before 31 July 2010, depending on rig availability.

The Well, subject to the exercise of the Option, is expected to be drilled and will test potentially the same reservoirs that are

gas-bearing in the 49/23-1, 49/23-2 and 49/23-2z wells drilled by Island in the Old Head gas field immediately to the south of the Area.

Upon exercise of the Option Island will acquire a 58.34% equity interest in the Option Area and become the operator and Lansdowne will retain a 41.66% equity interest.

Following comprehensive seismic, geological and reservoir engineering studies in the area of the Old Head gas field, Island now believes that there is additional potential for low risk gas prospects along the "Old Head Trend" in an area of the Celtic Sea that was formerly underexplored until the Old Head gas discovery was made by Island in 2006.

In August 2007 the Company was awarded an interest in Licence 5/07, which extends over parts of blocks 48/17, 48/18, 48/19, 48/22 and 48/24, and contains the Rosscarbery prospect, as well as the Galley Head (48/18-1) and Carrigaline (48/24-4) gas discoveries. This Licence was granted to Lansdowne (Operator 77 per cent.) and partners. Since the award one of our partners has chosen not to accept their 22 per cent. participation in the Licence. Our interest has therefore increased from 77 per cent to 99 per cent. The Company is awaiting approval from the Department of Communications, Energy and Natural Resources (DCENR) for this reallocation of interests in the Licence.

Board

In September 2007, following the announcement of our interim results, we were delighted to welcome Steven Lampe, who represents a major shareholder of the Company, on to the Board as a Non-Executive Director. Steven is an investment

manager based in New York. He brings a great deal of experience in capital markets and his skills will complement those of the existing Board members.

In December 2007, Emmet Brown, Richard Pollock and Thomas Anderson joined the Board on completion of the Milesian acquisition. Emmet Brown is now Director of Business Development. Thomas Anderson and Richard Pollock are Non-Executive Directors.

Financial results

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

The Group recorded a loss after tax of £1.1 million for the year ended 31 December 2007 compared to a loss of £0.4 million for the year ended 31 December 2006. The loss for the year includes the write-off of £0.5 million of intangible exploration assets held against the Donegal Licence, which was relinquished during the year.

Group operating expenses for the year were £0.6 million and are in line with management's expectations. The Group was not fully operational until the second quarter of 2006, resulting in lower operating expenses of £0.4 million for the prior year.

Net finance income was £34,000 for the current year and £43,000 for the prior year. The higher cash balances in 2006, generated by the Initial Public Offering in April 2006, explain the higher net finance income in the prior year.

Total equity attributable to the shareholders of the Company has increased from £2.5 million as at 31 December 2006 to £6.8 million as at 31 December 2007. The increase reflects the issue of new share capital of £5.4 million in connection with the Milesian acquisition, offset by the Donegal write-off of £0.5 million and operating expenses of £0.6 million in the intervening period between these two reporting dates.

Cash balances of £0.3 million (2006: £1.0 million) were held at the end of the financial year. A £1 million loan facility was agreed in December 2007 with L C Capital Master Fund and the family of Thomas Anderson. The first drawdown against this facility was made in March 2008. The Company completed a private placing of 2,973,707 new shares, raising £0.9 million, following the release of the preliminary results in May 2008, to provide additional working capital for the Group.

Outlook

The acquisition and interpretation of the 2D seismic this summer will allow the Company to formulate its drilling plans with a view to firming up a multi-well drilling programme in 2009. This process should also assist with our farm-out efforts. The Group continues to evaluate the options available for raising the requisite funding to support the well programme against the background of extremely strong oil and gas prices. It is expected that there will be some moderation in these prices in the coming months, which would hopefully spill over into the cost of drilling rigs and associated services.

John Greenall
Chairman

Operations Review

Lansdowne continued to pursue its portfolio approach to explore and develop shallow, intermediate and deeper targets across its licenced areas in the North Celtic Sea basin, off the south coast of Ireland.

The acquisition of Milesian Oil and Gas Limited, with its interests along the northern margin of the basin, broadened the portfolio, created greater critical mass and furthered the objective of building towards a cost-effective multi-well exploration programme.

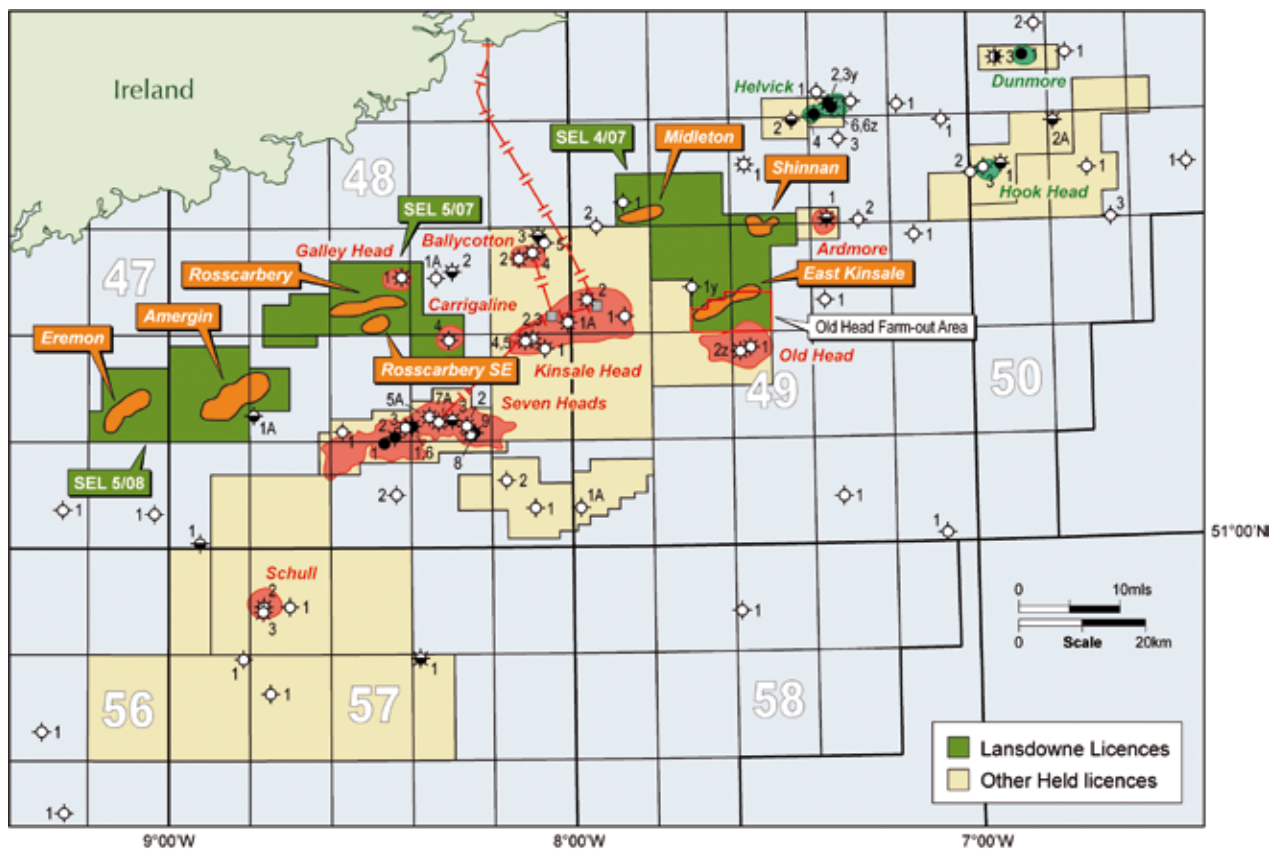
The Company continued its development strategy of evaluating quality drillable prospects on its licenced areas and

combining a long-term exploration programme for commercial oil with near-term exploitation of shallow water gas targets. As a result of the acquisition of Milesian Oil & Gas, the Company now holds rights, through its wholly owned subsidiaries, to three Standard Exploration Licences in the Irish offshore.

A significant development since year end was the execution by the Company of an Option Agreement (the "Option") with Island Expro Limited, a subsidiary undertaking of Island Oil & Gas Plc ("Island"), to farm out an area (the "Area") of Standard Exploration Licence

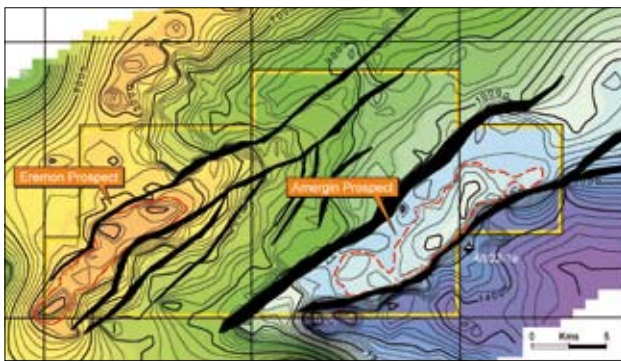
4/07, covering part blocks 49/11(p), 49/12(p), 49/13(p), 49/17(p) and 49/18(p) in the Celtic Sea offshore Ireland. The Option, if exercised, would be subject to the approval of the Minister for Communications, Energy and Natural Resources.

In keeping with its strategy of risk management and to maximise drilling activity, Lansdowne is currently talking with potential industry partners to join in and share its vision for Celtic Sea exploration and exploitation.



Standard Exploration Licence 5/08

Licence 5/08 incorporates part-blocks 47/25, 48/21 and 48/22 on the north-western flank of the North Celtic Sea Basin. Situated in water depths of c.100 metres, the blocks cover an area of 449 sq kms and are approximately 30km from the south coast of Ireland.

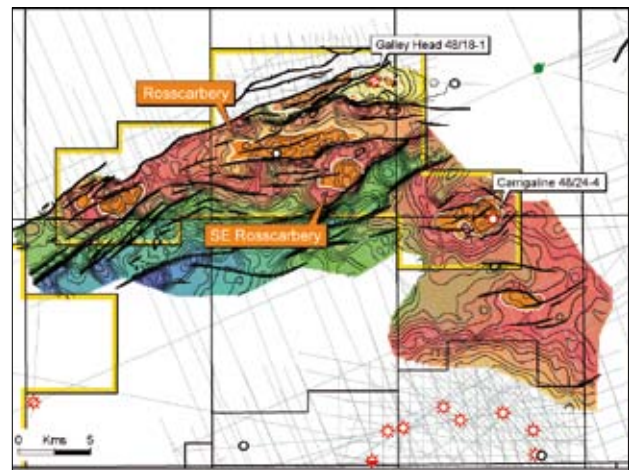


- Two large structures, Amergin and Eremon, have been mapped at Jurassic level.
- Amergin is a tilted fault block with the primary reservoir objective being the basal Upper Jurassic sandstone sequence. This reservoir sequence tested at a rate of 6,467 bopd in the Gulf Oil 49/9-2 discovery of the Helvick Field in 1983. Secondary reservoir targets exist in deeper Jurassic (Sinemurian) sandstones and shallower Cretaceous (Wealden) sandstones.
- Amergin has been independently estimated to have P50 potentially recoverable prospective resources of 63 million barrels of oil equivalent in the basal Upper Jurassic reservoir.
- The Eremon structure is a northeast-southwest trending horst block mapped at Jurassic level, the only structure of this type identified on the northern flank of the basin.
- The Company acquired 489 kms of new 2D seismic data in May 2008 over both the Amergin and Eremon structures, the results of which should significantly upgrade the potential and de-risk the prospects for future drilling.

Standard Exploration Licence 5/07

Licence 5/07 incorporates part-blocks 48/17,48/18,48/19, 48/22 and 48/24 adjacent to and immediately north-west of the Kinsale Head Gas field along the axis of the North Celtic Sea Basin. The Licence encompasses an area of 365.81 sq. kms, lies in water depth of circa 100 metres, and is currently held 99% by Lansdowne.

This Licence contains the Rosscarbery, South East Rosscarbery & West Rosscarbery gas satellite prospects along with the Galley Head Gas field and Carrigaline gas discovery.

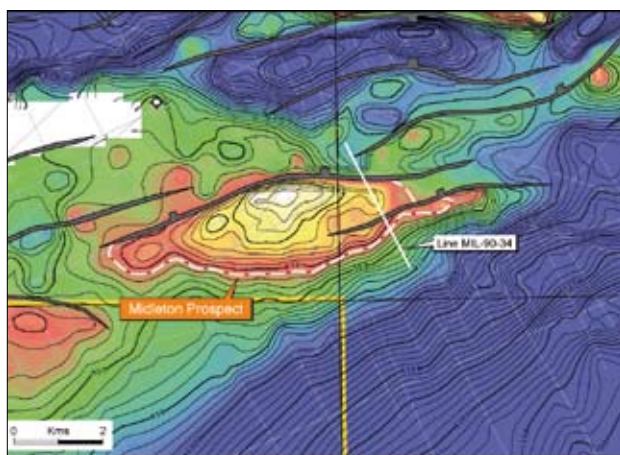


- The Galley Head discovery well (48/18-1), lying some 6km northeast of the main Rosscarbery Prospect, was drilled by BP in 1985 and tested gas at 13.7 mmscfd from the Lower Cretaceous Greensand, 'A' Sand, reservoir.
- In post-well evaluation studies, BP identified a number of other structures, with the main prospect being what is now called Rosscarbery.
- The Carrigaline discovery well (48/24-4), lying some 12km southeast of the main Rosscarbery Prospect, was drilled by Marathon in 1990 and found gas in a poor quality Greensand 'A' Sand reservoir and also found gas in a good quality Upper Wealden sand.
- The main Rosscarbery Prospect is a low relief tilted fault block, prospective for gas at both Greensand 'A' Sand (136 bcf potential) and Wealden (109bcf potential) levels.

- Follow on opportunities are provided by the SE Rosscarbery (66 bcf potential in the Greensand 'A' Sand) and West Rosscarbery (54 bcf potential in the Greensand 'A' Sand) structures.

Standard Exploration Licence 4/07

Licence 4/07 incorporates part-blocks 49/11, 49/12, 49/17 and 49/18 immediately east of the Kinsale Head Gas field along the axis of the North Celtic Sea Basin. The Licence encompasses an area of 494.07 sq. kms and is currently held 100% by Lansdowne. This Licence contains the Midleton and the East Kinsale gas satellite prospects.



Midleton Prospect

- The Midleton Prospect lies approximately 20 km northeast of the Kinsale Head gas field (c. 1.7 TCF reserves) and also 20km to the east of the Ballycotton gas field (c. 60 bcf reserves).
- The producing reservoir in the Ballycotton and Kinsale Head gas fields is the Lower Cretaceous Greensand/'A' Sand. The Greensand/'A' Sand also forms the reservoir target in the

Midleton Prospect and has been established to be present with good reservoir quality in the nearby 49/11-1 and 49/11-2 wells, which were drilled in downdip locations.

- Midleton lies along a trend of inverted structures along the northern margin of the basin that includes the Ballycotton Field.
- Amplitude brightening at Greensand 'A' Sand level is seen on seismic lines across the Midleton Prospect, similar to that seen on lines across the Ballycotton Field.
- Midleton has been assessed as having 47 bcf P50 reserve potential.

East Kinsale Prospect

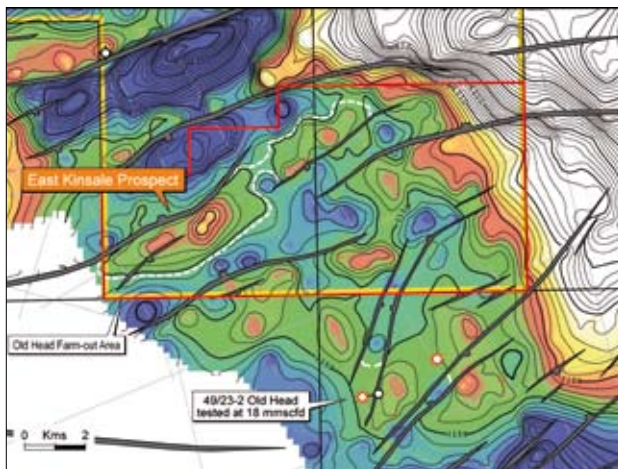
The East Kinsale prospect is part of the farm-out option area that contains the Old Head Gas trend discovered by Island Oil & Gas in well 49/23-2 to the south.

Under the terms of the Option, recently granted to Island Oil and Gas plc, Island has recently acquired a seismic survey of approximately 100 km of 2D data over the Area and will have the right to carry out the drilling and testing of a farm-in well in the Area. The Option extends to the 31 December 2008 and, if exercised, the well is expected to commence before 31 July 2010, depending on rig availability.

The well, subject to the exercise of the Option, is expected to be drilled and will test potentially the same reservoirs that are gas-bearing in the 49/23-1, 49/23-2 and 49/23-2z (tested at 18mmcsfd) wells drilled by Island in the Old Head Gas field immediately to the south of the Area.

Upon exercise of the Option, Island will acquire a 58.34% equity interest in the Option Area and become the operator and Lansdowne will retain a 41.66% equity interest.

Following comprehensive seismic, geological and reservoir engineering studies in the area of the Old Head gas field, Island now believes that there is additional potential for low risk gas prospects along the "Old Head Trend" in an area of the Celtic Sea that was formerly under-explored until the Old Head gas discovery was made by Island in 2006.



- The East Kinsale Prospect area lies some 15 to 20 km to the east of the Kinsale Head Field (c 1.7 TCF reserves) and immediately to the north of the Old Head gas field, established recently by the 49/23-1 and 49/23-2 wells.
- A number of low relief anticlinal closures have been mapped, some of which may form extensions of the Old Head accumulation.
- A NE-SW trending faulted anticline that may form a separate structure has been labelled the East Kinsale Prospect and this shows evidence of gas escape on seismic.
- East Kinsale has been assessed as having 36 bcf P50 reserve potential.

Oil and Gas Interests

The Company is interested in the following Licence and Licensing Options all of which are in Irish waters:

Licence	Interest	Operator
4/07 Middleton East Kinsale Exploration Licence	100 per cent	Lansdowne
5/07 Rosscarbery Exploration Licence	99 per cent	Lansdowne
5/08 Amergin Exploration Licence	100 per cent	Milesian

Notes

Irish Licensing Regime

Licensing Option

Gives the holder an exclusive right to apply for an Exploration Licence

- a. for a defined period
- b. 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 6 years.

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

Lease Undertaking

Gives the holder an exclusive right to apply for a Petroleum Lease

- a. for a defined period
- b. in return for undertaking an agreed work programme.

Financial Review

Description of Business

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

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

This financial review is intended to assist in the understanding of the Group's results of operations for the year ended 31 December 2007 and of its financial position at that date. The consolidated financial statements and notes included elsewhere contain additional information and should be referred to in conjunction with this review. They have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The transition to IFRS resulted in no numerical adjustments to reported figures.

Cost of Sales

This relates to general licence costs and data storage.

Intangible Exploration Assets written off

Exploration costs of £544,000, previously capitalised against licences, have been written off during the year. (2006 £Nil) See note 4.

Administrative Expenses

The Company had one full time paid Executive Director until December 2007. Administration and technical support is provided by Ramco Energy plc (a major shareholder through its subsidiary Ramco Hibernia Ltd) under a service agreement. These costs and the professional fees associated with the Company's listed status account for the administrative expenses of £578,000 (2006 £434,000). The Company commenced trading in April 2006 and higher expenses in 2007 reflect the fact that this was the first full year of trade.

Operating Loss

The Group recorded a loss before interest and taxation of £1,127,000 in the year (2006 £444,000).

Net Interest Income

Interest receivable of £37,000 on cash deposits was recorded in the year (2006 £43,000).

Income Tax Expense

The current tax charge for the year was £Nil (2006 £Nil) and the unprovided deferred tax asset on unrelieved losses was £206,000 (2006 £92,000).

Loss for the Financial Year

A loss of £1,093,000 was recorded in the year (2006 £401,000).

Loss per Share

Basic and diluted loss per share for the year was 5.2p (2006 2.2p).

Balance Sheet

The Group and Company balance sheets as at 31 December 2007 and 31 December 2006 are shown on page 22. Group net assets were £6.8 million at 31 December 2007 (31 December 2006 £2.5 million). At 31 December 2007, the Group held £343,000 (31 December 2006 £968,000) as cash or short term deposits.

The Group had goodwill and other intangible assets totalling £8.1 million at the balance sheet date (31 December 2006 £1.65 million). Included in this category is goodwill of £1.4 million (2006: £nil) arising on the acquisition of Milesian Oil & Gas Limited (note 4) and costs of £6.7 million (2006 £1.6 million) incurred in connection with the Group's exploration licences in the Celtic Sea and the associated work programmes. Of the £6.7 million, £5.4 million relates to the acquisition of Milesian Oil & Gas Limited (note 4).

Cash Flow from Operations

As indicated by the consolidated statement of cash flows on page 26, the Group's net cash outflow from operating activities was £460,000 for the year ended 31 December 2007 (31 December 2006 £413,000).

Cash Flows Related to Investing Activities

In 2007 the Group invested approximately £212,000 (2006 £398,000) in connection with its oil and gas interests.

Cash Flows Related to Financing Activities

The Group did not raise cash from the issue of new share capital during the year.(2006 £1.74 million net of cash expenses of £611,000).

Future Capital Requirements

Particular attention is drawn to uncertainty as to whether or not the Group can be considered a going concern as described in note 1 to the financial statements. 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 Company'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.

In June 2008 the company executed an Option Agreement (the "Option") with Island Oil and Gas pic ("Island") to farm out an area of the Licence, covering part blocks 49/11(p), 49/12(p), 49/13(p), 49/17(p) and 49/18(p). The Option, if exercised, would be subject to the approval of the Minister for Communications, Energy and Natural Resources.

Under the terms of the Option, Island has acquired a seismic survey of approximately 134 km of 2D data over the Area and will have the right to carry out the drilling and testing of a farm-in well (the "Well") in the Area. The Option extends to the 31 December 2008 and, if exercised, the Well is expected to commence before 31 July 2010, depending on rig availability.

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 11. In the normal course of business the Group also faces certain other non-financial or non-quantifiable 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.

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

Dollar/Sterling Exchange Rates

(Dollar per Pound Sterling)

	At end of year	Average rate ⁽¹⁾	High	Low
2005	1.71	1.81	1.92	1.71
2006	1.97	1.83	1.97	1.71
2007	1.99	2.01	2.08	1.96

Euro/Sterling Exchange Rates

(Euro per Pound Sterling)

	At end of year	Average rate ⁽¹⁾	High	Low
2005	1.45	1.46	1.48	1.45
2006	1.49	1.46	1.49	1.43
2007	1.36	1.47	1.51	1.36

(1) The average rates 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 included in note 11.

Christopher G Moar

Finance Director

23 June 2008

Board of Directors

John Greenall (Non-Executive Chairman)*†, aged 69, joined RC Greig & Co in Glasgow in 1960 becoming a partner in 1965. He assisted in the formation and subsequent fund raising of London and Scottish Marine Oil ("LASMO") and Clyde Petroleum. Mr Greenall was instrumental in creating Greig Middleton through the merger of RC Greig and WN Middleton in 1983. He joined The Stock Exchange Council in 1985 and served on the Board of its Successor – The Securities Association. In 1994 he joined HCIB (a subsidiary of Guinness Mahon ("GM")) as Director of Corporate Broking. When GM was taken over by Investec in 1998 he headed up the corporate broking team at that bank. One of HCIB's specialist research areas was the Exploration & Production sector and he oversaw a number of flotations in the sector – the most recent being Venture Production before he retired in 2002. He is a Non-Executive Director of RP&C International Limited a niche investment bank based in London.

Dr Stephen Boldy (Chief Executive Officer), aged 52, joined Ramco Energy plc ("Ramco") in March 2003. From 1980 to 1984 Dr Boldy worked as a petroleum geologist for the Petroleum Affairs Division of the Department of Energy in Dublin and then spent almost 19 years with Amerada Hess Corporation, where his appointments included U.K. Exploration Manager and International Exploration Manager. Dr Boldy has extensive experience of working Irish offshore basins and the basins West of Britain and earned his PhD in geology from Trinity College Dublin.

Emmet Brown (Director of Business Development), aged 58, was managing director and founder of Milesian, acquired by Lansdowne in December 2007. Mr Brown is a petroleum geologist with 30 years experience, having worked in many facets of exploration & production worldwide. He began his career with US-based Marathon Oil in Ireland. Mr Brown was employed initially by multinational companies in positions of increasing responsibility and later as CEO and Managing Director of two junior quoted E&P oil and gas companies. Mr Brown re-established Milesian in 2003 to explore the Irish offshore. Experienced in technical and commercial due diligence evaluations, throughout his career he has advised banks, investment houses, private clients and oil and gas companies on matters of corporate and business development, asset management, mergers, acquisitions and divestments, and oil and gas joint-ventures.

Christopher Moar (Finance Director and Company Secretary), aged 45, joined Ramco in 1993, was appointed Company Secretary in December 1996, and became Finance Director of Ramco in 2006. Prior to this he was a planning and financial accountant for Baker Oil Tools (United Kingdom) Limited. Mr Moar has an MA degree in Accountancy from Aberdeen University and qualified as a Chartered Accountant with Arthur Young in 1987.

Thomas Anderson (Non-Executive Director)*, aged 63, has over twenty five years direct executive experience involved in running a private group in the leisure, entertainment, advertising, forestry and property development business in Ireland. Mr Anderson has focused on risk management, corporate finance and portfolio diversification. After graduating in Commerce and Economics, he subsequently completed a Master of Business Administration Degree at University College Dublin. Mr Anderson is currently non-executive chairman of Circle Oil Plc. He was appointed as non-executive chairman of Milesian in July 2005.

Steven Bertram (Non-Executive Director), aged 48, is Managing Director of Ramco and has been with Ramco since 1986. He was appointed to the Ramco board as Finance Director in 1991 and became Managing Director of Ramco in 2005. Mr Bertram has a background in both oil exploration and production companies and oil services companies gained through his time with Ramco and during his chartered accountancy training contracts. He has been involved with Ramco from the Company's original USM listing through its move to AIM and its international offer and listing on the American Stock Exchange in 1997. Mr Bertram has an MA Honours degree in Economics with Accountancy from Aberdeen University and qualified as a Chartered Accountant with Arthur Young in 1984.

Steven Lampe (Non-Executive Director)†, aged 49, is an investment manager based in New York, USA. Mr Lampe is managing member of Lampe, Conway & Co LLC, a limited liability company organised in the state of Delaware.

Richard Pollock (Non-Executive Director)*, aged 59, is a petroleum geologist who completed a thirty year career with Marathon Oil in 2003 during which he worked extensively overseas in various roles as international exploration manager, general manager for Marathon in Gabon and general manager of CLAM Petroleum B.V. Throughout his career he developed business relations with both state and local government, and other oil and oil supporting companies. He was appointed a non-executive director of Milesian in April 2005.

Viscount Torrington (Non-Executive Director)†, aged 64, graduated from Oxford University as a geologist in 1964. He served in technical and managerial roles with Anglo American plc and Lonrho plc. In 1975 he became Managing Director of the Attock Oil Company, later Anvil Petroleum plc. The latter was merged with Berkeley Exploration in 1986, and acquired by Ranger Oil the same year. In 1987, he became a Director of Flextech plc and chief executive of Exploration & Production Services (Holdings) Limited, better known as Expro, a major UK oilfield services contractor. In 1995, he became Managing Director of Heritage Oil & Gas Limited, later listed in Toronto as Heritage Oil Corporation. Viscount Torrington has held non-executive appointments in several companies and is currently chairman of CYC Holdings plc, a company admitted to trading on AIM, which facilitates Chinese entities wishing to list their shares in London. He is also a Non-Executive Director of a private Canadian oil and gas exploration and production company involved in West Africa.

* A member of the Audit Committee

† A member of the Remuneration Committee

Report of the Directors

The Directors submit their report and audited Group financial statements for the year ended 31 December 2007.

Review of the business, principal activities and future developments

The principal activities of the Group are the exploration and appraisal of hydrocarbons. The activities of the subsidiaries are detailed in note 6 to the financial statements. Reviews of current and future developments of the Company, its subsidiaries, joint ventures and associates are given in the Chairman's Statement, and in the Financial Review.

Business review and principal activities

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

Results and dividends

The Group consolidated profit and loss account set out on page 23 shows a loss on ordinary activities before tax of £1,093,000 (2006 £401,000). After tax the Group loss for the year was £1,093,000 (2006 £401,000). The Directors do not recommend the payment of a dividend and £1,093,000 (2006 £401,000) will be deducted from the Group's reserves.

Employees

Until 17 December 2007 the Group had one full time employee. Since that date there have been two full time employees, both of whom are Executive Directors of the Company. Employees are encouraged directly to participate in the business through a share option scheme. Although much of the Group's work is unsuitable for disabled persons, positive efforts are made to recruit and train disabled persons for suitable work.

Directors

Biographies of the present Directors of the Company are listed on page 11.

In accordance with the Company's Articles of Association, Directors retire and, being eligible, offer themselves for re-election. Stephen Boldy and Emmet Brown have service contracts with an unexpired notice period of one year. Details of the remuneration of the Directors and the interests of the Directors in the share capital and share options of the Company are disclosed in the Remuneration Report included on pages 17 to 19.

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 May 2008:

	No. of shares	per cent of capital
Ramco Hibernia Limited	12,728,308	38.9
Directors (page 19)	14,957,693	45.7
K Anderson	1,212,781	3.7

Share capital

Details of allotments made during the year are given in note 12 to the financial statements.

Creditor payment policy

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

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

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception. UK subsidiaries follow the same policy. The Company's average creditor payment period at 31 December 2007 was 17 days (2006 27 days).

Auditors

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

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

Charitable contributions

Contributions made by the Group during the year for charitable purposes were £Nil (2006 £Nil).

Post balance sheet events

(a) Placing of new shares

On 22 May 2008 the Company issued 2,973,707 new ordinary shares at a price of 30p per share. The shares were issued to LC Capital Master Fund Ltd ("LC"). Steven Lampe, a Non-Executive Director of the Company, is a managing member of LC Capital Advisors LLC, a limited liability company organised in the state of Delaware. LC Capital Advisors LLC is the general partner of LC.

(b) Farm out option

In June 2008 the company executed an Option Agreement (the "Option") with Island Oil and Gas plc ("Island") to farm out an area of the Licence, covering part blocks 49/11(p), 49/12(p), 49/13(p), 49/17(p) and 49/18(p). The Option, if exercised, would be subject to the approval of the Minister for Communications, Energy and Natural Resources.

Under the terms of the Option Island has acquired a seismic survey of approximately 134 km of 2D data over the Area and will have the right to carry out the drilling and testing of a farm-in well (the "Well") in the Area. The Option extends to the 31 December 2008 and, if exercised, the Well is expected to commence before 31 July 2010, depending on rig availability.

Financial instruments

Risk exposures and financial risk management policies and objectives are discussed in note 11 to the financial statements.

AGM business

The Annual General Meeting ("AGM") will commence at 2pm on 25 August 2008 at The Conrad Hotel, Earlsfort Terrace, Dublin 2, Ireland.

In addition to the routine business of the AGM, there are four items of additional business detailed in the Notice of Meeting as Resolution numbers 10 to 13.

Resolution 10 concerns the approval and adoption of New Articles of Association.

Resolution 11 authorises the Directors to allot unissued shares in the capital of the Company.

Resolution 12 is a disapplication of the statutory pre-emption rights contained in the Companies Act 1985 and empowers the Directors to allot ordinary shares for cash in connection with rights issues and pursuant to employees' share schemes which have been approved in general meeting. It also permits the issue generally of ordinary shares having a nominal value of up to £164,000 (being 10 per cent of the current issued share capital) thereby enabling the Directors to take advantage of opportunities as they arise. This authority will expire at the next Annual General Meeting of the Company.

Resolution 13 is a special resolution giving the Company limited powers to purchase its own shares for cancellation.

By order of the Board,

C G MOAR MA CA

Company Secretary

23 June 2008

Corporate Governance

Lansdowne, as an AIM listed Company, is not required to comply with the July 2003 Combined Code ("the Code") on Corporate Governance. However, the Board recognises the importance of sound corporate governance and has ensured that, following Admission, the Company adopted policies and procedures which reflect such of the Principles of Good Governance and the Code of Best Practice as are appropriate to the Company's size. The main departure from the Code arises because the Non-Executive Directors are all shareholders of the Company and therefore cannot be considered independent in terms of the Code.

Directors

The Board comprises a Chairman, three Executive Directors and five Non-Executive Directors. Biographies of the Directors are presented on page 11. John Greenall is the senior Non-Executive Director and Chairman.

Attendance record	2007 Eligible	2007 Attended	2006 Eligible	2006 Attended
S A R Boldy	8	8	5	5
C G Moar	8	8	5	5
J Greenall	8	8	5	5
T Torrington	8	7	5	5
S R Bertram	8	8	5	5
S Lampe (appointed 18 September 2007)	2	–	–	–
E Brown (appointed 17 December 2007)	1	1	–	–
T Anderson (appointed 17 December 2007)	1	1	–	–
R Pollock (appointed 17 December 2007)	1	1	–	–

Relationship with former Parent Company

Two of the Directors of the Company, C G Moar and S R Bertram are also Directors of the Company's former parent Company, Ramco Energy plc. Ramco Energy plc remains a major shareholder. Under a Relationship Agreement dated April 2006 Ramco has undertaken that the relevant members of the Ramco Group will exercise their voting rights so as to ensure (so far as they are able by the exercise of such rights) the continued independence from Ramco of the majority of the Board, that any transactions between persons or companies controlled by Ramco (to the extent that there are any such transactions in the future) will be at arms' length, and that they will not vote (as shareholder or Director) in relation to any such transaction. Ramco has also undertaken that neither it nor any member of the Ramco Group shall, for so long as Ramco has a controlling interest in the Company, compete with the Group in the sector and geographic area in which the Group operates.

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

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

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

Audit and Remuneration Committees

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

Audit Committee

The Audit Committee comprises John Greenall (Chairman), Thomas Anderson and Richard Pollock, it determines the terms of engagement of the Company's auditors and determines, in consultation with the auditors, the scope of the audit. The Audit Committee receives and reviews reports from management and the Company's auditors relating to the interim and annual accounts and the accounting and internal control systems in the Company. The Audit Committee has unrestricted access to, and oversees, the relationship with the Company's auditors. The Audit Committee meets at least twice a year and meets with the Company's auditors at least once a year. Other Directors may attend by invitation.

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

The Audit Committee reviews the independence and objectivity of the External Auditors. The Committee reviews the nature and amount of non-audit work undertaken by PricewaterhouseCoopers LLP each year to satisfy itself that there is no effect on their independence. Details of this year's fees are given in note 15 on page 37. The Committee is satisfied that PricewaterhouseCoopers LLP are independent.

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

Remuneration Committee

The Remuneration Committee 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 Company may participate in any meeting at which discussion or any decision regarding his own remuneration takes place. The Remuneration Committee also administers any share option schemes or other employee incentive schemes adopted by the Company from time to time.

The Remuneration Report is presented on pages 17 to 19 and contains a statement of remuneration policy and details of the remuneration of each Director.

Risk Management and Internal Control

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

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

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

Investor Relations

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

The Company has a website, www.lansdowneoilandgas.com, which is regularly updated and contains a wide range of information about the Company including the AIM admission document and press releases. The Board views the AGM as an opportunity to communicate with private investors and encourages them to attend. The Board aims to ensure that the 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 20 working days ahead of the meeting.

Directors' Responsibilities

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

The Directors confirm that suitable accounting policies have been used and applied consistently. The Directors also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 31 December 2007 and that applicable accounting standards have been followed.

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

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

Going Concern

The financial statements have been prepared on the going concern basis which assumes that the Company and its subsidiaries will continue in operational existence for the foreseeable future.

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

Remuneration Report

Introduction

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

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

Unaudited Information

Remuneration Committee

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

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

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

Remuneration Policy

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

Directors' service contracts

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

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

Remuneration Package

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

S A R Boldy and E Brown are each entitled to annual bonuses equal to 2 per cent of the consolidated audited after tax profits of the Company and its subsidiaries subject to a cap equal to their annual salaries during the relevant financial year. They are 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.

C G Moar receives no salary in relation to his appointment. He remains an employee of Ramco Energy plc, a major shareholder, which is responsible for remunerating him in connection with his appointment as Finance Director of the Company.

Remuneration Report continued

Audited Information

Directors' detailed emoluments

	Salary and fees £'000	Performance related bonus £'000	Benefits £'000	Aggregate emoluments £'000	2007 Pension contributions £'000	2006 Pension contributions £'000	2007 Total £'000	2006 Total £'000
Executive Directors								
S A R Boldy	151	–	2	153	23	21	176	191
E Brown ⁽¹⁾	–	–	–	–	–	–	–	–
C G Moar	–	–	–	–	–	–	–	–
Non-Executive Directors								
J Greenall	15	–	–	15	–	–	15	10
T Torrington	15	–	–	15	–	–	15	10
S R Bertram	10	–	–	10	–	–	10	7
S Lampe	4	–	–	4	–	–	4	–
T Anderson ⁽¹⁾	–	–	–	–	–	–	–	–
R Pollock ⁽¹⁾	–	–	–	–	–	–	–	–
2007	195	–	2	197	23	–	220	–
2006	169	27	1	197	–	21	–	218

⁽¹⁾ E Brown, T Anderson and R Pollock were appointed on 17 December 2007 and did not receive any remuneration in the year.

In addition to the above cash based emoluments, the expense in the year for share options awarded to S A R Boldy was £28,000 (2006 £12,000).

Interests in share options

	Exercise price	At 31 Dec 2006	Granted	Cancelled	At 31 Dec 2007	Normal exercise dates
S A R Boldy	85p	200,000	–	–	200,000	26 July 2009 to 25 July 2016

Details of the performance criterion, conditional upon which the options are exercisable, is set out in note 17 to the accounts. During 2007 the share price ranged between a high of 61.0p and a low of 46.5p. The quarterly highest and lowest closing share prices are detailed in note 12.

Interests in shares

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

	At 31 Dec 2006	At 31 Dec 2007	At 31 May 2008
S A R Boldy	32,660	32,660	32,660
S R Bertram	26,144	26,144	26,144
C G Moar	–	–	–
J Greenall	5,880	5,880	22,880
T Torrington	5,880	5,880	5,880
S Lampe	–	5,421,078	8,394,785
T Anderson	–	3,443,390	3,443,390
E Brown	–	2,951,102	2,951,102
R Pollock	–	80,852	80,852
	70,564	11,966,986	14,957,693

Pensions

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

As at 31 December 2007

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

T Torrington

Chairman, Remuneration Committee

23 June 2008

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

We have audited the group and parent company financial statements (the "financial statements") of Lansdowne Oil and Gas plc for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the consolidated Statement of Recognised Income and Expense, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited, at the request of the directors, the information in the Directors' Remuneration Report that is described as having been audited.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities. The directors are also responsible for preparing the Directors' Remuneration Report (because the company applies the requirements of Schedule 7A to the Companies Act 1985 as if it were a listed company).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We also, at the request of the directors, audit the part of the Directors' Remuneration Report to be audited (because the Company applies the requirements of Schedule 7A to the Companies Act 1985 as if it were a listed company). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

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

We also, at the request of the directors (because the company applies the Listing Rules of the Financial Services Authority as if it were a listed company), review whether the Governance Statement reflects the company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of the group's loss and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007 and cash flows for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures set out in note 1 to the financial statements concerning the Group's ability to continue in operational existence for the foreseeable future.

The financial statements have been prepared on a going concern basis, the validity of which depends on the successful resolution of uncertainties described in note 1, which indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Should these uncertainties not be successfully resolved the going concern basis of preparation may no longer be applicable and adjustments to the Group and Company Financial Statements may be required to record additional liabilities and write down assets to their recoverable amounts.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
Aberdeen
23 June 2008

Consolidated Balance Sheet

As at 31 December 2007

		Group		Company	
	Note	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Assets					
Non-current assets					
Goodwill and other intangible assets	4	8,112	1,645	–	–
Property, plant and equipment	5	4	–	1	–
Investment in subsidiaries	6	–	–	5,402	365
		8,116	1,645	5,403	365
Current Assets					
Trade and other receivables	7	217	102	188	32
Cash and cash equivalents		343	968	318	967
		560	1,070	506	999
Liabilities					
Current Liabilities					
Trade and other payables	9	(420)	(215)	(374)	(73)
Net current assets		140	855	132	926
Non-current liabilities					
Deferred income tax liabilities	10	(1,413)	–	–	–
Net assets		6,843	2,500	5,535	1,291
Shareholders Equity					
Share capital	12	1,487	1,041	1,487	1,041
Shares to be issued	12	1,120	–	1,120	–
Share premium	12	5,380	1,712	5,380	1,712
Other reserves	13	(1)	–	–	–
Retained earnings – deficit	14	(1,143)	(253)	(2,452)	(1,462)
Total Equity		6,843	2,500	5,535	1,291

The notes on pages 27 to 43 form part of these financial statements.

These financial statements were approved by the Board of Directors on 23 June 2008.

S A R Boldy

Chief Executive Officer

C G Moar

Finance Director

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Cost of sales		(5)	(10)
Write-off of intangible exploration assets	4	(544)	–
Gross loss		(549)	(10)
Administration expenses		(578)	(434)
Operating loss	15	(1,127)	(444)
Finance income	18	37	43
Finance costs	18	(3)	–
Loss before income tax		(1,093)	(401)
Income tax expense		–	–
Loss for the year attributable to equity holders of the company		(1,093)	(401)
Loss per share for loss attributable to equity holders of the company			
Basic and diluted	3	(5.2p)	(2.2p)

All activities relate to continuing operations.

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2007

	2007 £'000	2006 £'000
Currency translation differences	(1)	–
Net expense recognised directly in equity	(1)	–
Loss for the year	(1,093)	(401)
Total recognised loss for the year	(1,094)	(401)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

Group	Share capital £'000	Shares to be issued £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Year ended 31 December 2007						
At 1 January 2007	1,041	–	1,712	–	(253)	2,500
Loss for the financial year	–	–	–	–	(1,093)	(1,093)
Share based payments charge	–	–	–	–	203	203
Issues of new shares – gross consideration	446	1,120	3,836	–	–	5,402
Costs of issue	–	–	(168)	–	–	(168)
Currency translation differences	–	–	–	(1)	–	(1)
At 31 December 2007	1,487	1,120	5,380	(1)	(1,143)	6,843
Year ended 31 December 2006						
At 1 January 2006	–	–	–	–	–	–
Loss for the financial year	–	–	–	–	(401)	(401)
Share based payments charge	–	–	–	–	148	148
Issues of new shares – gross consideration	1,041	–	2,459	–	–	3,500
Costs of issue	–	–	(747)	–	–	(747)
At 31 December 2006	1,041	–	1,712	–	(253)	2,500

Statement of Changes in Equity

For the year ended 31 December 2007

Company	Share capital £'000	Shares to be issued £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Year ended 31 December 2007					
At 1 January 2007	1,041	–	1,712	(1,462)	1,291
Loss for the financial year	–	–	–	(1,193)	(1,193)
Share based payments charge	–	–	–	203	203
Issues of new shares – gross consideration	446	1,120	3,836	–	5,402
Costs of issue	–	–	(168)	–	(168)
At 31 December 2007	1,487	1,120	5,380	(2,452)	5,535
Year ended 31 December 2006					
At 1 January 2006	–	–	–	–	–
Loss for the financial year	–	–	–	(1,610)	(1,610)
Share based payments charge	–	–	–	148	148
Issues of new shares – gross consideration	1,041	–	2,459	–	3,500
Costs of issue	–	–	(747)	–	(747)
At 31 December 2006	1,041	–	1,712	(1,462)	1,291

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	Group		Company	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
Cash flows from operating activities					
Cash used in operations	20	(426)	(373)	(646)	(772)
Net finance income		(34)	(40)	(32)	(39)
Net cash used in operating activities		(460)	(413)	(678)	(811)
Cash flows from investing activities					
Interest received		35	43	33	42
Acquisition of intangible exploration assets		(212)	(398)	–	–
Acquisition of subsidiary net of cash acquired		16	–	–	–
Acquisition of property, plant and equipment		(1)	–	(1)	–
Net cash used in investing activities		(162)	(355)	32	42
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		–	1,739	–	1,739
Effect of exchange rate fluctuations on cash held					
		(3)	(3)	(3)	(3)
Net (decrease)/increase in cash and cash equivalents		(625)	968	(649)	967
Opening cash and cash equivalents		968	–	967	–
Closing cash and cash equivalents	8	343	968	318	967

The notes on pages 27 to 43 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. Presentation of Accounts and Accounting policies

General information

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

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

The Company's shares are quoted on the Alternative Investment Market ("AIM") of the London Stock Exchange.

Basis of preparation

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. Particular attention is drawn to uncertainty as to whether or not the Group can be considered a going concern.

The uncertainty surrounds the future funding of the Group's activities. The Directors have prepared cash flow forecasts for the Group for the period ending 12 months from the date of approval of these financial statements, including the working capital raised by issue of new shares as described in note 24. These indicate that the Group will have adequate cash resources to meet its obligations as they fall due. All work programme obligations will have to be financed either by a farm-out arrangement or from an issue of new shares or a combination of both.

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

- permission will be sought at the AGM for authority to issue up to 10% of the enlarged share capital, on a non pre-emptive basis. A major shareholder has indicated support in principle, subject to the expiration of any close period, for such an issue of shares if necessary; and
- a number of potential partners have expressed an interest in entering into farm-in arrangements to fund future exploration activities.

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

Accounting policies

The Group now prepares its accounts in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union, The International Financial Reporting Interpretations Committee ("IFRIC") interpretations and the Companies Act 1985 applicable to Companies reporting under IFRS. This is the second year of reporting for the Group and this is the first full financial information to have been prepared under IFRS. The transition to IFRS resulted in no numerical adjustments to reported figures. The only changes in this financial information compared to the 2006 full year financial statements are those required under IFRS to presentation, nomenclature and accounting policies. The IFRS accounting policies adopted by the Group are given in full in this note.

The IFRS standards and IFRIC interpretations adopted in these financial statements are those issued by the International Accounting Standards Board ("IASB") up to 31 December 2006 that are mandatory for the year ended 31 December 2007 as follows :

- **IFRS7 "Financial Instruments: Disclosures"**
IFRS7 has resulted in additional disclosures in the Group accounts, however this standard has had no material effect on the Group's Income Statement, Balance Sheet or Cash Flow Statement.
- **Amendment to IAS1**
The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages its capital.
- **IFRIC 8 Scope of IFRS 2**
- **IFRIC 10 Interim financial reporting and impairment**
The application of IFRIC 8, IFRIC 9 and IFRIC 10 did not have a material impact on the financial statements.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2007

1. Presentation of Accounts and Accounting policies continued

The future accounting standards that may effect the Group in 2008 and 2009 are as follows:

- **IFRS8 "Operating Segments" will replace IAS14 "Segment Reporting"** and proposes that entities adopt a management approach to reporting financial performance. We do not anticipate that this standard will have any material impact on the Group's financial statements.
- **IFRS3 (revised) "Business Combinations"**

This standard includes some significant changes to IFRS3 in respect of business combinations with all payments made to purchase a business recorded at fair value at acquisition date. This standard will affect any acquisitions the Group makes from 1 January 2010.

- **IAS 1 (revised) Presentation of Financial Statements**

This standard prescribes the basis for presentation of financial statements and aims to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.

- **IAS 23 (revised) Borrowing Costs**

The revised standard removes the option of immediately recognising an expense on borrowing costs that relate to assets that take a substantial period of time to get ready for use.

Basis of consolidation

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

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

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

Joint ventures

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

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

All expenditure relating to oil and gas activities is capitalised in accordance with the "successful efforts" method of accounting, as described in the Oil and Gas SORP. The Group's policy for oil and gas assets is also compliant with IFRS 6 "Exploration for and Evaluation of Mineral Resources". Under this standard the Group's exploration and appraisal activities are capitalised as intangible assets and its development and production activities are capitalised as part of the "Property, plant and equipment" asset category.

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

Licence acquisition costs, geological and geophysical costs and the direct costs of exploration and appraisal are initially capitalised as intangible assets, pending determination of the existence of commercial reserves in the licence area. Such costs are classified as intangible assets based on the nature of the underlying asset, which does not yet have any proven physical substance. Exploration and appraisal costs are held, 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 resulting carrying value is transferred to the development and producing assets category within property, plant and equipment. If no commercial reserves exist then that particular exploration/appraisal effort was "unsuccessful" and the costs are written off to the income statement in the period in which the evaluation is made. The success or failure of each exploration/appraisal effort is judged on a well by well basis.

1. Presentation of Accounts and Accounting policies continued

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

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

Upon commencement of production, capitalised costs are amortised on a unit of production basis that is calculated to write off the expected cost of each asset over its life in line with the depletion of proved and probable reserves.

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

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Separately recognised goodwill is assessed upon acquisition, and annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Property, plant and equipment – other

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

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

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

Investments

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2007

1. Presentation of Accounts and Accounting policies continued

Leases as lessee

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

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.

Equity

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

Taxation

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

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

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

Defined contribution pension schemes

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

Share based payments

The Group incentivises its employees and Directors with access to equity-settled share option schemes, details of which are given in the Directors' Remuneration Report and note 17 of these financial statements.

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

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

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

Revenue and other income

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

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

1. Presentation of Accounts and Accounting policies continued

Foreign currency

The functional currency of the Company is Sterling. The assessment of functional currency has been based on the currency of the economic environment in which the Company operates and in which its revenue and costs arise. These accounts have been presented in Sterling, which is the functional currency of most companies within the Group. The financial statements of overseas subsidiaries and associated undertakings are maintained in their functional currency. Where the functional currency differs from the Group's presentational currency, they are translated into sterling at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to a cumulative translational reserve.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All exchange gains and losses are taken to the income statement. Gains and losses on trading assets and liabilities are presented within "Operating expenses", and gain and losses on cash and cash equivalents are presented within "Finance income" or "Finance expense".

Significant estimations and key assumptions

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

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

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

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2. Segmental Reporting

The Directors believe that the Group has only one reportable business segment, which is the exploration for oil and gas reserves in Ireland. All operations are classified as continuing.

3. Loss per Ordinary Share

The loss for the year was wholly from continuing operations.

	Year ended 31 December (pence per share)	
	2007	2006
Loss per share for loss from continuing operations attributable to the equity holders of the Company – basic and diluted	(5.2)	(2.2)
The calculations were based on the following information.		
Loss attributable to equity holders of the Company	(£1,093,000)	(£401,000)
Weighted average number of shares in issue – basic and diluted	21,158,133	18,400,167

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2007

3. Loss per Ordinary Share continued

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two classes of dilutive potential ordinary shares; share options and share warrants.

In July 2006 share options over 200,000 ordinary shares were granted at an exercise price of 85p. These share options are not exercisable until July 2009 and are therefore not potential ordinary shares for the current period.

In April 2006 warrants over 312,239 ordinary shares were issued to the Group's brokers at an exercise price of 85p. In December 2007 further warrants over 3,500,000 ordinary shares were issued to the providers of the Loan Facility at an exercise price of 50p. Warrants are only considered dilutive if their exercise price is below the average market price of the shares since they were issued. On that basis the warrants are not considered dilutive for the current year.

4. Goodwill and other intangible assets

Group	Exploration/ appraisal assets £'000	Goodwill £'000	Total £'000
Year ended 31 December 2006			
Opening net book amount at 1 January 2006	–	–	–
Acquisition	474	–	474
Additions	386	–	386
Transfers from Ramco group at fair value	785	–	785
Closing net book amount at 31 December 2006	1,645	–	1,645
Year ended 31 December 2007			
Opening net book amount at 1 January 2007	1,645	–	1,645
Acquisition of subsidiary (note 24)	5,386	1,413	6,799
Additions	212	–	212
Write-off of intangible exploration assets	(544)	–	(544)
Closing net book amount at 31 December 2007	6,699	1,413	8,112

Oil and gas project expenditures, including geological, geophysical and seismic costs, are accumulated as intangible fixed assets prior to the determination of commercial reserves. At 31 December 2007, intangible fixed assets totalled £6.7 million (31 December 2006 £1.6 million), all of which relate to Ireland.

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

5. Property, plant and equipment

Furniture, fittings & equipment	Group £'000	Company £'000
Cost, accumulated depreciation and Net book value		
At 1 January and 31 December 2006	–	–
Cost		
At 1 January 2007	–	–
Additions	1	1
Acquisition through business combination (note 24)	3	–
At 31 December 2007	4	1
Accumulated depreciation		
At 1 January 2007 and 31 December 2007	–	–
Net book amount		
At 31 December 2007	4	1

6. Investments in subsidiaries

	Group £'000	Company £'000
Cost		
At 1 January 2006	–	–
Additions	–	365
At 31 December 2006	–	365
Cost		
At 1 January 2007	–	365
Additions (note 24)	–	5,402
Impairment provision	–	(365)
At 31 December 2007	–	5,402

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2007

7. Trade and other receivables

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Amounts falling due within one year:				
Amounts owed by joint ventures*	6	19	–	–
Value added tax and other taxes	3	21	1	4
Other debtors	23	45	2	25
Prepayments	185	17	185	3
	217	102	188	32

* All trading balances related to jointly operated assets.

8. Cash and cash equivalents

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Cash at bank and on hand	292	807	292	807
Short-term bank deposits	51	161	26	160
	343	968	318	967

9. Trade and other payables

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Amounts falling due within one year:				
Trade payables	151	14	144	4
Amounts due to shareholder (note 25)	132	142	132	16
Other taxes and social security	13	12	13	12
Accruals	124	47	85	41
	420	215	374	73

10. Deferred income tax liabilities

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

The movement on the deferred tax provision is shown below:

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
At 1 January	–	–	–	–
Arising on business combination (note 24)	1,413	–	–	–
At 31 December	1,413	–	–	–

The unprovided asset for deferred taxation is as follows:

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Unrelieved losses	206	92	206	92

11. Financial risk management

The Group's current and anticipated 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, interest rates and commodity prices.

(a) Market risk

Foreign exchange risk

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

If Sterling had strengthened by 10% against the Euro with all other variables held constant, post tax loss for the year would have been £14,000 lower mainly as a result of differences of translation of Euro denominated expenditure at higher rates.

If Sterling had weakened by 10% against the Euro with all other variables held constant, post tax loss for the year would have been £15,000 higher mainly as a result of differences of translation of Euro denominated expenditure at lower rates.

Interest rate risk

The Group's interest rate risk arises from short term borrowings and cash deposits. There were no borrowings at the balance sheet date but loans have been drawn since the year end. These are fixed rate in nature. The Board do not consider the use of hedging instruments to be necessary given the relatively small amounts borrowed and the short term of the loans concerned.

If average interest rates had increased by 10% with all other variables held constant, post tax loss for the year would have been £4,000 lower.

If average interest rates had decreased by 10% with all other variables held constant, post tax loss for the year would have been £3,000 higher.

Price risk

The Group is not exposed to commodity price risk.

(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% of cash held on deposit at 31 December 2007 was held with such banks.

There is no credit risk associated with other debtors and prepayments.

(c) Liquidity risk

The Board regularly review 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 issue of new capital, or by a combination of both.

Based on current forecasts the Group has sufficient funding in place to meet its future obligations. This is reliant upon the assumptions discussed in the basis of presentation Note 1.

There is no difference between the carrying value and the contractually undiscounted cash flows for financial liabilities.

At 31 December 2007, and 31 December 2006, all trade and other payables were due within one year.

There are no derivative financial instruments held by the Group.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2007

11. Financial risk management continued

Fair value of non-derivative financial assets and financial liabilities

The fair value of trade and other receivables, cash at bank and in hand and trade and other payables approximates to the carrying amount because of the short maturity of interest rates in respect of these instruments.

Group	2007	2007	2006	2006
	Book Value £'000	Fair Value £'000	Book Value £'000	Fair Value £'000
Trade and other receivables (note 7)	217	217	102	102
Cash and cash equivalents (note 8)	343	343	968	968
Trade and other payables (note 9)	(420)	(420)	(215)	(215)
Company	2007	2007	2006	2006
	Book Value £'000	Fair Value £'000	Book Value £'000	Fair Value £'000
Trade and other receivables (note 7)	188	188	32	32
Cash and cash equivalents (note 8)	318	318	967	967
Trade and other payables (note 9)	(374)	(374)	(73)	(73)

12. Share capital and premium

Group and company	Number of shares (thousands)	Ordinary Shares £'000	Shares to be issued £'000	Share premium £'000	Total £'000
At 1 January 2006	–	–	–	–	–
5 January 2006 – Acquisition of Donegal Exploration Limited	5,713	286	–	171	457
13 February 2006 – Acquisition of assets from Ramco Oil and Gas Limited	12,287	614	–	79	693
21 April 2006 – Initial Public Offering	2,816	141	–	1,462	1,603
At 31 December 2006	20,816	1,041	–	1,712	2,753
29 November 2007 – Acquisition of Milesian Oil & Gas Limited (note 24)	8,921	446	1,120	3,668	5,234
At 31 December 2007	29,737	1,487	1,120	5,380	7,987

The total authorised number of ordinary shares is 50 million shares (2006: 50 million shares) with a par value of 5 pence per share. All issued shares are fully paid.

On 21 May 2008 the Company allotted and issued 2,973,707 new ordinary shares at a price of 30 pence per ordinary share raising £892,000.

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

	2007		2006	
	Pence per share		Pence per share	
	High	Low	High	Low
First quarter	60.5	59.5	–	–
Second quarter	61.0	55.5	106.0	70.0
Third quarter	55.5	54.5	82.5	59.5
Fourth quarter	54.5	46.5	63.5	60.0

13. Other reserves

Group	Translation £'000
Balance at 1 January and 31 December 2006	–
Currency translation differences	(1)
Balance at 31 December 2007	(1)

14. Retained earnings

	Group £'000	Company £'000
Year ended 31 December 2007		
At 1 January 2007	(253)	(1,462)
Loss for the financial year	(1,093)	(1,193)
Share based payments charge	203	203
At 31 December 2007	(1,143)	(2,452)
Year ended 31 December 2006		
At 1 January 2006		
Loss for the financial year	(401)	(1,610)
Share based payments charge	148	148
At 31 December 2006	(253)	(1,462)

15. Group operating loss

	2007 £'000	2006 £'000
This is stated after charging:		
Operating lease rentals – land and buildings	17	13

	2007 £'000	2006 £'000
During the year the Group obtained the following services from the Group auditors at costs detailed below:		
Audit services:		
– fees payable to Company auditor for the audit of parent Company and consolidated accounts	20	21
Non-audit services:		
– fees payable to the Company's auditor for the audit of Company's subsidiaries pursuant to legislation	9	10
– tax services	17	18

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2007

16. Employees and directors

	2007 Number	2006 Number
The average number of employees, including Executive Directors, during the year:		
Oil and gas exploration	1	1
	2007 £'000	2006 £'000
Staff costs during the year amounted to:		
Wages and salaries	224	209
Social security costs	22	22
Pension costs (note 21)	23	21
	269	252

Remuneration of the directors is discussed within the Remuneration report on pages 17 to 19.

17. Share based payments

(a) Share options

The Company has granted options to a Director under an Employee Share Option Scheme. Details of the grant are shown in the Remuneration Report on pages 17 to 19. As at 31 December 2007, and 31 December 2006, the options granted were outstanding and the number of further options available for grant under the scheme rules was 1,881,600. No options were cancelled or expired in the year.

Option price	Number of options	Exercisable at 31 December 2007	Remaining contractual life	Normal exercise dates
85p	200,000	–	8.6 years	26/06/09-25/06/16

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

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

Fair value of share options and assumptions

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

17. Share based payments continued

The total fair value of the options granted in 2006 of £85,000 is charged to the profit and loss account over the vesting period of three years, resulting in a charge in 2007 of £28,000 (2006 £12,000).

(b) Warrants

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

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

Warrants over 3,500,000 ordinary shares were issued to the providers of the Loan Facility at an exercise price of 50p. The Company considers that the fair value of the warrant instruments can be reliably estimated using a Black Scholes valuation model. The valuation given by this method for the warrants granted was £175,000. There were no performance conditions attached to the warrants, so they vest immediately. The full value has been treated as a prepayment at the year end as the loan facility had not been drawn down.

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

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2007

18. Finance income and costs

	2007 £'000	2006 £'000
Bank Interest	36	42
Other	1	1
Finance income	37	43

	2007 £'000	2006 £'000
Other	3	–
Finance costs	3	–

19. Income Tax Expense

Analysis of charge in period	2007 £'000	2006 £'000
Total current tax:	–	–
Total deferred tax	–	–
Total income tax expense	–	–

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

The differences are explained below:

Factors affecting tax charge for period	2007 £'000	2006 £'000
Loss before income tax	(1,093)	(401)
Loss before income tax multiplied by standard rate of tax 30%	(328)	(120)
Effects of:		
Expenses not deductible for tax purposes	196	28
Other short term timing differences	132	92
Total current tax charge	–	–

20. Reconciliation of loss before income tax to cash used in operations

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Loss before income tax	(1,093)	(401)	(1,193)	(1,610)
Adjustments for:				
Intangible assets written off	544	–	–	–
Equity settled share-based payment transactions	28	12	28	12
Impairment provision – investment in subsidiary	–	–	365	1,294
Unrealised foreign exchange gains	(1)	–	–	–
Operating cash flows before movements in working capital	(522)	(389)	(800)	(304)
Change in trade and other receivables	62	(102)	21	(541)
Change in trade and other payables	34	118	133	73
Cash used in operations	(426)	(373)	(646)	(772)

21. 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 £23,000 (2006 £21,000). Contributions totalling £nil were payable to the funds at the year end.

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

Details of the Directors' pension contributions are given in the Remuneration Report on pages 17 to 19.

22. Capital Commitments

The Group has no unprovided contractual commitments for capital expenditure.

23. Operating lease commitments – minimum lease payments

	Land and buildings	
	2007 £'000	2006 £'000
Group and Company		
Commitments under non-cancellable operating leases expiring:		
No later than 1 year	19	14

The licence of land and buildings is renewed annually. Rental expenses are disclosed at note 15.

24. Business combination

Acquisition accounting was used for the acquisition made in the period.

Milesian Oil & Gas Limited

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

Details of net assets acquired and goodwill are as follows:

	Fair value £'000
Purchase consideration:	
Shares issued	4,282
Deferred consideration (shares to be issued)	1,120
Total purchase consideration	5,402
Fair value of net assets acquired	3,989
Goodwill (note 4)	1,413

The assets and liabilities acquired are set out below:

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Intangible assets	340	5,046	5,386
Property, plant and equipment	3	–	3
Cash	16	–	16
Trade and other payables	(3)	–	(3)
Deferred income tax liabilities	–	(1,413)	(1,413)
	356	3,633	3,989

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

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

There are two elements of deferred consideration as follows:

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

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

The Directors believe that it is probable that the first element of deferred consideration will be payable and as the fair value can be measured reliably have included this element in the total purchase consideration. The required technical report will be prepared following the interpretation of the 2D seismic data referred to in the Chairman's Statement. The Directors do not believe that the second element is probable and are not able to reliably estimate this element of consideration. It has therefore been excluded from the total purchase consideration.

25. Related party transactions

(a) Transactions with Ramco Energy plc

Until December 2007, the ultimate controlling party of the Group was Ramco Energy plc ("Ramco"). Following the issue of new shares to the shareholders of Milesian Oil & Gas Limited in December 2007 Ramco's holding was reduced to 42.6 % and it is no longer the controlling party, but retains significant influence. The Company entered into a services agreement with Ramco on 10 April 2006, pursuant to which Ramco undertook to provide the Company with (a) certain management, accounting, IT support, insurance and administrative services required by the Company in connection with its business in consideration of a fee of £10,500 per month and (b) certain commercial and technical services as the Company may require from time to time, such services being charged at an hourly rate of £100 per hour. This agreement can be terminated by Ramco on giving 12 months' notice and by the Company on giving 90 days' notice. The Directors consider the service agreement to be based at fair value on an arm's length basis. As at 31 December 2007 the Group owed Ramco £21,000 (2006 £21,000), or two months unpaid fee.

There has been no turnover during the period between the Lansdowne and Ramco Groups. As at 31 December 2007 the Group had historical outstanding amounts owed to Ramco Energy plc of £111,000 (2006 £121,000). Amounts due to Ramco are unsecured and non-interest bearing and have no fixed repayment terms.

(b) Loans from Directors

During the year the Company entered loan agreements with each of Kevin Anderson, father of Non-Executive Director, Thomas Anderson, and LC Capital Master Fund Limited ("LC") (Mr Anderson and LC being the "Lenders"). S Lampe, a Non-Executive Director of the Company, is a managing member of LC Capital Advisors LLC, a limited liability company organised in the state of Delaware. LC Capital Advisors LLC is the general partner of LC. Each loan agreement is on the same terms, pursuant to which each Lender has agreed to provide the Company with a loan facility of up to £500,000 (total facility of up to £1 million). The Company drew down the full amount of the facility in two instalments in March and May 2008. Interest shall accrue at the rate of LIBOR plus one per cent. per annum and shall be paid at the same time as repayment of any outstanding loan monies. Repayment in full and in cash together with all accrued interest shall be effected on the date 364 days after the date of first drawdown (or such other date as the Company and the Lenders may agree). The loan becomes repayable immediately on the occurrence of certain specified events.

(c) Amounts due by subsidiaries

At 31 December 2007 amounts owed to Lansdowne Oil & Gas plc by its subsidiaries totalled £1,633,000 (2006: £1,294,000). These amounts have been provided in full in the parent Company's accounts as there is no immediate prospect of repayment. Amounts due to the parent are unsecured, non-interest bearing and have no fixed repayment terms.

26. Post balance sheet events

(a) Placing of new shares

On 22 May 2008 the Company issued 2,973,707 new ordinary shares at a price of 30p per share. The shares were issued to LC Capital Master Fund Ltd ("LC"). Steven Lampe, a Non-Executive Director of the Company, is a managing member of LC Capital Advisors LLC, a limited liability company organised in the state of Delaware. LC Capital Advisors LLC is the general partner of LC.

(b) Farm out option agreement

In June 2008 the company executed an Option Agreement (the "Option") with Island Oil and Gas plc ("Island") to farm out an area of the Licence, covering part blocks 49/11(p), 49/12(p), 49/13(p), 49/17(p) and 49/18(p). The Option, if exercised, would be subject to the approval of the Minister for Communications, Energy and Natural Resources.

Under the terms of the Option Island has acquired a seismic survey of approximately 134 km of 2D data over the Area and will have the right to carry out the drilling and testing of a farm-in well (the "Well") in the Area. The Option extends to the 31 December 2008 and, if exercised, the Well is expected to commence before 31 July 2010, depending on rig availability.

Advisers

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Notice of Annual General Meeting

Notice is hereby given that the 2nd Annual General Meeting of the members of Lansdowne Oil & Gas plc will be held at The Conrad Hotel, Earlsfort Terrace, Dublin 2, Ireland on 25 August 2008 at 2pm to conduct the following business:

1. To receive the Report of the Directors, the financial statements for the period ended 31 December 2007 and the Auditors' Report thereon.
2. To consider the re-election of S Boldy, who retires by rotation and being eligible offers himself for re-election as a Director.
3. To consider the re-election of S Bertram, who retires by rotation and being eligible offers himself for re-election as a Director.
4. To consider the re-election of C Moar, who retires by rotation and being eligible offers himself for re-election as a Director.
5. To consider the re-election of S Lampe, who has been appointed to the Board since the last Annual General Meeting and being eligible offers himself for re-election as a Director.
6. To consider the re-election of E Brown, who has been appointed to the Board since the last Annual General Meeting and being eligible offers himself for re-election as a Director.
7. To consider the re-election of R Pollock, who has been appointed to the Board since the last Annual General Meeting and being eligible offers himself for re-election as a Director.
8. To consider the re-election of T Anderson, who has been appointed to the Board since the last Annual General Meeting and being eligible offers himself for re-election as a Director.
9. That PricewaterhouseCoopers LLP be reappointed Auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.

10. To consider the following Resolution as a Special Resolution:

That the Articles of Association contained in the document produced to the Meeting and signed by the Chairman for the purposes of identification, be approved and adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association, with effect from the conclusion of this Annual General Meeting.

It is proposed to adopt new articles of association ("the New Articles") in order to update the Company's current articles of association ("the Current Articles") primarily to take account of changes in company law brought about by the implementation of the Companies Act 2006.

The principal changes introduced in the New Articles are summarised in the Appendix. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted in the Appendix. A copy of the New Articles showing all the proposed changes to the Current Articles are available from the Company for inspection.

11. To consider the following Resolution as an Ordinary Resolution:

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

12. To consider the following Resolution as a Special Resolution:

That 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 95 of the Act, to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority conferred by Resolution 11 above as if sub-section 89(1) of the Act did not apply to the allotment of such equity securities pursuant to the provisions of that Article, provided that this power shall be limited to:

- (i) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of 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 shareholders are proportionate (as nearly as may be) to the respective numbers of shares held by them on any such record date subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and
- (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) to any person or persons of equity securities up to an aggregate nominal amount of £164,000;

and this power shall expire on the conclusion of the next Annual General Meeting of the Company, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after its expiry and the

Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

13. To consider the following Resolution as a Special Resolution:

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

- (a) the maximum number of ordinary shares hereby authorised to be acquired is 3,271,000 ordinary shares of 5p each being approximately 10 per cent of the Company's existing issued share capital;
- (b) the maximum price which may be paid for such shares is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share in the Company as derived from the Daily Official List of The London Stock Exchange for the five dealing days immediately preceding the date of purchase and the minimum price is 5p per share being the nominal value thereof, in both cases exclusive of expenses;
- (c) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company; and
- (d) the Company may before the expiry of such authority make a contract to purchase its shares under the authority hereby conferred, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its ordinary shares in pursuance of any such contract.

By order of the Board

C G Moar

Company Secretary

5 Old Bailey

London EC4M 7BA

23 June 2008

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 or 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, Capita Registrars, 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 register of members of the Company at 10.00 a.m. on 23 August 2008 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 meeting and will be available for inspection at the place of the Annual General Meeting for a period of fifteen minutes prior to the meeting until its conclusion.

A copy of the New Articles showing all the changes proposed to the Current Articles are available from the Company prior to the Annual General Meeting taking place.

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, Capita Registrars, 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 Capita 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 Uncertificated Securities Regulations 2001.

Appendix to Notice of Annual General Meeting

EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

The principal changes proposed to the Company's current articles of association are summarised as follows:-

- **Electronic and web communications**

The Companies Act 2006 ("CA2006") introduces new procedures to allow companies to communicate with their shareholders electronically and also to allow a company's shareholders to communicate electronically with it.

Under these new rules which came into force in January 2007, which extend the previous provisions of the Companies Act 1985, a company is allowed to send or supply documents and information to shareholders in electronic form by email and through its website. However, a shareholder must have expressly consented to receive information in this way to allow the company to communicate with them electronically. Given the relatively small number of shareholders at present, the Company does not at this time see any particular value in communicating with its shareholders in this way and accordingly it does not intend to seek the necessary agreement from shareholders at present. However, the Company considers it prudent to amend now the Current Articles to allow for this form of communication so as to give the Company the flexibility to introduce electronic communication should the directors consider it appropriate at some point in the future.

Certain of the proposed changes to the Current Articles will allow shareholders to communicate with the Company electronically, particularly in relation to the convening of meetings of the Company's shareholders and the appointment of proxies. However, the board of directors of the Company shall have discretion as to whether to implement this method of communication with the Company and it will advise shareholders of an appropriate email address for any such communications should it consider it appropriate.

- **Notice of board meetings**

Provisions on convening and the length of notice of general meetings are amended to conform to the CA2006. In particular, a general meeting (other than an annual general meeting) to consider a special resolution can now be convened on not less than 14 days' notice whereas previously not less than 21 days' notice was required.

- **Form of resolution**

The concept of extraordinary resolutions has not been retained under the CA2006. The distinction between ordinary and special business has also been removed. In addition under the CA2006, public companies can no longer pass written resolutions of shareholders so the relevant provisions relating to this process have been removed in the New Articles.

- **Age of directors on appointment**

The Current Articles contain a provision requiring a director's age to be disclosed if he has attained the age of 70 or more in the notice convening a meeting at which the director is proposed to be elected or re-elected. The CA2006 repeals the existing law relating to the age of directors so related provisions have been removed in the New Articles.

- **Directors indemnities and loans to fund expenditure**

The CA2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. The New Articles provide for this and, in particular, clarify that the Company may indemnify a director of it or any of its subsidiaries or any director of a company that is a trustee of an occupational pension scheme for employee of the Company or any of its subsidiaries against any liability incurred in the proper performance of his duties. The Current Articles allow the Company to provide such an indemnity to its directors only.

- **Conflicts of interest**

The CA2006 sets out directors' general duties which largely codify the existing law but with some changes. Under CA2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is broad and could apply, for example, if a director is or becomes a director of another company or a trustee of another organisation, the business of which in some way conflicts with that of the Company. The CA 2006 allows directors of public companies to authorise conflicts and potential conflicts where appropriate and where the relevant company's articles of association contain a provision to this effect. The New Articles will, with effect on and from 1 October 2008 (or such time as the relevant provisions of the CA2006 come into force), give the directors the authority to approve such conflicts of interests.

Directors in considering any conflict or potential conflict situation must act in a way they consider, in good faith, will be most likely to promote the Company's success. The New Articles will provide for the directors being able to impose limits or conditions when giving any authorisation or subsequently, if they think this is appropriate. Only directors who have no interest in the matter being considered will be able to take decisions and grant authorisations relating to the conflict or potential conflict in question.

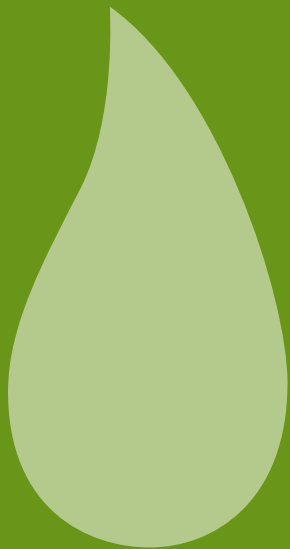
The New Articles also contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the situation giving rise to the potential conflict has previously been authorised by the directors.

- **Votes of members**

Under the CA2006, proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. In addition, CA2006 permits the appointment of multiple proxies provided that each proxy is appointed to exercise the rights attached to a different share(s) held by the appointing shareholder. The New Articles provide for all these new provisions.

- **General**

Other minor changes to the Current Articles are proposed to take account of certain limited changes to the provisions of the Companies Act 1985 effected by the CA2006 to the extent that it is currently in force.



Lansdowne

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