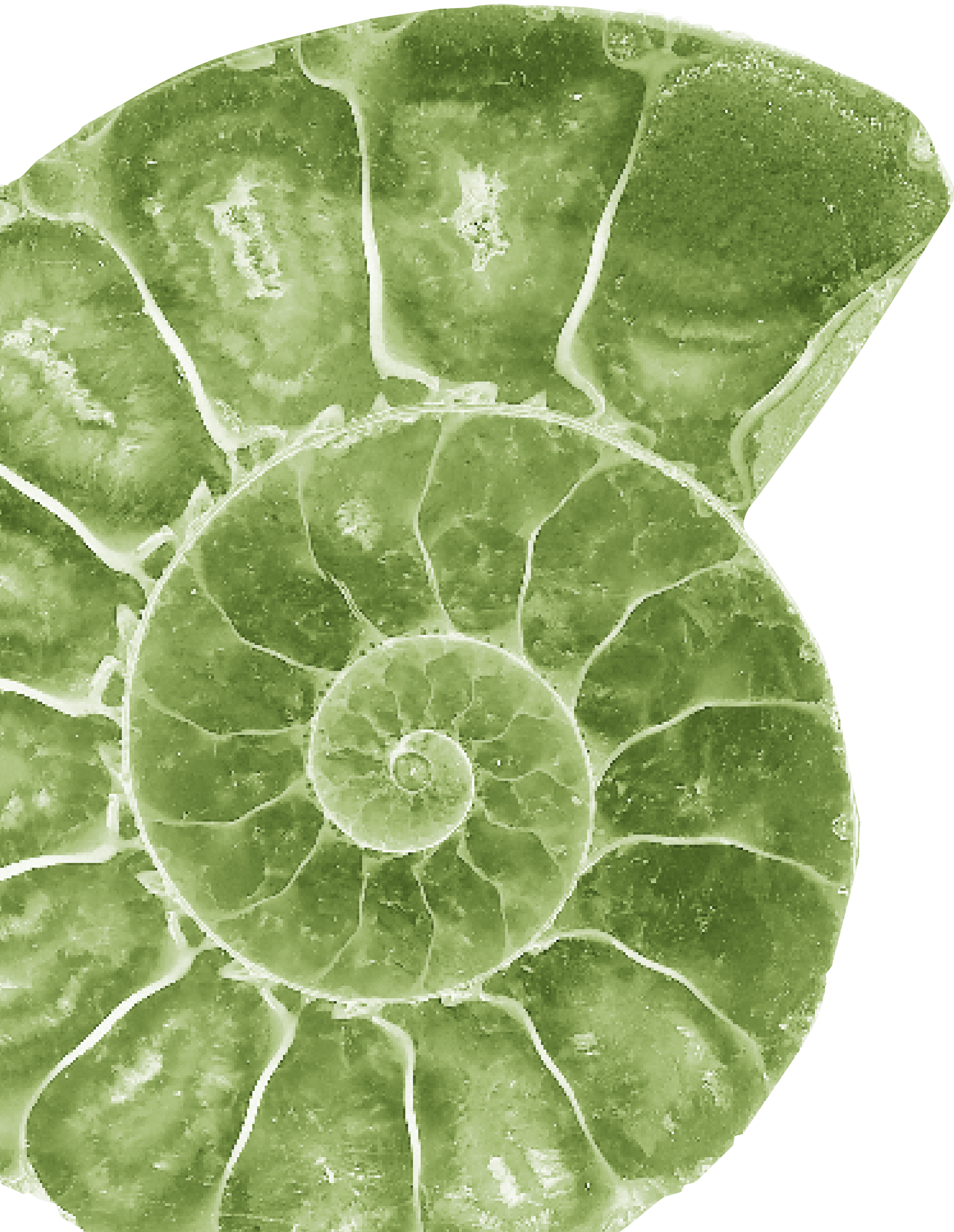


Lansdowne
oil & gas

ANNUAL REPORT &
FINANCIAL STATEMENTS 2008

2008

Contents

Chairman's Statement

Strategy

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

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

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

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

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

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

Issue of Deferred Consideration Shares

In December 2007 the Company announced the completion of the acquisition of Milesian which included deferred consideration of up to 8,110,099 new ordinary shares in the Company, which would be payable dependent upon the results of an updated Independent Technical Report following completion of a 2D seismic programme over Milesian's Celtic Sea acreage. The Independent Technical Report included in the CPR, completed by RPS Energy, was used as the basis for the calculation of deferred consideration shares. As a result of the updated CPR, in February 2009 the Company allotted 2,396,209 deferred consideration shares to the former shareholders of Milesian.

Board

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

Financial Results

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

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

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

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

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

In February 2009 the Company entered into a further new loan agreement with one of its principal shareholders, LC Capital Master Fund, Ltd ("LC"), pursuant to which LC has agreed to provide Lansdowne with a loan facility of up to £500,000 (the "New Facility"). Repayment in full, in cash, together with all accrued interest shall be effected on 12 March 2010 (or such later date as the Company and LC may agree). By way of security for the New Facility the Company has granted legal charges in favour of LC over the Company's shareholdings in its wholly owned subsidiaries, Lansdowne Celtic Sea Limited and Milesian Oil & Gas Limited.

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

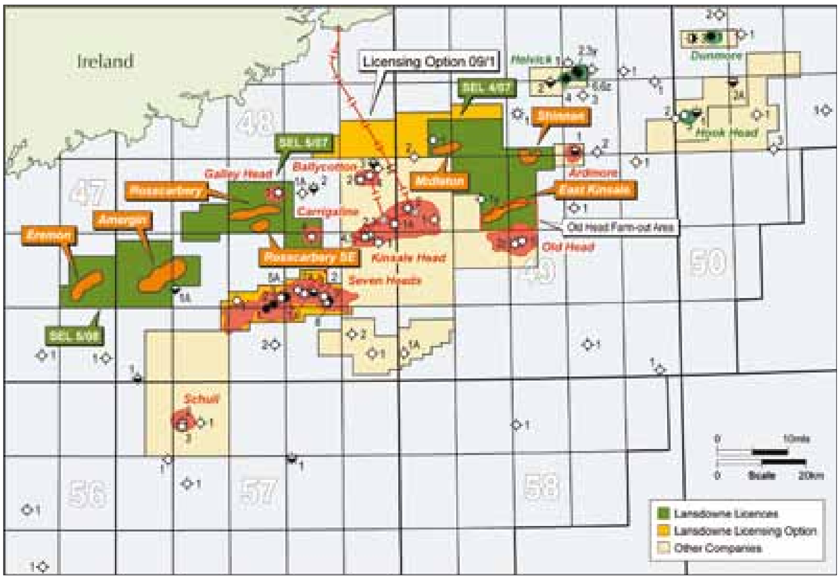
The Company has undertaken to grant each of K Anderson and LC Capital Master Fund Limited warrants to subscribe for up to 1,750,000 new ordinary shares following the 2009 AGM. In the event of any of the outstanding 2007 warrants being exercised prior to the AGM, the number of new warrants would be reduced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

Outlook

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

John Greenall
Chairman

Operations Review



Lansdowne Oil & Gas Plc continued to develop its exploration and appraisal portfolio of opportunities in the North Celtic Sea basin offshore southern Ireland in keeping with its strategy of risk management designed to maximise drilling activity. In this regard, Lansdowne management continues to discuss with potential industry partners possible joint-venture arrangements for Celtic Sea exploration and exploitation.

Lansdowne now has interests in three Standard Exploration Licences and two Licensing Options with multiple "ready- to-drill" prospects for both oil and gas. The expanded portfolio effectively gives the Company greater critical mass and advances the objective of building towards a cost-effective multi-well exploration and appraisal drilling programme.

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.

Lansdowne acquired 489 kms of new 2D seismic data in May 2008 over both the Amergin and Eremon structures. This data quality was such as to significantly upgrade the potential of the licensed area and further de-risks the prospects for future drilling.

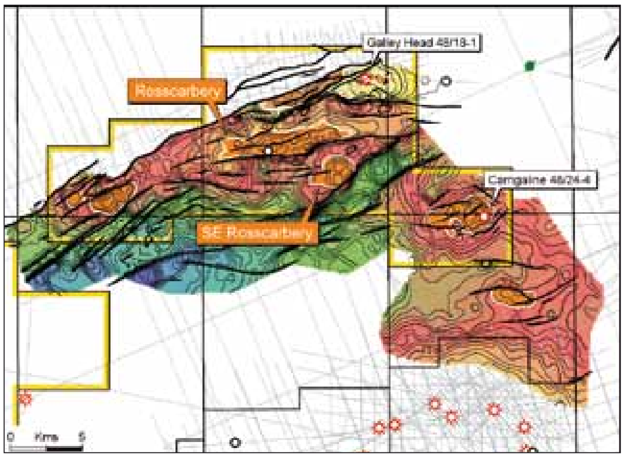
Two large structures, Amergin and Eremon, have been mapped at Jurassic level.

- Amergin is a tilted fault block with a primary reservoir objective in Upper & Middle Jurassic sandstone & oolithic carbonate sequences. The primary Jurassic reservoir target 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 may exist in deeper Jurassic (Sinemurian) sandstones and shallower Cretaceous (Wealden) sandstones.
- The Eremon structure is a northeast-southwest trending tilted fault block mapped at Jurassic and older levels. Further work is required to determine the viability of this anomaly 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 as operator.

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



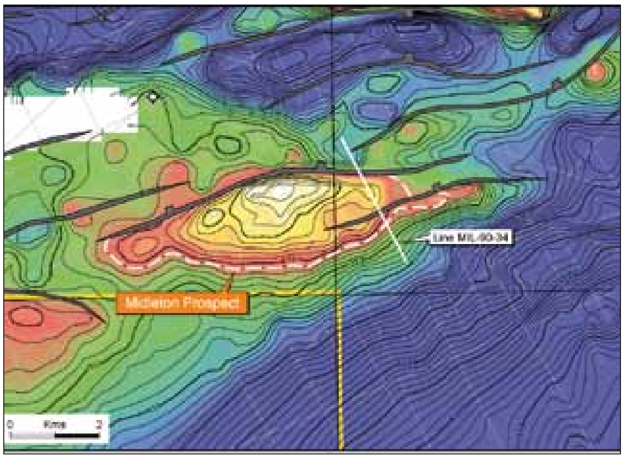
- The Galley Head discovery well (48/18-1), lying some 6km northeast of the main Rosscarbery Prospect, was drilled by BP in 1985 and tested gas at 13.7 mmscfd from the Lower Cretaceous Greensand, 'A' Sand, reservoir.

- 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 and Wealden levels and oil at the Basal Wealden level.

Standard Exploration Licence 4/07

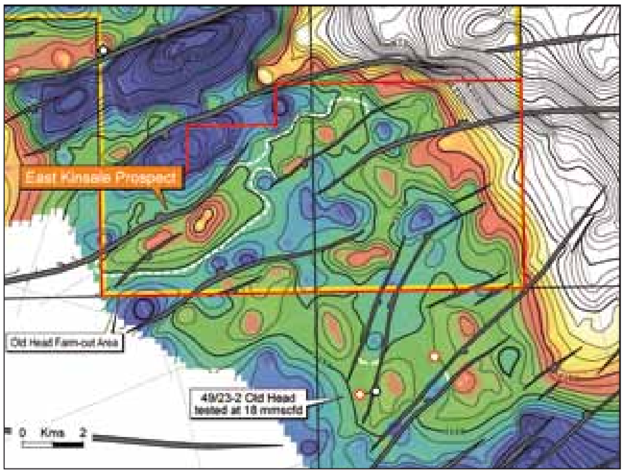
Licence 4/07 incorporates part-blocks 49/11, 49/12, 49/17 and 49/18 immediately south-east of the Kinsale Head Gas field along the axis of the North Celtic Sea Basin. The licence encompasses an area of 542 sq. kms and is currently held 100% by Lansdowne. This licence contains the Midleton and the East 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 and is considered analogous in many respects to the now depleted 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.

East Kinsale Prospect

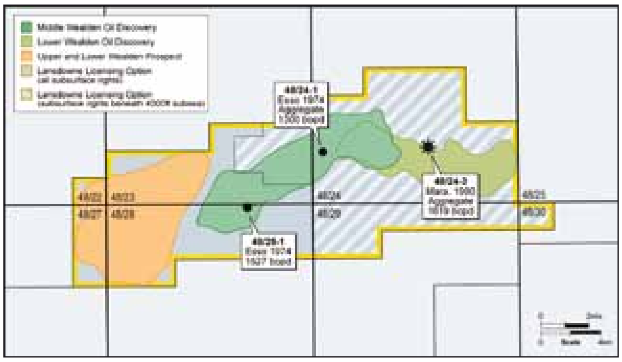


- The East Kinsale Prospect area lies some 15 to 20 km to the east of the Kinsale Head Field (c 1.7 TCF reserves) and immediately to the north of the Old Head gas field, established recently by the 49/23-1 and 49/23-2 wells.
- A number of low relief anticlinal closures have been mapped, some of which 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.

The area contains potential for 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.

Barryroe Licensing Option 08/1

The Barryroe Licensing Option ("Barryroe Licence") is held by Lansdowne (40 per cent), Island Oil & Gas plc ("Island") (30 per cent) and Providence Resources plc ("Providence") (30 per cent). Part of the Barryroe acreage lies beneath the Seven Heads Gas Field, with the boundary between the two concessions lying at 4,000ft (approximately 1,250m) sub-sea.



Three previous wells tested oil in the Barryroe Licence acreage which lies directly below the Marathon operated Seven Heads Gas Field. The reservoir sands are in the Cretaceous Middle and Lower Wealden sequences between 1,400m and 2,300m (approximately 4,600 to 7,550ft) below sea level.

Two wells drilled by Esso in 1973/1974 tested oil. Well 48/24-1 from Middle Wealden sands at an aggregate rate of 1300 barrels per day and 48/28-1 tested oil from a Middle Wealden sand at 1527 barrels per day. A third well, 48/24-3 drilled by Marathon in 1990, tested oil from Lower Wealden sands at an aggregate rate of 1619 barrels per day.

- Oil tested was light crude (30 to 42 API, with a high wax content ranging from 12 to 22 per cent)
- Potential development synergies with other Celtic Sea projects are being reviewed by the Group
- In the western part of the Barryroe Licence acreage, situated to the west of the producing Seven Heads Gas Field, the shallower section above 4000ft sub-sea is also included in the Licensing Option and this is considered to be prospective for gas

From the previous technical work carried out, the two main challenges to commercial development have been identified as the reservoir continuity and the high pour point of the oil caused by the high wax content. .

The work programme for this Licensing Option will focus upon these challenges and evaluate development options.

Licensing Option 09/1

Since year-end, Lansdowne was awarded Licensing Option 09/1 ("Lee" or the "Licensing Option") over part of blocks 48/14, 48/15, 49/11 and 49/12 that lie along the northern margin of the North Celtic Sea Basin. The Licensing Option has been exclusively granted to Lansdowne.

The primary exploration target over the acreage is for oil in Jurassic sands anticipated to lie at depths between 1,200 and 3,000 m (3,900 and 10,000 ft) subsea. Water depth over the Licensing Option is around 85 – 90m (280 – 295 ft).

The initial work programme for the new Licensing Option will focus upon reprocessing the existing seismic data to improve the imaging of the Jurassic section. The new 2D seismic data acquired in 2008 by Lansdowne over the Amergin Prospect in Licence 5/08, also lying on the northern margin of the North Celtic Sea Basin, has demonstrated the improvements that modern seismic acquisition and processing can achieve. Lansdowne anticipates being able to replicate this improvement in data quality over Licensing Option 09/1.

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 Midleton 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
09/11 Lee Licensing Option	100 per cent	Lansdowne
08/1 Barryroe Licensing Option	40 per cent	Lansdowne

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 2008 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").

Cost of Sales

This relates to general licence costs and data storage.

Intangible Exploration Assets written off

No exploration costs, previously capitalised against licences, have been written off during the year. (2007: £544,000) See note 4.

Administrative Expenses

The Company had one full time paid Executive Director until December 2007. From this date forward and for the whole of 2008 this increased to two, resulting in increased administrative expenses. 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 £836,000 (2007: £578,000).

Operating Loss

The Group recorded a loss before interest and taxation of £888,000 in the year (2007: £1,127,000).

Finance Income

Interest receivable of £21,000 on cash deposits was recorded in the year (2007: £37,000).

Finance Expense

Interest on loans from shareholders amounted to £46,000 (2007: £Nil). Amortisation of warrant costs amounted to £119,000 (2007: £Nil). The balance of finance expenses related to foreign exchange differences on cash balances £17,000 (2007: £3,000).

Income Tax Expense

The current tax charge for the year was £Nil (2007: £Nil) and the unprovided deferred tax asset on unrelieved losses was £431,000 (2007: £206,000).

Loss for the Financial Year

A loss of £1,049,000 was recorded in the year (2007: £1,093,000).

Loss per Share

Basic and diluted loss per share for the year was 3.3p (2007: 5.2p).

Balance Sheet

The Group and Company balance sheets as at 31 December 2008 and 31 December 2007 are shown on page 22. Group net assets were £6.9 million at 31 December 2008 (31 December 2007: £6.8 million). At 31 December 2008, the Group held £34,000 (31 December 2007: £343,000) as cash or short term deposits.

The Group had goodwill and other intangible assets totalling £9.7 million at the balance sheet date (31 December 2007: £8.1 million). Included in this category is goodwill of £1.4 million (2007: £1.4 million) arising on the acquisition of Milesian Oil & Gas Limited (note 25) and costs of £8.2 million (2007: £6.7 million) incurred in connection with the Group's exploration licences in the Celtic Sea and the associated work programmes. Of the £8.2 million, £5.4 million relates to the acquisition of Milesian Oil & Gas Limited (note 25).

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 £680,000 for the year ended 31 December 2008 (31 December 2007: £460,000).

Cash Flows Related to Investing Activities

In 2008 the Group invested approximately £1.5 million (2007: £212,000) in connection with its oil and gas interests.

Cash Flows Related to Financing Activities

The Group raised cash from the issue of new share capital during the year amounting to £0.9 million (2007: £Nil).

The Group drew down loans totalling £1.0 million from shareholders during the year (2007: £Nil). Details of these loans are given in note 10.

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.

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 12. 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
2008	**1.45**	**1.88**	**1.99**	**1.45**

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
2008	**1.04**	**1.27**	**1.36**	**1.04**

(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 12.

Christopher G Moar
Finance Director
26 June 2009

Board of Directors

John Greenall (*Non-Executive Chairman*)*†, aged 70, 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 53, joined Ramco Energy plc ("Ramco") in March 2003, becoming CEO of Lansdowne in April 2006. From 1980 to 1984 Dr Boldy worked as a petroleum geologist for the Petroleum Affairs Division of the Department of Energy in Dublin and then spent almost 19 years with Amerada Hess Corporation, where his appointments included UK Exploration Manager and International Exploration Manager. Dr Boldy has extensive experience of working Irish offshore basins and the basins West of Britain and earned his PhD in geology from Trinity College Dublin.

Emmet Brown (*Director of Business Development*), aged 59, 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 46, 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 64, 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 49, 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 50, 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.

Viscount Torrington (*Non-Executive Director*)†, aged 65, 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 2008.

Principal Activities and Review of Business

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.

The Group consolidated income statement is set out on page 23 shows a loss on ordinary activities before tax of £1,049,000 (2007: £1,093,000). After tax the Group loss for the year was £1,049, 000 (2007: £1,093,000). The Directors do not recommend the payment of a dividend and £1,049,000 (2007: £1,093,000) will be deducted from the Group's reserves.

Further details of the Group's activities during the year and its position at the end of the year are given in the Chairman's Statement and in the Financial Review.

Strategy

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

Further detail on the strategic direction of the Group is given in the Chairman's Statement on page 2.

Future outlook

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

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 10.

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 26 June 2009:

	No. of shares	per cent of capital
Ramco Hibernia Limited	12,728,308	36.26
Directors (page 19)	16,874,639	48.06
K Anderson	1,538,534	4.38

Share capital

Details of allotments made during the year are given in note 13 to the financial statements.

Creditor payment policy

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

a) settle the terms of payment with those suppliers when agreeing the terms of each transaction;

b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and

c) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception. UK subsidiaries follow the same policy. The Company's average creditor payment period at 31 December 2008 was 30 days (2007: 17 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 (2007: £Nil).

Post balance sheet events

(a) Issue of new shares

On 3 February 2009 the Company issued 2,396,209 new ordinary shares of 5p each as the final deferred consideration in respect of the acquisition of Milesian Oil & Gas Limited (see note 27). The 2007 accounts included an estimated provision for shares to be issued of 2,333,419. The final adjustment of 62,790 shares has been treated as an adjusting post balance sheet event.

(b) Extension of shareholder loans

On 9 February 2009 loan facilities from shareholders were extended (note 10).

(c) New loan facility

On 9 February 2009 the Company entered into a new loan agreement with one of its principal shareholders (note 10).

(d) Warrants

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

(e) Proposed Warrants

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

Financial instruments

Risk exposures and financial risk management policies and objectives are discussed in note 12 to the financial statements.

AGM business

The Annual General Meeting ("AGM") will commence at 12 noon on 28 July 2009 at McGrigors, 5 Old Bailey, London EC4M 7BA.

In addition to the routine business of the AGM, there are three items of additional business detailed in the Notice of Meeting as Resolution numbers 5 to 7.

Resolution 5 authorises the Directors to allot unissued shares in the capital of the Company.

Resolution 6 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 £176,000 (being 10 per cent of the current issued share capital) thereby enabling the Directors to take advantage of opportunities as they arise and it allows the Directors to allot ordinary shares on the exercise of warrants to be granted to K Anderson and LC Capital Master Fund. This authority will expire at the next Annual General Meeting of the Company.

Resolution 7 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

26 June 2009

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 10. John Greenall is the senior Non-Executive Director and Chairman.

Attendance record	2008 Eligible	2008 Attended	2007 Eligible	2007 Attended
S A R Boldy	6	6	8	8
C G Moar	6	6	8	8
J Greenall	6	6	8	8
T Torrington	6	6	8	7
S R Bertram	6	6	8	8
S G Lampe (appointed 18 September 2007)	6	5	2	–
E Brown (appointed 17 December 2007)	6	6	1	1
T Anderson (appointed 17 December 2007)	6	5	1	1
R Pollock (appointed 17 December 2007 and resigned 31 January 2009)	6	3	1	1

Relationship with former Parent Company

Three of the Directors of the Company, C G Moar, S G Lampe 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 Steven Bertram (replaced R Pollock who served until 31 January 2009), 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 16 on page 38. 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 2008 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.

Audited Information

Directors' detailed emoluments

	Salary and fees £'000	Performance related bonus £'000	Benefits £'000	Aggregate emoluments £'000	2008 Pension contributions £'000	2007 Pension contributions £'000	2008 Total £'000	2007 Total £'000
Executive Directors								
S A R Boldy	173	–	2	175	24	23	199	176
E Brown	180	–	3	183	28	–	211	–
C G Moar	–	–	–	–	–	–	–	–
Non–Executive Directors								
J Greenall	15	–	–	15	–	–	15	15
T Torrington	15	–	–	15	–	–	15	15
S R Bertram[1]	10	–	–	10	–	–	10	10
S Lampe[2]	11	–	–	11	–	–	11	4
T Anderson[1]	15	–	–	15	–	–	15	–
R Pollock[3]	16	–	–	16	–	–	16	–
2008	**435**	**–**	**5**	**440**	**52**		**492**	
2007	195	–	2	197		23		220

(1) Waived fees from 1 January 2009 onwards.

(2) All fees are paid to Lampe Conway & Co LLC. S Lampe is Managing member of Lampe Conway & Co LLC. S Lampe waived fees from 1 October 2008 onwards.

(3) R Pollock resigned 31 January 2009.

In addition to the above cash based emoluments, the expense in the year for share options awarded to S A R Boldy was £46,000 (2007: £28,000), E Brown £17,000 (2007: Nil) and C G Moar £4,000 (2007: Nil).

Interests in share options

	Exercise price	At 31 Dec 2007	Granted	Cancelled	At 31 Dec 2008	Normal exercise dates
S A R Boldy	85p	200,000	–	–	200,000	26 July 2009 to 25 July 2016
	31.5p	–	400,000	–	400,000	7 June 2011 to 6 June 2018
E Brown	31.5p	–	400,000	–	400,000	7 June 2011 to 6 June 2018
C G Moar	31.5p	–	100,000	–	100,000	7 June 2011 to 6 June 2018
		200,000	900,000	–	1,100,000	

Details of the performance criterion, conditional upon which the options are exercisable, is set out in note 18 to the accounts. During 2008 the share price ranged between a high of 46.5p and a low of 18.5p. The quarterly highest and lowest closing share prices are detailed in note 13.

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 2007	**At 31 Dec 2008**	**At 26 June 2009 or *date of resignation**
S A R Boldy	32,660	32,660	32,660
S R Bertram	26,144	26,144	141,314
C G Moar	–	–	–
J Greenall	5,880	22,880	85,380
T Torrington	5,880	5,880	5,880
S Lampe	5,421,078	8,394,785	8,394,785
T Anderson	3,443,390	3,443,390	4,368,283
E Brown	2,951,102	2,951,102	3,743,768
R Pollock	80,852	80,852	102,569*
	11,966,986	14,957,693	16,874,639

Pensions

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

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

26 June 2009

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 2008 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 2008 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 2008 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
26 June 2009

Consolidated and Company Balance Sheets

As at 31 December 2008

		Group		Company	
	Note	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
Assets					
Non-Current Assets					
Goodwill and other intangible assets	4	**9,665**	8,112	**–**	–
Property, plant and equipment	5	**5**	4	**2**	1
Investment in subsidiaries	6	**–**	–	**5,432**	5,402
		9,670	8,116	**5,434**	5,403
Current Assets					
Trade and other receivables	7	**58**	217	**36**	188
Cash and cash equivalents	8	**34**	343	**21**	318
		92	560	**57**	506
Liabilities					
Current Liabilities					
Trade and other payables	9	**(482)**	(420)	**(424)**	(374)
Borrowings	10	**(944)**	–	**(944)**	–
Net Current (Liabilities)/Assets		**(1,334)**	140	**(1,311)**	132
Non-Current Liabilities					
Deferred income tax liabilities	11	**(1,421)**	(1,413)	**–**	–
Net Assets		**6,915**	6,843	**4,123**	5,535
Shareholders Equity					
Share capital	13	**1,636**	1,487	**1,636**	1,487
Shares to be issued	13	**1,150**	1,120	**1,150**	1,120
Share premium	13	**6,123**	5,380	**6,123**	5,380
Other reserves	14	**131**	(1)	**–**	–
Retained earnings – deficit	15	**(2,125)**	(1,143)	**(4,786)**	(2,452)
Total Equity		**6,915**	6,843	**4,123**	5,535

The notes on pages 27 to 45 form part of these financial statements.

These financial statements were approved by the Board of Directors on 26 June 2009.

S A R Boldy
Chief Executive Officer

C G Moar
Finance Director

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Cost of sales		**(52)**	(5)
Write–off of intangible exploration assets	4	**–**	(544)
Gross Loss		**(52)**	(549)
Administration expenses		**(836)**	(578)
Operating Loss	16	**(888)**	(1,127)
Finance income	19	**21**	37
Finance costs	19	**(182)**	(3)
Loss Before Income Tax		**(1,049)**	(1,093)
Income tax expense	20	**–**	–
Loss For The Year Attributable To Equity Holders Of The Company		**(1,049)**	(1,093)
Loss Per Share For Loss Attributable To Equity Holders Of The Company			
Basic and diluted	3	**(3.3p)**	(5.2p)

All activities relate to continuing operations.

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2008

	2008 £'000	2007 £'000
Currency translation differences	**132**	(1)
Net Income/(expense) recognised directly in equity	**132**	(1)
Loss for the year	**(1,049)**	(1,093)
Total recognised loss for the year	**(917)**	(1,094)

The notes on pages 27 to 45 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

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 (note 18)	–	–	–	–	203	203
Issues of new shares – gross consideration (note 13)	446	1,120	3,836	–	–	5,402
Costs of issue	–	–	(168)	–	–	(168)
Currency translation differences (note 14)	–	–	–	(1)	–	(1)
At 31 December 2007	1,487	1,120	5,380	(1)	(1,143)	6,843
Year ended 31 December 2008						
At 1 January 2008	**1,487**	**1,120**	**5,380**	**(1)**	**(1,143)**	**6,843**
Loss for the financial year	**–**	**–**	**–**	**–**	**(1,049)**	**(1,049)**
Share based payments charge (note 18)	**–**	**–**	**–**	**–**	**67**	**67**
Issues of new shares – gross consideration (note 13)	**149**	**30**	**743**	**–**	**–**	**922**
Currency translation difference (note 14)	**–**	**–**	**–**	**132**	**–**	**132**
At 31 December 2008	**1,636**	**1,150**	**6,123**	**131**	**(2,125)**	**6,915**

The notes on pages 27 to 45 form part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2008

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 (note 18)	–	–	–	203	203
Issues of new shares – gross consideration (note 13)	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 2008					
At 1 January 2008	**1,487**	**1,120**	**5,380**	**(2,452)**	**5,535**
Loss for the financial year	**–**	**–**	**–**	**(2,401)**	**(2,401)**
Share based payments charge (note 18)	**–**	**–**	**–**	**67**	**67**
Issues of new shares – gross consideration (note 13)	**149**	**30**	**743**	**–**	**922**
At 31 December 2008	**1,636**	**1,150**	**6,123**	**(4,786)**	**4,123**

The notes on pages 27 to 45 form part of these financial statements.

Consolidated and Company Cash Flow Statements

For the year ended 31 December 2008

		Group		Company	
	Note	**2008 £'000**	2007 £'000	**2008 £'000**	2007 £'000
Cash flows from operating activities					
Cash used in operations	21	**(841)**	(426)	**(2,344)**	(646)
Net finance expense/(income)		**161**	(34)	**162**	(32)
Net cash used in operating activities		**(680)**	(460)	**(2,182)**	(678)
Cash flows from investing activities					
Interest received		**12**	35	**12**	33
Acquisition of intangible exploration assets	4	**(1,515)**	(212)	**–**	–
Acquisition of subsidiary net of cash acquired		**–**	16	**–**	–
Acquisition of property, plant and equipment		**(2)**	(1)	**(2)**	(1)
Net cash (used in)/generated by investing activities		**(1,505)**	(162)	**10**	32
Cash flows from financing activities					
Proceeds from issuance of ordinary shares	13	**892**	–	**892**	–
Proceeds from borrowings	10	**1,000**	–	**1,000**	–
Net cash generated by financing activities		**1,892**	–	**1,892**	–
Effect of exchange rate fluctuations on cash held		**(16)**	(3)	**(17)**	(3)
Net decrease in cash and cash equivalents		**(309)**	(625)	**(297)**	(649)
Opening cash and cash equivalents		**343**	968	**318**	967
Closing cash and cash equivalents	8	**34**	343	**21**	318

The notes on pages 27 to 45 form part of these financial statements.

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 public limited 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. These indicate that the Group, after taking into account the support from shareholders described below, will have adequate cash resources to meet its obligations as they fall due, for at least twelve months from the date of approval of these financial statements. All work programme obligations will have to be financed either by farm-out arrangements or from an issue of new shares or a combination of both. In the short term the Group is reliant on the continuing support of its major shareholders pending successful conclusion to farm out discussions. Following the conclusion of farm out discussions the Board intend to raise further finance by the issue of new share capital.

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

- The repayment date for loan facilities, totalling £1.0 million provided by major shareholders has been extended from March 2009 to March 2010 (or such other date as the Company and the lenders may agree).
- A further new loan facility of £0.5 million, expiring March 2010 (or such later date as the Company and the lender may agree) has been provided by LC Capital Master Fund Limited, a significant shareholder.
- The three principal shareholders have undertaken to provide or procure sufficient funds as and where necessary to allow the Company to continue operations and pay its liabilities as they fall due for at least the next twelve months.
- Updated competent person's report published showing enhanced resources.
- A number of potential partners are in discussions with a view to entering into farm-in arrangements to fund future exploration activities.
- Permission will be sought at the AGM for authority to issue up to 10% of the existing share capital, on a non pre-emptive basis.

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

Accounting policies

The Group 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. The IFRS accounting policies adopted by the Group are given in full in this note.

Change in accounting policies

- Amendments to published standards are interpretations effective in 2008.

  – IFRIC 11, 'Group and treasury Share-based payments'.

- Standards, amendments and interpretations effective in 2008 but not relevant.

  The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the company's operations:

  – IFRIC 12, 'Service concession arrangements';

  – IFRIC 13, 'Customer Loyalty programmes';

  – IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction';

1. Presentation of accounts and accounting policies continued

- Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.

  The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods, but the Company has not early adopted them:

  – IAS 23 (Amendment), 'Borrowing costs' – This amendment will not have any impact on the financial statements;

  – IAS 1, 'Presentation of financial statements' – Management is assessing the affects of the revised disclosure requirements of this standard; although no material impact on the financial statements is anticipated;

  – IAS 27, 'Consolidated and separate financial statements' – This standard is still subject to endorsement by the EU. There is no anticipated impact on the Group financial statements of this amendment.

  – IFRS 2, 'Amendment vesting conditions/cancellations'.

- Standards, amendments and interpretations to existing standards that are not yet effective and not relevant for the Company's operations.

  The interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods, but they are not relevant for the Company's operations:

  – IFRS 8, 'Operating segments';

  – Amendment to IFRS 1*, 'First time adoption of IFRS' and IAS 27*, 'Consolidated and separate financial statements'

  – IAS 32, 'Amendment puttable financial instruments';

  – IFRS 3*, 'Business combinations'.

* Not yet endorsed by the EU.

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

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

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

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

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

1. Presentation of accounts and accounting policies continued

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

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

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

Licence acquisition costs, geological and geophysical costs and the direct costs of exploration and appraisal are initially capitalised as intangible assets, pending determination of the existence of commercial reserves in the licence area. Such costs are classified as intangible assets based on the nature of the underlying asset, which does not yet have any proven physical substance. Exploration and appraisal costs are held, 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.

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.

1. Presentation of accounts and accounting policies continued

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset may be impaired.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in a subsequent period.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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 that its carrying value. The recoverable value of the investment is the higher of its fair value less costs to sell and value in use. Value in use is based on the discounted future net cash flows of the investee.

Leases as lessee

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

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.

1. Presentation of accounts and accounting policies continued

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 18 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.

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) 2008	2007
Loss per share for loss from continuing operations attributable to the equity holders of the Company – basic and diluted	**(3.3)**	(5.2)
The calculations were based on the following information.		
Loss attributable to equity holders of the Company	**(£1,049,000)**	(£1,093,000)
Weighted average number of shares in issue – basic and diluted	**31,557,045**	21,158,133

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has three classes of potential ordinary shares; share options, share warrants and shares to be issued as deferred consideration (note 25). As a loss was recorded for both 2008 and 2007 the issue of new shares would have been antidilutive.

4. Goodwill and other intangible assets

Group	Exploration/ appraisal assets £'000	Goodwill £'000	Total £'000
Year ended 31 December 2007			
Opening net book amount at 1 January 2007	**1,645**	**–**	**1,645**
Acquisition of subsidiary (note 25)	**5,386**	**1,413**	**6,799**
Additions	**212**	**–**	**212**
Write–off of intangible exploration assets	**(544)**	**–**	**(544)**
Closing net book amount at 31 December 2007	**6,699**	**1,413**	**8,112**
Year ended 31 December 2008			
Opening net book amount at 1 January 2008	**6,699**	**1,413**	**8,112**
Acquisition of subsidiary (note 25)	**30**	**8**	**38**
Additions	**1,515**	**–**	**1,515**
Closing net book amount at 31 December 2008	**8,244**	**1,421**	**9,665**

Oil and gas project expenditures, including geological, geophysical and seismic costs, are accumulated as intangible fixed assets prior to the determination of commercial reserves. At 31 December 2008, intangible fixed assets totalled £8.2 million (31 December 2007: £6.7 million), all of which relate to Ireland.

5. Property, plant and equipment

Furniture, fittings & equipment	Group £'000	Company £'000
Cost		
At 1 January 2007	–	–
Additions	1	1
Acquisition through business combination (note 25)	5	–
At 31 December 2007	6	1
Accumulated depreciation		
At 1 January 2007	–	–
Acquisition through business combination (note 25)	2	–
At 31 December 2007	2	–
Net book amount		
At 31 December 2007	4	1
Cost		
At 1 January 2008	**6**	**1**
Additions	2	2
Exchange differences	1	–
At 31 December 2008	**9**	**3**
Accumulated depreciation		
At 1 January 2008	**2**	**–**
Charge for the year	1	1
Exchange differences	1	–
At 31 December 2008	**4**	**1**
Net book amount		
At 31 December 2008	**5**	**2**

6. Investments in subsidiaries

	Company £'000
Cost	
At 1 January 2007	**365**
Additions (note 25)	**5,402**
Impairment provision	**(365)**
At 31 December 2007	**5,402**
Cost	
At 1 January 2008	**5,402**
Additions (note 25)	**30**
At 31 December 2008	**5,432**

6. Investments in subsidiaries continued

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

7. Trade and other receivables

Amounts falling due within one year:	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Amounts owed by joint ventures*	5	6	–	–
Value added tax and other taxes	22	3	14	1
Other debtors	15	23	10	2
Prepayments	12	185	12	185
Current income tax assets	4	–	–	–
	58	217	36	188

* All trading balances related to jointly operated assets.

8. Cash and cash equivalents

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Cash at bank and on hand	34	292	21	292
Short-term bank deposits	–	51	–	26
	34	343	21	318

9. Trade and other payables

Amounts falling due within one year:	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Trade payables	197	151	162	144
Amounts due to shareholder (note 26)	155	132	155	132
Other taxes and social security	27	13	27	13
Accruals	103	124	80	85
	482	420	424	374

10. Borrowings

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Loans from shareholders	**1,000**	–	**1,000**	–
Unamortised transaction costs	**(56)**	–	**(56)**	–
	944	–	**944**	

2007 Loan facilities

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

New facility

In February 2009 the Company enetered into a new loan agreement with one of its principal shareholders, LC Capital Master Fund, Ltd ("LC"), pursuant to which LC has agreed to provide Lansdowne with a loan facility of up to £0.5 million (the "New Facility"). Interest shall accrue at the rate of LIBOR plus one per cent. per annum and shall be paid at the same time as repayment of the loan. Repayment in full, in cash, together with all accrued interest shall be effected on 12 March 2010 (or such later date as the Company and LC may agree). By way of security for the New Facility the Company has granted legal charges in favour of LC over the Company's shareholdings in its wholly owned subsidiaries, Lansdowne Celtic Sea Limited and Milesian Oil & Gas Limited.

Unamortised transaction costs

These represent the unamortised portion of the fair value of warrants granted at the time the 2007 loan facilities were put in place (note 18 (b)).

11. 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 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
At 1 January	**1,413**	–	**–**	–
Arising on business combination (note 25)	**8**	1,413	**–**	–
At 31 December	**1,421**	1,413	**–**	–

The unprovided asset for deferred taxation is as follows:

	Group 2008 £'000	Group 2007 £'000	Company 2008 £'000	Company 2007 £'000
Unrelieved losses	**431**	206	**431**	206

12. 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 £43,000 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 £47,000 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. Short term borrowings 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 £2,000 lower.

If average interest rates had decreased by 10% with all other variables held constant, post tax loss for the year would have been £2,000 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 2008 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 it's 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 2008, and 31 December 2007, all trade and other payables were due within one year.

There are no derivative financial instruments held by the Group.

12. 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	2008 Book Value £'000	2008 Fair Value £'000	2007 Book Value £'000	2007 Fair Value £'000
Trade and other receivables (note 7)	**54**	**54**	217	217
Cash and cash equivalents (note 8)	**34**	**34**	343	343
Trade and other payables (note 9)	**(482)**	**(482)**	(420)	(420)

Company	2008 Book Value £'000	2008 Fair Value £'000	2007 Book Value £'000	2007 Fair Value £'000
Trade and other receivables (note 7)	**36**	**36**	188	188
Cash and cash equivalents (note 8)	**21**	**21**	318	318
Trade and other payables (note 9)	**(424)**	**(424)**	(374)	(374)

13. 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 2007	20,816	1,041	–	1,712	2,753
29 November 2007 – Acquisition of Milesian Oil & Gas Limited	8,921	446	1,120	3,668	5,234
At 31 December 2007	29,737	1,487	1,120	5,380	7,987
21 May 2008 – Placing of new shares	2,974	149	–	743	892
31 December 2008 – Acquisition of Milesian Oil & Gas Limited (note 25)	–	–	30	–	30
At 31 December 2008	**32,711**	**1,636**	**1,150**	**6,123**	**8,909**

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

On 3 February 2009 the Company allotted and issued 2,396,209 new ordinary shares of 5p each as the final deferred consideration in respect of the acquisition of Milesian Oil & Gas Limited (see note 25).

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.

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

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

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

14. Other reserves

Group	Currency Translation Reserve £'000
Balance at 1 January and 31 December 2007	**(1)**
Currency translation differences	**132**
Balance at 31 December 2008	**131**

15. 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 2008		
At 1 January 2008	**(1,143)**	**(2,452)**
Loss for the financial year	**(1,049)**	**(2,401)**
Share based payments charge	**67**	**67**
At 31 December 2008	**(2,125)**	**(4,786)**

16. Group operating loss

	2008 £'000	2007 £'000
This is stated after charging:		
Operating lease rentals – land and buildings	**21**	17
(Gain)/Loss on exchange	**(117)**	2

	2008 £'000	2007 £'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	**32**	20
Non-audit services:		
– fees payable to the Company's auditor for the audit of Company's subsidiaries pursuant to legislation	**6**	9
– tax services	**23**	17

17. Employees and directors

	2008 Number	2007 Number
The average number of employees, including Executive Directors, during the year:		
Oil and gas exploration	**2**	1

	2008 £'000	2007 £'000
Staff costs during the year amounted to:		
Wages and salaries	**513**	224
Social security costs	**46**	22
Pension costs (note 22)	**52**	23
	611	269

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

18. Share based payments

(a) Share options

The Company has granted options to Directors under an Employee Share Option Scheme. Details of the grants are shown in the Remuneration Report on pages 17 to 19. As at 31 December 2008, and 31 December 2007, the options granted were outstanding. The number of further options available for grant under the scheme rules is 2,171,078. No options were cancelled or expired in the year.

Option price	Number of options	Exercisable at 31 December 2008	Remaining contractual life	Normal exercise dates
85p	200,000	–	7.6 years	26/07/09-25/07/16
31.5p	900,000	–	9.4 years	7/06/11-6/06/18

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 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		
Grant date	26/7/06	6/06/08
Fair value at grant date	42.7p	22.8p
Share price at grant date	59.5p	31.0p
Exercise price	85p	31.5p
Expected volatility	100%	64.78p
Expected option life	6.5 years	3.5 years
Risk-free interest rate (based on government bonds)	4.7%	4.92%
Expected dividend yield	0%	0%

18. Share based payments continued

The cost of awards to Directors under the share option scheme is recognised over the vesting period of the awards which is three years.

	2008 £'000	2007 £'000
Expense for share options granted in 2006	**28**	28
Expense for share options granted in 2008	**39**	–
Total expense recognised as employee costs in the year	**67**	28

(b) Warrants

(i) April 2006 Warrants

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

(ii) November 2007 Warrants

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

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

The fair value of the warrants has been amortised over the initial period of the Loan Facility. The amortisation of £119,000 for the year ended 31 December 2008 is included in Finance Costs (note 19). At 31 December 2008 the unamortised amount of £56,000 has been shown as a deduction from the principal amounts due under the loans (note 10).

18. Share based payments continued

(iii) February 2009 Warrants

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

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

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

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

(iv) Proposed Warrants

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

19. Finance income and costs

	2008 £'000	2007 £'000
Bank Interest	**20**	36
Other	**1**	1
Finance income	**21**	37

	2008 £'000	2007 £'000
Loan Interest	**46**	–
Amortisation of warrants (note 18)	**119**	–
Other	**17**	3
Finance costs	**182**	3

20. Income tax expense

The total tax charge for the year is £Nil (2007: £Nil).

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (28.5%) (2007: 30%).

The differences are explained below:

Factors affecting tax charge for period	2008 £'000	2007 £'000
Loss before income tax	**(1,049)**	(1,093)
Loss before income tax multiplied by standard rate of tax 28.5% (2007: 30%)	**(299)**	(328)
Effects of:		
Expenses not deductible for tax purposes	**75**	196
Other short term timing differences	**224**	132
Total current tax charge	**–**	–

On 1 April 2008, the standard rate of corporate tax charged to 28% and capital allowance legislation impacting on the calculation of deferred tax was introduced for taxable periods on or after 1 April 2008. For the purpose of the Group accounts to 31 December 2008, a blended rate of corporation tax has been applied.

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

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Loss before income tax	**(1,049)**	(1,093)	**(2,401)**	(1,193)
Adjustments for:				
Depreciation of property, plant & equipment (note 5)	**1**	–	**1**	–
Intangible assets written off (note 4)	**–**	544	**–**	–
Equity settled share-based payment transactions (note 18)	**67**	28	**67**	28
Impairment provision – investment in subsidiary	**–**	–	**–**	365
Unrealised foreign exchange gains	**132**	(1)	**–**	–
Operating cash flows before movements in working capital	**(849)**	(522)	**(2,333)**	(800)
Change in trade and other receivables	**(8)**	62	**(15)**	21
Change in trade and other payables	**16**	34	**4**	133
Cash used in operations	**(841)**	(426)	**(2,344)**	(646)

22. 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 £52,000 (2007: £23,000). Contributions totalling £Nil (2007: £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.

23. Capital commitments

The Group has no unprovided contractual commitments for capital expenditure.

24. Operating lease commitments – minimum lease payments

	Land and buildings	
	2008 £'000	2007 £'000
Group and Company		
Commitments under non-cancellable operating leases expiring:		
No later than 1 year	**21**	19

The licence of land and buildings is renewed annually. Rental expenses are disclosed at note 16.

25. Business combination

Acquisition accounting was used for the acquisition made in 2007.

Milesian Oil & Gas Limited

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

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

Details of net assets acquired and goodwill are as follows:

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

The assets and liabilities acquired are set out below:

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

25. Business combination continued

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

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

Two elements of deferred consideration were payable as follows:

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

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

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

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

26. 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 subsequently to 36.3%. 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 2008 the Group owed Ramco £Nil (2007: £21,000).

There has been no turnover during the period between the Lansdowne and Ramco Groups. As at 31 December 2008 the Group had historical outstanding amounts owed to Ramco Energy plc of £155,000 (2007: £111,000). Amounts due to Ramco are unsecured and non-interest bearing and have no fixed repayment terms.

(b) Loans from Directors

In December 2007 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). In February 2009 the loans were extended to March 2010 (note 10).

26. Related party transactions continued

(c) Amounts due by subsidiaries

At 31 December 2008 amounts owed to Lansdowne Oil & Gas plc by it's subsidiaries totalled £3.0 million (2007: £1.6 million). 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.

27. Post balance sheet events

(a) Issue of new shares

On 3 February 2009 the Company issued 2,396,209 new ordinary shares of 5p each as the final deferred consideration in respect of the acquisition of Milesian Oil & Gas Limited (see note 25). The 2007 accounts included an estimated provision for shares to be issued of 2,333,419. The final adjustment of 62,790 shares has been treated as an adjusting post balance sheet event.

(b) Extension of shareholder loans

On 9 February 2009 loan facilities from shareholders were extended (note 10).

(c) New loan facility

On 9 February 2009 the Company entered into a new loan agreement with one of its principal shareholders (note 10).

(d) Warrants

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

(e) Proposed Warrants

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

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Notice of Annual General Meeting

Notice is hereby given that the 3rd Annual General Meeting of the members of Lansdowne Oil & Gas plc will be held at McGrigors LLP, 5 Old Bailey, London EC4M 7BA on 28 July 2009 at 12 noon to conduct the following business:

1. To receive the Report of the Directors, the financial statements for the period ended 31 December 2008 and the Auditors' Report thereon.
2. To consider the re-election of J Greenall, who retires by rotation and being eligible offers himself for re-election as a Director.
3. To consider the re-election of T Torrington, who retires by rotation and being eligible offers himself for re-election as a Director.
4. 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.
5. To consider the following Resolution as an Ordinary Resolution:

   That in accordance with Article 2.9 of the Company's current Articles of Association ("the Current Articles"), the Directors be and they are hereby generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (as defined in sub-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.
6. To consider the following Resolution as a Special Resolution:

   That in accordance with Article 2.10 of the Company's 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 5 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 of up to 1,750,000 ordinary shares of 5p each on the exercise of warrants to be granted to Kevin Anderson and the allotment of up to 1,750,000 ordinary shares of 5p each on the exercise of warrants to be granted to LC Capital Master Fund, Ltd; and

   (iii) the allotment (otherwise than pursuant to sub-paragraph 6 (i) and (ii) above) to any person or persons of equity securities up to an aggregate nominal amount of £176,000;

   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.

   The authority to allot up to 3,500,000 ordinary shares of 5p each being sought pursuant to sub-paragraph (ii) of Resolution 6 will be used to grant warrants in substitution for the warrants granted in 2007 to subscribe for 1,750,000 ordinary shares to each of Kevin Anderson ("KA") and LC Capital Master Fund, Ltd ("LC") pursuant to a warrant instrument dated 29 November 2007 (such warrants being the "2007 Warrants"). The provision of existing loan facilities of £500,000 to the Company by each of KA and LC (pursuant to loan agreements dated 29 November 2007) (the "Loan Facilities") was conditional upon the grant of the 2007 Warrants. The original repayment date for the Loan Facilities was 12 March 2009. In February 2009 the lenders each agreed to extend the repayment date to 12 March 2010. None of the 2007 Warrants had been exercised. The 2007 Warrants had an exercise price of 50p per share and required to be exercised in whole or in part on or prior to 31 May 2009. The 2007 Warrants lapsed without being exercised on 31 May 2009. The Company has agreed, subject to the passing of the Resolutions 5 and 6 to grant replacement warrants to each of KA and LC. The terms of such warrants would be identical to those of the 2007 Warrants save for the exercise price being 20p per share and the longstop date for exercise being 12 March 2010, the same date as the repayment date for the Loan Facilities.

7. 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 sub-section 163(3) of the Act, provided that:

(a) the maximum number of ordinary shares hereby authorised to be acquired is 3,510,000 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

26 June 2009

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 6.00 p.m. on 26 July 2009 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.

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.

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oil & gas

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