

Lansdowne Oil & Gas plc is an independent oil and gas exploration company listed on the AIM market of the London Stock Exchange since 21 April 2006. The Company has its operating headquarters based in Dublin, Ireland with its registered office in London, England.

www.lansdowneoilandgas.com

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Chairman's Statement

I am pleased to say that 2012 was a year of major progress for Lansdowne Oil & Gas plc ("Lansdowne").

Your Company's business was considerably enhanced by the success of the Barryroe appraisal well in the North Celtic Sea and its subsequent technical and commercial analysis; by the award and addition of the Barryroe North licensing option area; by the completion of 3D seismic inversion work on our other licences leading to further de-risking of key exploration prospects ahead of farmout and drilling in 2014; and by the strengthening of the balance sheet through a £10 million fundraising (before expenses) in August 2012.

Lansdowne now has a material balanced portfolio of acreage under licence in the relatively underexplored North Celtic Sea basin. This portfolio of oil and gas prospects affords Lansdowne a competitive strategic position in an area currently being positively reassessed by the industry in the light of the Barryroe success. I fully expect Lansdowne to exploit this advantage in the near future.



Lansdowne now has a material balanced portfolio of acreage under licence in the relatively underexplored North Celtic Sea basin

Financial results

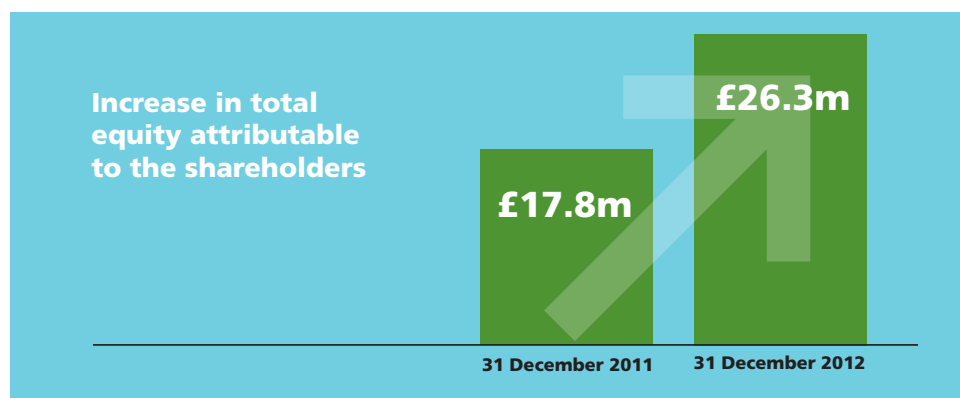
The Group recorded a loss after tax of £1.1 million for the year ended 31 December 2012 compared to a loss after tax of £0.8 million for the year ended 31 December 2011.

Group operating expenses for the year were £1.0 million, compared to £1.0 million in 2011.

Net finance expense for the year was £127,000 (2011 income: £122,000). Interest expense on loans from shareholders amounted to £7,000 (2011: £29,000).

Total equity attributable to the shareholders of the Group has increased to £26.3 million as at 31 December 2012 from £17.8 million as at 31 December 2011.

Cash balances of £5.5 million (2011: £3.2 million) were held at the end of the financial year.



Outlook

Lansdowne's platform for growth is solidly based on a continued focus on exploration and appraisal drilling in the North Celtic Sea. Through the use of modern 3D seismic inversion technology in 2012, Lansdowne's oil and gas prospects have been further de-risked and the Company is confident of forming joint-ventures through farmout with industry partners ahead of an exciting high-impact drilling programme in 2014.

Again, I would like to thank all our shareholders for their continued support.

John Greenall

Chairman

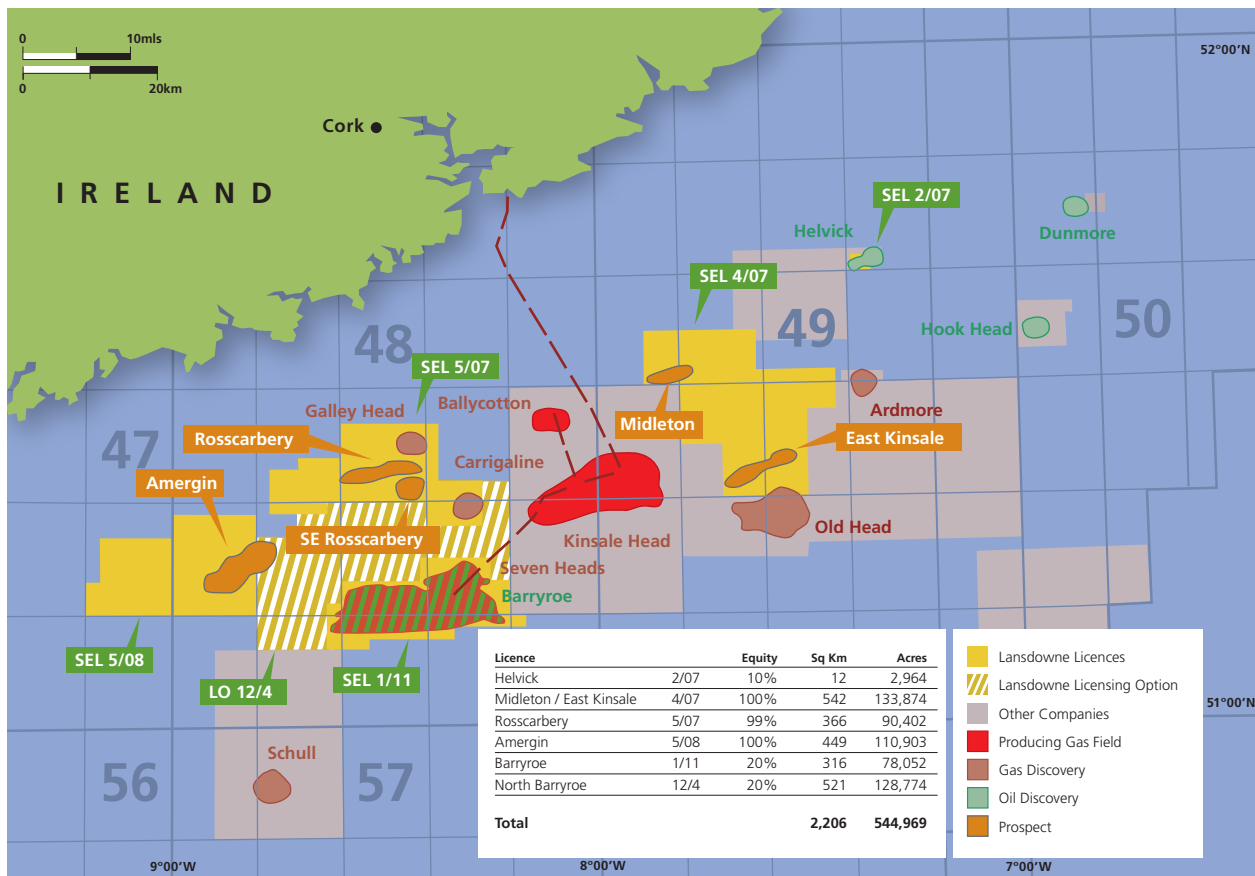
Operations Review

Lansdowne holds rights, through its wholly owned subsidiaries, to five Standard Exploration Licences and one Licensing Option in the Irish offshore.

Lansdowne continued its technically focused approach to exploit its extensive licensed areas in the North Celtic Sea Basin (“NCSB”), off the south coast of Ireland.

Lansdowne, through the success of the 48/24-10z “Barryroe” oilfield appraisal well completed in March 2012 and the application of seismic inversion technology over its 3D seismic data base on its prospects in other licences during the course of the report period, is now positioned to explore for additional commercial oil and gas fields in its licensed areas.

In addition to the “Barryroe” oilfield farmout process that is being led by the operator Providence Resources, Lansdowne is actively engaged with potential farm-in joint-venture partners to drill on its “Amergin”, “Midleton” and “Rosscarbery” licences in 2014.



Operational highlights

- “Barryroe” appraisal well 48/24-10z successfully tested at a stabilised rate of 3,514 BOPD and 2.93 MMSCFD.
- “Barryroe” updated operator estimate of P50 oil in place estimates currently total 1,043 MMBO for the Middle & Basal Wealden reservoirs.
- “Barryroe” additional potential identified in Lower Wealden and Purbeckian reservoir intervals with operator estimate of P50 oil in place estimate of 778 MMBO.
- “Barryroe” technical reservoir resource audit by Netherland Sewell & Associates Inc. of the Basal Wealden Sand.
- Total gross audited on-block 2C recoverable resources of 346 MMBOE, (69 MMBOE net to Lansdowne).
- “Barryroe North” Licensing Option secured over 521 sq kms.
- “Amergin”, “Midleton” & “Rosscarbery” prospects de-risked substantially by 3D seismic mapping and subsequent inversion. Industry farmout discussions on-going with Macquarie Capital as advisor to the company.

Standard exploration licence 1/11 (“Barryroe”) – Lansdowne 20%

Licence 1/11 (“Barryroe”) incorporates part blocks 48/22, 48/23, 48/24, 48/27, 48/28, 48/29, 48/30 covering an area of 316.36 sq km along the axis of the North Celtic Sea Basin.

The Barryroe Licence is held by Lansdowne (20 per cent) with Providence Resources as operator. Part of the Barryroe acreage lies beneath the Seven Heads Gas Field, with the horizontal boundary between the two concessions lying at 4,000 ft (approximately 1,250 m) sub-sea.

On 15 March 2012, Providence Resources plc (“Providence”) as operator of the Barryroe 48/24-10z appraisal well, in which your company has a 20% interest, confirmed that the well had successfully flow tested at a stabilised rate of 3,514 BOPD and 2.93 MMSCFD. The stabilized flow rates were achieved without the use of artificial lift and subsequent laboratory reservoir fluid analysis confirmed that the oil is light with a gravity of 43 degree API and a wax content of 17%. The oil is highly mobile with an in-situ reservoir viscosity of 0.68 centipoises and a gas-oil ratio of c. 800 SCF/STB.

On 23 March 2012, following the successful testing of the lower basal 24’ net oil bearing interval, an additional 17’ thick net gas bearing section was perforated to test the potential of the upper part of the basal Wealden sandstone section. The surface test spread equipment was optimized for the lower oil zone test and was therefore equipment constrained on this gas zone test, which achieved highly productive flow rates of c. 7 MMSCFD & 1,350 BOPD (c. 2,516 BOEPD) through a restricted 36/64” choke, with a flowing well head pressure of c. 1,700 PSIG. The productivity of the gas bearing interval far exceeded expectations and thereby constrained the ability to fully open the well up to its maximum potential. Preliminary modelling of the pressure data indicates that a co-mingled flow rate of c. 17 MMSCFD and 3,350 BOPD (c. 6,183 BOEPD) at a flowing well head pressure of c. 500 PSIG is achievable.

On 24 May 2012, the results of further analysis of the 48/24-10z well test data which were acquired by Schlumberger during well testing operations were announced. The data was analyzed using a leading wellbore modelling software system to determine the potential Initial Production (IP) rates achievable from a single horizontal development well. The analysis forecasts that a 1,000’ horizontal well could deliver an IP of c. 12,500 BOPD and c. 11 MMSCFD (c. 14,300 BOEPD) through a standard 4.5” outer diameter (OD) production tubing under natural lift. Further well deliverability analysis and optimization studies are on-going to incorporate artificial lift which is expected to form part of the field development plan.

On 25 July 2012, Providence Resources announced the completion of a series of comprehensive post-well studies in order to update the in-place volumetric resource estimate for the Barryroe discovery contained within Standard Exploration Licence (SEL) 1/11. This assessment has incorporated the data from all 6 wells drilled on Barryroe, together with the recently acquired/processed 3D seismic data, existing 2D seismic data, as well as utilizing other regional data. This analysis demonstrates that the Barryroe trap at Base Wealden level is situated in the hanging wall side of an inverted major intra-basinal growth-fault system and covers an area of several hundred square kilometres. The crest of the structure is located at c. 6,400 ft TVDSS with deepest logged hydrocarbons at c. 7,300 ft TVDSS with no evidence of an oil-water contact. Reservoir fluid data from the recent 48/24-10z well indicate that there is unlikely to be any primary gas cap present at the crest of the structure in the Basal Wealden sands.

The updated P50 oil in place estimates currently total 1,043 MMBO for the Middle & Lower Wealden reservoirs. On September 5th, the oil in place volume estimates for the additional Lower Wealden and Purbeckian reservoir intervals were announced, with a further P50 potential of 778 MMBO being identified.

**Lansdowne’s share of 2C recoverable resources
in Barryroe is 69 MMBOE**

Operations Review

Continued

Licensing option 12/4 ("Barryroe North") – Lansdowne 20%

On 9 August 2012, the Barryroe consortium announced that it had secured a new Licensing Option 12/4 ("Barryroe North") over an area of 521 sq kms contiguous to the north of Barryroe where seismic mapping suggests that parts of the Barryroe Oilfield may extend. The area is contiguous with Lansdowne's Amergin (SEL 5/08) and Rosscarbery (SEL 5/07) licences and further consolidates the Company's position in the emerging Basal Wealden play fairway.

Standard exploration licence 5/08 ("Amergin") – Lansdowne 100%

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.

The 3D seismic data has resulted in much better imaging of the "Amergin" structure and has confirmed the prospect as a robust structural closure ready for drilling. Seismic inversion results indicate that the Lower and Basal Wealden sandstone reservoirs that are productive in the adjoining "Barryroe" licence and also found in the 48/22-1A well appear to be present on the up thrown "Amergin" prospect.

The findings were most encouraging with the "Amergin" Prospect interpreted as having pre-drill probabilistic STOIP (Stock Tank Oil Initially in Place) for the primary targets (Basal Wealden and Upper Jurassic) P50 un-risked case calculated as 472 MMBO, with potential ultimate recoverable resources estimated internally as 151 MMBO.

These figures compare to 212 MMBO and 62 MMBO respectively derived from the older 2D seismic and published in the RPS Competent Person's Report ("CPR") in February 2011. In addition the two secondary targets in the Cretaceous Wealden have been estimated to contain P50 un-risked STOIP of 267 MMBO with potential ultimate recoverable resources of 80 MMBO. No volumes were calculated for these additional Wealden sands in the Competent Person's Report published in February 2011. Additional follow-on structures have been identified in the licensed area which could be pursued in the event of a successful test of the "Amergin" structure in 2014.

*Amergin prospect substantially
de-risked by Barryroe success*

Standard exploration licence 4/07 ("Midleton") – Lansdowne 100%

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 prospects.

The "Midleton" Prospect lies approximately 20 km northeast of the Kinsale Head gas field (c. 1.7 TCF reserves) and also 20 km 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 off structure.

- The Midleton Prospect is identified as a four-way dip closed faulted anticline at the primary Lower Cretaceous "A" Greensand level – the main reservoir in the nearby Kinsale Head Gas field and the sole producing reservoir in the nearby Ballycotton Gas field.
- Amplitude brightening at Greensand 'A' Sand level is seen on seismic lines across the Midleton Prospect, similar to that seen on lines across the Ballycotton Field.
- Midleton has been assessed as having potential for 330 BCF GIIP / 268 BCF recoverable.

Following the 3D seismic, internal pre-drill probabilistic GIIP of the Middleton prospect for the Lower Cretaceous "A" Greensand P50 un-risked gas case is calculated as 204 BCF, with potential ultimate recoverable gas resources estimated internally as 174 BCF. These figures compare to 75 BCF and 56 BCF respectively derived from the older 2D seismic and published in the Competent Person's Report in February 2011. An amplitude anomaly, which Lansdowne considers may be an indicator of gas, has been identified on the 3D seismic at "A" Greensand level and may reduce perceived risk on this prospect ahead of drilling. A further amplitude anomaly has been identified in the Upper Wealden and this forms a new, secondary target in the prospect. Following the interpretation of the 3D seismic internal pre-drill probabilistic GIIP of the Middleton prospect for the Lower Cretaceous Upper Wealden P50 un-risked gas case is calculated as 126 BCF, with potential ultimate recoverable gas resources estimated internally as 94 BCF. Volumes were not calculated for the Upper Wealden in the Competent Person's Report published in February 2011. Additional follow-on features have been identified for future drilling in the licensed area in the event of a successful test on Middleton in 2014.

Conceptual Development studies have also been carried out by Asset Development and Improvement Limited (ADIL) a third party specialist oil and gas engineering consultancy. The study concluded that, if drilling proved successful, Middleton is economically viable as a stand-alone development project or a tie-back to existing infrastructure in the area.

*Middleton is considered a low risk,
substantial gas prospect, with early
development potential*

Standard exploration licence 5/07 ("Rosscarbery") – Lansdowne 99%

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. The licence encompasses an area of 366 sq. kms, lies in water depth of circa 100 metres, and is currently held 99% by Lansdowne as operator.

On 12 April 2012, Lansdowne announced the results of the 3D seismic survey that covered the Galley Head gas discovery and other prospects in the Rosscarbery licence area. As a result the Galley Head gas discovery is now interpreted by Lansdowne as having gross P50 in place volume of 30 BSCF GIIP with 25 BSCF potentially technically recoverable. This compares favourably with the historic "CPR", February 2011 that calculated gross P50 in place volume of 7.1 BCF GIIP with some 5.3 BSCF considered technically recoverable. The Carrigaline gas discovery, lies outside the area covered by the 2011 3D seismic survey and remains unchanged from the February 2011 CPR which calculated gross P50 in place volume of 81.8 BSCF with P50 technically recoverable gas of 60.8 BSCF. Internal pre-drill P50 un-risked probabilistic estimates of the GIIP for the shallow Lower Cretaceous "A" Greensand and Upper/Middle Wealden gas prospects, covered by the 2011 3D seismic is calculated as 254 BSCF, with potential ultimate recoverable gas resources estimated internally as 199 BSCF. These figures compare to 324 BSCF and 239 BSCF respectively derived from the older 2D seismic and published in the CPR. Amplitude anomalies, which Lansdowne considers may be an indicator of gas, have been identified on the 3D seismic at "A" Greensand and Wealden horizons on some prospects and may reduce the perceived risk ahead of any drilling. In summary, the Rosscarbery licence contains the Galley Head gas discovery that now looks more promising than previously thought, along with a number of other identified gas prospects as interpreted by 3D seismic. Should drilling prove successful there would appear to be scope for a cluster development of these prospects in due course.

Licence 2/07 – 49/9P – Helvick oilfield – Lansdowne 10%

The undeveloped Helvick field, with Providence Resources as operator, is situated some 40 km offshore Ireland in c. 80m (265 ft) water depth. The field was discovered in 1983 by Gulf Oil with the drilling of the 49/9-2 discovery well. This well was tested and flowed at a cumulative rate of c. 10,000 BOPD from four zones.

The Helvick oil is a light (44° API) and non-waxy crude oil, contained in high permeability Upper Jurassic sands. The field has been appraised by the 49/9-3 and 49/9-6, 6Z wells.

This small oil accumulation is constantly being reviewed for innovative development possibilities.

Oil and Gas Interests

The Group has interests in the following Licence and Licensing Options all of which are in Irish waters:

Licence	Interest	Operator
4/07 Midleton Exploration Licence	100 per cent	Lansdowne
5/07 Rosscarbery Exploration Licence	99 per cent	Lansdowne
5/08 Amergin Exploration Licence	100 per cent	Milesian
01/11 Barryroe Exploration Licence	20 per cent	Providence Resources Plc
12/4 Barryroe North Licensing Option	20 per cent	Providence Resources Plc
2/07 Helvick Exploration Licence	10 per cent	Providence Resources Plc

Notes

Irish licensing regime

Licensing option

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

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

Exploration Licence

A "Standard" licence covers an agreed work programme in water less than 200 metres deep. The work programme usually includes an exploration well. The licence period is six years.

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

Lease undertaking

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

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

Finance Review

For the year ended 31 December 2012

Description of business

Lansdowne Oil & Gas plc, an English public limited company, and its subsidiaries form an energy group focused on exploration activities. The Group is actively exploring for, and appraising, oil and gas reserves offshore Ireland. The Company's shares, since 21 April 2006, have been quoted on the AIM Market 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 2012 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").

Administrative expenses

The Group has two full-time paid Executive Directors. During the year, administration and technical support was provided by SeaEnergy PLC (a major shareholder through its subsidiary Ramco Hibernia Ltd) and LHM Casey McGrath under a service agreement. These costs and the professional fees associated with the Company's listed status account for the administrative expenses of £1.0 million (2011: £1.0 million).

Operating loss

The Group recorded a loss before interest and taxation of £1.0 million in the year (2011: £1.0 million).

Finance income and costs

Bank interest receivable was £13,000 (2011: £19,000). Interest payable on loans from shareholders amounted to £7,000 (2011: £29,000). Foreign exchange differences on cash balances amounted to a loss of £26,000 (2011: gain of £133,000).

Income tax expense

The current tax credit for the year is £53,000 (2011: £105,000) and the unprovided deferred tax asset on unrelieved losses was £1.2 million (2011: £1.0 million).

Loss for the financial year

A loss of £1.1 million was recorded in the year (2011: £800,000).

Loss per share

Basic and diluted loss per share for the year was 0.9p (2011: 0.8p).

Balance sheet

The Group and Company Statements of Financial Position as at 31 December 2012 and 31 December 2011 are shown on pages 24 and 25. Group net assets were £26.3 million at 31 December 2012 (2011: £17.8 million). At 31 December 2012, the Group held £5.5 million (2011: £3.2 million) as cash or short-term deposits. The Group had goodwill and other intangible assets totalling £25.8 million at the balance sheet date (2011: £17.8 million). Included in this category is goodwill of £1.4 million (2011: £1.4 million) arising on the acquisition of Milesian Oil & Gas Limited in 2007 and costs of £24.4 million (2011: £16.4 million) incurred in connection with the Group's exploration licences in the Celtic Sea and the associated work programmes. Of the £24.4 million, £5.4 million relates to the acquisition of Milesian Oil & Gas Limited during 2007.

Cash flow from operations

As indicated by the consolidated statement of cash flows on page 26, the Group's net cash generated by operating activities was £1.2 million for the year ended 31 December 2012 (2011: £70,000).

Cash flows related to investing activities

In the period ended 31 December 2012 the Group invested approximately £8.0 million (2011: £7.6 million) in connection with its oil and gas interests.

Cash flows related to financing activities

The Group raised £9.4 million, net of costs, of cash from the issue of new share capital during the year (2011: £10.6 million).

Future capital requirements

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

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

Finance Review

Continued

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 11. In the normal course of business the Group also faces certain other non-financial or non-quantifiable risks. To the extent that the Group's oil and gas assets can be successfully developed, the Group's assets, revenues and cash flows may become dominated by Dollar or Euro-based oil and gas operations. Accordingly, the Sterling/Dollar and Sterling/Euro exchange rates are important to the Sterling prices of the Shares traded on the AIM.

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

Dollar/Sterling exchange rates (Dollar per Pound Sterling)

	At end of year	Average rate*	High	Low
2007	1.99	2.01	2.08	1.96
2008	1.45	1.88	1.99	1.45
2009	1.62	1.58	1.67	1.43
2010	1.56	1.55	1.62	1.47
2011	1.55	1.61	1.67	1.55
2012	1.61	1.59	1.62	1.52

Euro/Sterling exchange rates (Euro per Pound Sterling)

	At end of year	Average rate*	High	Low
2007	1.36	1.47	1.51	1.36
2008	1.04	1.27	1.36	1.04
2009	1.15	1.12	1.19	1.01
2010	1.19	1.16	1.22	1.11
2011	1.20	1.15	1.20	1.10
2012	1.23	1.23	1.28	1.18

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

Details of how the Group manages interest rate and foreign currency exchange risks are included in note 11.

Stephen Boldy

Chief Executive Officer

8 May 2013

Directors' Report

For the year ended 31 December 2012

Company Number: 05662495

The Directors submit their report and audited Group financial statements for the year ended 31 December 2012.

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 5 to the financial statements. The Group consolidated income statement set out on page 23 shows a loss on ordinary activities before tax of £1.1 million (2011: £0.9 million). After tax the Group loss for the year was £1.1 million (2011: £0.8 million). The Directors do not recommend the payment of a dividend and £1.1 million (2011: £0.8 million) 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 & 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.

Principal risks and uncertainties

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

Financial risks:

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

Operational risks:

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

Strategic and external risks:

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

The risks set out are not exhaustive and additional risks and uncertainties may arise or become material in the future. Any of the risks, as well as other risks and uncertainties discussed in this document, could have a material adverse effect on our business. There is no absolute assurance that the Group's exploration and development activities will be successful. The Group's activities may also be curtailed, delayed or cancelled not only as a result of adverse weather conditions but also as a result of shortage or delays in the delivery of drilling rigs and other equipment which, at times, are in short supply. The Group seeks to manage these risks through portfolio management, balancing risk across a range of prospects and leads, which carry varying technical and commercial risks, and carefully managing the financial exposure to each asset in the portfolio through the arrangements set out with joint venture partners.

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

Directors' Report

Continued

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

Future outlook

The Group's future outlook is described in the Chairman's Statement on pages 2 and 3.

Employees

The Group has 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

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 18 to 20.

Details of executive directors

Dr Stephen Boldy (*Chief Executive Officer*), aged 57, joined Ramco Energy plc in March 2003, becoming CEO of Lansdowne in April 2006. From 1980 to 1984 Dr Boldy worked as a petroleum geologist for the Petroleum Affairs Division of the Department of Energy in Dublin and then spent almost 19 years with Amerada Hess Corporation, where his appointments included UK Exploration Manager and International Exploration Manager. Dr Boldy has extensive experience of working Irish offshore basins and the basins west of Britain and earned his PhD in geology from Trinity College Dublin.

Emmet Brown (*Director of Business Development*), aged 63, was managing director and founder of Milesian, acquired by Lansdowne in December 2007. Mr Brown is a petroleum geologist with 40 years experience, having worked in many facets of exploration and 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.

Details of non-executive directors

John Greenall (*Non-Executive Chairman*)*†, aged 74, 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 former Non-Executive Director of RP&C International Limited, a niche investment bank based in London.

Steven Lampe (*Non-Executive Director*)†, aged 54, an investment manager based in New York, USA, is managing member of Lampe, Conway & Co LLC, a limited liability company organised in the state of Delaware.

Christopher Moar (*Non-Executive Director*), aged 50, joined SeaEnergy in 1993. Mr. Moar was Company Secretary from December 1996 to January 2013, and became Finance Director of SeaEnergy 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.

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

Viscount Torrington (*Non-Executive Director*)^{†*}, aged 69, graduated from Oxford University as a geologist in 1964. He served in technical and managerial roles with Anglo American plc and Lonrho plc. In 1975 he became Managing Director of the Attock Oil Company, later Anvil Petroleum plc. The latter was merged with Berkeley Exploration in 1986, and acquired by Ranger Oil the same year. In 1987, he became a Director of Flextech plc and chief executive of Exploration & Production Services (Holdings) Limited, better known as Expro, a major UK oilfield services contractor. From 1995 to 2000, he served as Managing Director of Heritage Oil & Gas Limited, later listed in Toronto as Heritage Oil Corporation. He has also served as a non-executive Director of other listed companies.

John H Aldersey-Williams (*Non-Executive Director*)^{*}, aged 50, is Chief Executive of SeaEnergy plc and has worked in the energy business for 25 years. In 2001, he founded Redfield Consulting Limited, a consultancy offering commercial, strategic and economic advice to companies across the zero-carbon energy space. Redfield advised public and private sector clients in wind and marine energy, as well as in carbon capture and storage and policy areas. He was also a director of the European Marine Energy Centre from 2005-2009. He was appointed as a Non-Executive Director of Lansdowne Oil & Gas plc on 11 September 2012.

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 8 May 2013.

	No. of shares	Per cent of capital
Lampe Conway & Co LLC/LC Capital Master Fund Limited	36,401,552	25.90%
Ramco Hibernia Limited (a subsidiary of SeaEnergy plc)	30,194,193	21.48%
Thomas Anderson	9,688,693	6.89%
Aviva Plc & subsidiaries	13,242,410	9.42%
Artemis Investment Management	6,500,000	4.63%
Directors (page 20)	3,987,688	2.84%

Share capital

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

Creditor payment policy

The Group'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 Group's average creditor payment period at 31 December 2012 was 60 days (2011: 66 days).

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

* A member of the Audit Committee

† A member of the Remuneration Committee

Directors' Report

Continued

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on pages 12 and 13. Having made enquiries of fellow directors and of the Group's auditors, each of these directors confirms that:

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

Post Balance Sheet Events

Since the end of the financial year, the Directors are not aware of any other event or circumstance which has not being dealt with in this report which may have a significant impact on the operations of the Consolidated Entity.

Financial Instruments

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

By order of the Board

Con Casey FCCA

Company Secretary

8 May 2013

Corporate Governance

For the year ended 31 December 2012

Lansdowne, as an AIM-listed company, is not required to comply with the UK Corporate Governance Code ("the Code") published by the Financial Reporting Council in June 2010. However, the Board recognises the importance of sound corporate governance and has ensured that, following Admission, the Group adopted policies and procedures which reflect such of the Principles of Good Governance and the Code of Best Practice as are appropriate to the Group'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 Non-Executive Chairman, three Executive Directors and three further Non-Executive Directors. Biographies of the Directors are presented on pages 12 and 13. John Greenall is the senior independent Non-Executive Director and Chairman.

Board Meeting attendance record	2012 Eligible	2012 Attended	2011 Eligible	2011 Attended
S A R Boldy	10	10	7	7
C G Moar	10	6	7	6
J Greenall	10	7	7	6
T Torrington	10	7	7	6
S R Bertram (resigned 11 September 2012)	8	4	7	7
S G Lampe	10	7	7	7
E Brown	10	9	7	7
J Aldersey-Williams (appointed 11 September 2012)	2	1	–	–

Relationship with former parent company

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

The Board 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 comprise solely of Non-Executive Directors who take no part in the discussion of their own remuneration.

Audit Committee

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

The 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.

Corporate Governance

Continued

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 Ernst & Young LLP each year to satisfy itself that there is no effect on their independence. Details of this year's fees are given in note 15 to the accounts. The Committee is satisfied that Ernst & Young 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 18 to 20 and contains a statement of remuneration policy and details of the remuneration of each Director.

Risk management and internal control

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

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

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

Investor relations

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

The Group has a website, www.lansdowneoilandgas.com, which is regularly updated and contains a wide range of information about the Group 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 endeavours to comply 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

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Under Company Law the directors must not approve the Group and Company financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Group and Company for that period. In preparing the Group and Company financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company's financial position and financial performance;
- monthly reporting of actual performance compared to budget, reviewed by the Board quarterly.
- state that the Group and Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Group and Company financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Lansdowne Oil & Gas plc 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

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

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

Remuneration Report

For the year ended 31 December 2012

Introduction

This report has been prepared in accordance with the provisions of Schedule 8 to the Large and Medium Sized Companies and Group (Accounts and Reports) Regulations 2008, except for the non-inclusion of a performance graph and provision of details of how remuneration packages have been benchmarked. Lansdowne, as an AIM-listed 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.

Remuneration Committee

The members of the Remuneration Committee (The Committee) are John Greenall, Steven Lampe and Viscount Torrington (Chairman), all of whom are Non-Executive Directors of the Company. The Committee has followed the provisions set out in Schedules A and B of The 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 farmout 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 SeaEnergy PLC, a major shareholder. The costs of his services were included in the monthly management charge paid to SeaEnergy PLC (note 24) until that agreement ended in September 2012. In the opinion of the Directors it is not possible to apportion an element of the monthly management charge to directors' services and accordingly no allocation has been made.

Directors' detailed emoluments

	Salary and fees £'000	Performance Related Bonus £'000	Benefits £'000	Aggregate Emoluments £'000	2012 Pension Contributions £'000	2011 Pension Contributions £'000	2012 Total £'000	2011 Total £'000
Executive Directors								
S A R Boldy	179	–	3	182	27	28	209	224
E Brown	179	–	3	182	27	29	209	224
Non-Executive Directors								
J Greenall	15	–	–	15	–	–	15	15
T Torrington	15	–	–	15	–	–	15	15
S R Bertram ⁽¹⁾	–	–	–	–	–	–	–	–
S G Lampe ⁽²⁾	15	–	–	15	–	–	15	–
J H Aldersey-Williams ⁽³⁾	–	–	–	–	–	–	–	–
C G Moar	–	–	–	–	–	–	–	–
2012	403	–	6	409	54		463	
2011	415	–	6	421		57		478

⁽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.

⁽³⁾ Waived fees from 11 September 2012.

In addition to the above cash based emoluments, the expense/(credit) in the year for share options awarded to S A R Boldy was £52,000 (2011: £35,000), E Brown £21,000 (2011: £22,000), C G Moar £9,000 (2011: £9,000), J Greenall £5,000 (2011: £2,000), T Torrington £5,000 (2011: £2,000) and S R Bertram £5,000 (2011: £2,000).

Interests in share options

	Exercise Price	At 31 Dec 2011	2012 Lapsed	2012 Granted	At 31 Dec 2012	Normal Exercise Dates
S A R Boldy	36.5p	–	–	600,000	600,000	1 June 2015 to 31 May 2022
S A R Boldy	25p	1,000,000	–	–	1,000,000	20 May 2014 to 19 May 2021
E Brown	36.5p	–	–	240,000	240,000	1 June 2015 to 31 May 2022
E Brown	25p	400,000	–	–	400,000	20 May 2014 to 19 May 2021
C G Moar	36.5p	–	–	50,000	50,000	1 June 2015 to 31 May 2022
C G Moar	25p	250,000	–	–	250,000	20 May 2014 to 19 May 2021
J Greenall	36.5p	–	–	50,000	50,000	1 June 2015 to 31 May 2022
J Greenall	25p	100,000	–	–	100,000	20 May 2014 to 19 May 2021

Remuneration Report

Continued

Interests in Share Options continued

	Exercise Price	At 31 Dec 2011	2012 Lapsed	2012 Granted	At 31 Dec 2012	Normal Exercise Dates
T Torrington	36.5p	–	–	50,000	50,000	1 June 2015 to 31 May 2022
T Torrington	25p	100,000	–	–	100,000	20 May 2014 to 19 May 2021
S R Bertram	36.5p	–	–	50,000	50,000	1 June 2015 to 31 May 2022
S R Bertram	25p	100,000	–	–	100,000	20 May 2014 to 19 May 2021
S G Lampe	36.5p	–	–	50,000	50,000	1 June 2015 to 31 May 2022
	–	1,950,000	–	1,090,000	3,040,000	

Details of the performance criterion, conditional upon which the options are exercisable, is set out in note 17 to the accounts. During 2012, the share price ranged between a high of 65.12p and a low of 29.88p. The quarterly highest and lowest closing share prices are detailed in note 12.

Interests in shares

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

	At 31 Dec 2011	At 31 Dec 2012	At 8 May 2013
S A R Boldy	52,660	52,660	52,660
S R Bertram	141,314	–	–
C G Moar	–	–	–
J Greenall	85,380	85,380	85,380
T Torrington	105,880	105,880	105,880
S G Lampe	–	–	–
E Brown	3,743,768	3,743,768	3,743,768
J H Aldersey-Williams	–	–	–
	4,129,002	3,987,688	3,987,688

S G Lampe has a non-beneficial interest in 36,401,552 shares in Lansdowne held by LC Capital Master Fund Limited (36,205,474 shares) and Lampe Conway and Co. LLC (196,078 shares). S Lampe is managing member of Lampe Conway & Co. LLC, the investment manager of LC Capital Master Fund Limited.

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.

On behalf of the Board

T Torrington

Chairman, Remuneration Committee

8 May 2013

We have audited the financial statements of Lansdowne Oil & Gas plc for the year ended 31 December 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, Statement of Accounting Policies and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2012 and of the Group's loss for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The conditions referred to in note 1 to the financial statements; indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Continued

Matters on which we are required to report by exception

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

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

Kevin Weston

Senior statutory auditor

for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

10 May 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Administrative expenses		(991)	(1,007)
Disposal of intangible assets		(29)	–
Operating loss	15	(1,020)	(1,007)
Finance costs	18	(140)	(30)
Finance income	18	13	152
Loss for the year before tax		(1,147)	(885)
Income tax credit	19	53	105
Loss for the year		(1,094)	(780)
Loss per share (pence):			
Basic loss per ordinary share	2	(0.9p)	(0.8p)
Diluted loss per ordinary share	2	(0.9p)	(0.8p)

The results for the period all arise on continuing operations.

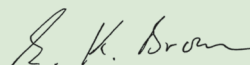
Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

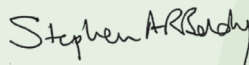
	2012 £'000	2011 £'000
Loss for the year	(1,094)	(780)
Currency translation differences	53	(5)
Total comprehensive loss for the year	(1,041)	(785)

The accompanying notes on pages 36-45 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 8 May 2013.



Emmet Brown
Director



Stephen Boldy
Director

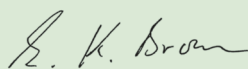
Consolidated Statement of Financial Position

As at 31 December 2012

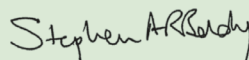
Assets	Notes	2012 £'000	2011 £'000
Non-Current Assets			
Intangible assets	3	24,399	16,365
Property, plant and equipment	4	1	1
Goodwill	3	1,421	1,421
		25,821	17,787
Current Assets			
Trade and other receivables	6	101	36
Cash and cash equivalents	7	5,549	3,228
		5,650	3,264
Total Assets		31,471	21,051
Equity and Liabilities			
Shareholders' Equity			
Share capital	12	7,027	6,118
Share premium	12	25,273	16,736
Other reserves	13	118	65
Accumulated deficit	14	(6,070)	(5,076)
Total Equity		26,348	17,843
Non-Current Liabilities			
Deferred income tax liabilities	10	1,263	1,316
		1,263	1,316
Current Liabilities			
Trade and other payables	8	3,860	1,719
Borrowings	9	–	173
		3,860	1,892
Total Liabilities		5,123	3,208
Total Equity and Liabilities		31,471	21,051

The accompanying notes on pages 36-45 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 8 May 2013.



Emmet Brown
Director



Stephen Boldy
Director

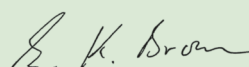
Company Statement of Financial Position

As at 31 December 2012

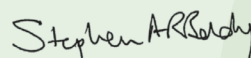
Assets	Notes	2012 £'000	2011 £'000
Non-Current Assets			
Property, plant and equipment	4	1	1
Investment in subsidiaries	5	5,432	5,432
		5,433	5,433
Current Assets			
Trade and other receivables	6	97	36
Cash and cash equivalents	7	5,548	3,228
		5,645	3,264
Total Assets		11,078	8,697
Equity and Liabilities			
Shareholders' Equity			
Share capital	12	7,027	6,118
Share premium	12	25,273	16,736
Accumulated deficit	14	(25,060)	(15,888)
Total Equity		7,240	6,966
Current Liabilities			
Trade and other payables	8	3,838	1,558
Borrowings	9	–	173
Total Liabilities		3,838	1,731
Total Equity and Liabilities		11,078	8,697

The accompanying notes on pages 36-45 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 8 May 2013.



Emmet Brown
Director



Stephen Boldy
Director

Consolidated Statement of Cash Flows

for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash generated by operations	20	1,111	192
Net finance expense/ (income)		127	(122)
Net cash generated by operating activities		1,238	70
Cash flows from investing activities			
Acquisition of intangible exploration assets	3	(8,063)	(7,632)
Acquisition of property, plant and equipment		–	(1)
Interest received	18	13	19
Net cash used in investing activities		(8,050)	(7,614)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	12	9,446	10,550
Proceeds from borrowings		–	65
Repayment of borrowings	9	(173)	–
Interest paid		(114)	(2)
Net cash generated from financing activities		9,159	10,613
Effect of exchange rate fluctuations on cash held		(26)	133
Net increase in cash and cash equivalents		2,321	3,202
Cash and cash equivalents at beginning of year	7	3,228	26
Cash and cash equivalents at end of year	7	5,549	3,228

The accompanying notes on pages 36-45 form an integral part of these financial statements.

Company Statement of Cash Flows

for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash used in operations	20	(6,953)	(7,440)
Net finance expense /(income)		20	(122)
Net cash used in operating activities		(6,933)	(7,562)
Cash flows from investing activities			
Acquisition of property, plant and equipment		–	(1)
Interest received	18	13	19
Net cash used in investing activities		13	18
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	12	9,446	10,550
Proceeds from borrowings		–	65
Repayment of borrowings	9	(173)	–
Interest paid		(7)	(2)
Net cash generated from financing activities		9,266	10,613
Effect of exchange rate fluctuations on cash held		(26)	133
Net increase in cash and cash equivalents		2,320	3,202
Cash and cash equivalents at beginning of year	7	3,228	26
Cash and cash equivalents at end of year	7	5,548	3,228

The accompanying notes on pages 36-45 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Share Capital £'000	Share Premium £'000	Other Reserve £'000	Accumulated Deficit £'000	Total Equity £'000
Balance at 1 January 2011	2,685	7,672	70	(4,362)	6,065
Loss for the financial year	–	–	–	(780)	(780)
Currency translation difference (note 13)	–	–	(5)	–	(5)
Total comprehensive income for the year	2,685	7,672	65	(5,142)	5,280
Share based payments charge (note 17)	–	–	–	66	66
Issue of new shares – gross consideration (note 12)	3,043	8,087	–	–	11,130
Issue of new shares – debt conversion (note 12)	390	1,558	–	–	1,948
Cost of share issues	–	(581)	–	–	(581)
Balance at 31 December 2011	6,118	16,736	65	(5,076)	17,843
Balance at 1 January 2012	6,118	16,736	65	(5,076)	17,843
Loss for the financial year	–	–	–	(1,094)	(1,094)
Currency translation difference (note 13)	–	–	53	–	53
Total comprehensive income for the year	6,118	16,736	118	(6,170)	16,802
Share based payments charge (note 17)	–	–	–	100	100
Issue of new shares – gross consideration (note 12)	909	9,091	–	–	10,000
Cost of share issues	–	(554)	–	–	(554)
Balance at 31 December 2012	7,027	25,273	118	(6,070)	26,348

The accompanying notes on pages 36-45 form an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2012

	Share Capital £'000	Share Premium £'000	Accumulated Deficit £'000	Total Equity £'000
Balance at 1 January 2011	2,685	7,672	(7,281)	3,076
Loss for the financial year	–	–	(8,673)	(8,673)
Share based payments charge (note 17)	–	–	66	66
Issue of new shares – gross consideration (note 12)	3,043	8,087	–	11,130
Issue of new shares – debt conversion (note 12)	390	1,558	–	1,948
Cost of share issues	–	(581)	–	(581)
Balance at 31 December 2011	6,118	16,736	(15,888)	6,966
Balance at 1 January 2012	6,118	16,736	(15,888)	6,966
Loss for the financial year	–	–	(9,272)	(9,272)
Share based payments charge (note 17)	–	–	100	100
Issue of new shares – gross consideration (note 12)	909	9,091	–	10,000
Cost of share issues	–	(554)	–	(554)
Balance at 31 December 2012	7,027	25,273	(25,060)	7,240

The accompanying notes on pages 36-45 form an integral part of these financial statements.

Statement of Accounting Policies

For the year ended 31 December 2012

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 McGrigors LLP 5 Old Bailey, London EC4M 7BA.

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

Basis of preparation

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

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

During the year the Group and Company successfully raised funds of £9.4 million (net) through placing of new ordinary shares to enable the company to fund their share of costs in relation to the continued evaluation of the licences held, and meet the company's working capital requirements.

In relation to Barryroe, the Directors are confident that with the successful well test, Providence, as operator, will be able to conclude a farm out deal. The Company is participating in this process with Providence and the Directors believe this will provide sufficient resources for the Company to continue with the appraisal of this licence.

Macquarie Capital have commenced a farm out process across the Company's other licences, in order to find a partner(s) to participate in the next stage drilling. A data room is operational with a number of interested parties currently reviewing the information contained therein. The Directors are confident that with the positive results from the seismic surveys they will be able to conclude a farm out deal(s) which will provide sufficient resources for the Company to continue with the appraisal of these licences held.

The Directors believe that the Company has a number of available funding options; the Company's primary aim is to conclude the ongoing farm out campaign with a view to attracting industry partners to drill wells, plus the Company also has the option of issuing new equity that would provide the company with sufficient resources to progress the licences in the near term.

The Directors believe that at the date of these financial statements there exists a material uncertainty regarding whether or not the Company will be successful in raising the required future funding to progress the appraisal of the licences held, which may cast significant doubt upon the ability of the Company to continue as a going concern and therefore to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquiries and considering all the relevant factors, the Directors are of the opinion that with the current level of interest in the farm out process and the option of issuing new equity, the Company will be able to source the necessary funds.

Although this material uncertainty exists, the Directors have a reasonable expectation that the Group and Company will have adequate resources to continue in operational existence for the foreseeable future and have therefore concluded that it is appropriate to adopt the going concern basis in preparing these financial statements.

If for any reason the uncertainty described above cannot be successfully resolved, the going concern basis may no longer be appropriate. The financial statements do not include any adjustments that would result if the Group and Company was unable to continue as a going concern.

Accounting policies

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

Change in accounting policies

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS effective as of 1 January 2012:

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- IFRS 7 Financial Instruments: Disclosures – Enhances Derecognition Disclosure Requirements

The adoption of the standards or interpretations is described below:

Standards, amendments and interpretation effective in 2012 but not relevant

- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendments) – Serve Hyperinflation and Removal of Fixed Dates for First-Time Adopters IFRS 7 Financial Instruments: Disclosures- (Amendments)

Standards, amendments and interpretations issued but not yet effective

At the date the financial statements were authorised for issue, the following standards, interpretation and amendments, which are not expected to impact the Group's financial position or performance, were in issue but not yet effective:

Standard	Effective Date
IAS 1 'Presentation of items of Other Comprehensive Income'	1 July 2012
IFRS 9 'Financial Instruments'	1 January 2015
IFRS 10 'Consolidated Financial Statements'	1 January 2014
IFRS 11 'Joint Arrangements'	1 January 2014
IFRS 12 'Disclosure of Interests in Other Entities'	1 January 2014
IFRS 13 'Fair Value Measurement'	1 January 2013
IAS 27 'Separate Financial Statements'	1 January 2014
IAS 28 'Investments in Associates and Joint Ventures'	1 January 2014
IFRS 7 'Disclosures- Offsetting Financial Assets and Financial Liabilities-Amendments to IFRS 7'	1 January 2013
IAS 32 'Offsetting Financial Assets and Financial Liabilities-Amendments to IAS 32'	1 January 2014

Basis of accounting

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

Basis of consolidation

The consolidated accounts include the results of Lansdowne Oil & Gas plc and its subsidiary undertakings, made up to 31 December each year. No separate income statement is presented for the parent company, as permitted by Section 408 of the Companies Act 2006.

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.

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.

Statement of 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 fair value of the consolidation 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.

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

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:

- Furniture, fittings 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 are held at cost less impairment provisions. Impairments occur where the recoverable value of the investment is less than its carrying value. The recoverable value of the investment is the higher of its fair value less costs to sell and value in use. Value in use is based on the discounted future net cash flows of the investee.

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

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

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

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

Statement of Accounting Policies

Continued

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legal enforcement right exists to set off current tax assets against current tax liabilities, the deferred income tax relates to the same taxation authority and that authority permits the group to make a single net payment.

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

Defined contribution pension schemes

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

Share based payments

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

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

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

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

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

Where the terms of an equity settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share based payment transaction, or is otherwise beneficial to the employee as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity settled transactions are treated equally.

Revenue and other income

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

Foreign currency

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

Financial instruments and risk management

The Group’s current and anticipated operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, interest rates and commodity prices. The Board approves the use of financial products to manage the Group’s exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Further details of the Group’s accounting policy for financial instruments and risk management are given in note 11.

Judgements and key sources of estimation uncertainty

The Group has used judgements, estimates and assumptions in arriving at certain figures in the preparation of its financial statements. The resulting accounting estimates may not equate with the actual results which will only be known in time.

Those areas believed to be key areas of estimation are;

- Impairment testing (note 1)
- Share based payments (note 17)
- Deferred tax (note 10)

Those areas believed to be key areas of judgements are;

- Going concern (note 1)
- Oil and Gas Intangible exploration/ appraisal assets (note 1)

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

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in interest income and interest expense.

Notes to the Financial Statements

For the year ended 31 December 2012

1. Segmental Reporting

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

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

2. Loss per ordinary share

The loss for the year was wholly from continuing operations.

	2012 £'000	2011 £'000
Loss for the year attributable to equity holders	(1,094)	(780)
Weighted average number of ordinary shares in issue – basic and diluted	128,535,058	93,929,858
Loss per share arising from continuing operations attributable to the equity holders of the Company – basic and diluted (in pence)	(0.9)	(0.8)

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two classes of potential ordinary shares; share options and share warrants. As a loss was recorded for both 2012 and 2011 the issue of new shares would have been antidilutive.

3. Goodwill and other intangible assets

Group	Exploration / appraisal assets £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2012	16,365	1,421	17,786
Additions	8,063	–	8,063
Disposals	(29)	–	(29)
At 31 December 2012	24,399	1,421	25,820
Net book values			
At 31 December 2012	24,399	1,421	25,820
At 31 December 2011	16,365	1,421	17,786

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 2012, intangible fixed assets totalled £24.4 million (2011: £16.4 million), all of which relate to Ireland.

An annual impairment review is carried out in respect of goodwill as outlined in the operational highlights on page 4, the directors are satisfied that no impairment adjustment is required.

The disposal of £29,375 relates to the write off of expenditure on the Lee licence area as the directors have decided not to renew this licence because it not considered a viable project.

4. Property, plant and equipment

Furniture, fittings & equipment	Group £'000	Company £'000
Cost		
At 1 January 2012	4	2
Additions	–	–
Disposals	–	–
At 31 December 2012	4	2
Accumulated depreciation		
At 1 January 2012	3	1
Charge for the year	–	–
At 31 December 2012	3	1
Net book amount		
At 31 December 2012	1	1
At 31 December 2011	1	1

5. Investments in subsidiaries

	Company £'000
Cost	
At 1 January 2011, 31 December 2011 and 31 December 2012	5,432

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

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

6. Trade and other receivables

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Amounts falling due within one year:				
Value added tax and other taxes	60	24	56	24
Bank interest receivable	–	3	–	3
Other debtors	6	–	6	–
Prepayments	35	9	35	9
	101	36	97	36

7. Cash and cash equivalents

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Cash at bank and on hand	5,549	3,228	5,548	3,228
	5,549	3,228	5,548	3,228

Notes to the Financial Statements

Continued

8. Trade and other payables

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Amounts falling due within one year:				
Trade payables	3,701	1,419	3,681	1,386
Other taxes and social security	69	28	69	28
Amount due to shareholder (note 24)	–	2	–	2
Accruals	90	270	88	142
	3,860	1,719	3,838	1,558

9. Borrowings

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Loans from shareholders	–	173	–	173

2009 Loan facilities

In February 2009, the Company entered into a loan agreement with one of its principal shareholders, LC Capital MasterFund Ltd (“LC”), pursuant to which LC agreed to provide Lansdowne with an initial loan facility of up to £500,000. The amount of the facility was subsequently extended, ultimately to a total of £1.6 million, in December 2010.

Interest initially accrued at the rate of LIBOR plus 2 per cent per annum. Interest on amounts drawn under the facility after 13 October 2010 accrued at the rate of LIBOR plus 4 per cent per annum.

Repayment of the facilities was initially due on 12 March 2010 but had subsequently been extended until 31 December 2011. The facility, including all accrued interest was fully discharged in the year ended 31 December 2012.

10. Deferred income tax liabilities

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
As at 1 January	1,316	1,421	–	–
Movement for the year	(53)	(105)	–	–
As at 31 December	1,263	1,316	–	–

Deferred tax movement relates to a rate adjustment. Deferred tax is calculated using the UK tax rate of 23% (2011: 25%). This is the rate which was in force at the balance sheet date. On 26 March 2012 the main rate was reduced to 24% effective from 1 April 2012 (see note 19 – income tax).

11. Financial risk management

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

(a) Market risk

Foreign exchange risk

Although the Group reports in Sterling, elements of its business are conducted in Euros. Given the low level of business conducted in Euros during the year foreign exchange rate fluctuations would have an immaterial effect on post tax losses.

Given the low values of expenses transacted in Euros by the Group during the year a 10 per cent increase or decrease in average exchange rates would have had an immaterial effect on post tax losses.

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 does not consider the use of hedging instruments to be necessary given the relatively small amounts borrowed and the short term of the loans concerned.

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

Price risk

The Group is not currently exposed to commodity price risk, as the Group currently does not enjoy an income stream.

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks. The Group's policy is to deposit cash with banks with an 'A' rating or better where possible. 100 per cent of cash held on deposit at 31 December 2012 was held with such banks.

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

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

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

(c) Liquidity risk

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

Work programme obligations related to the Group's licences will be financed by either reducing its equity interest through new participants farming in, by the issue of new capital, or by a combination of both.

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

There is no difference between the carrying value and the contractually undiscounted cash flows for financial liabilities. At 31 December 2012, and 31 December 2011, all trade and other payables were due within one year.

There are no derivative financial instruments held by the Group.

Notes to the Financial Statements

Continued

11. Financial risk management *continued*

Fair value of non-derivative financial assets and financial liabilities

The Group's financial instruments comprise cash, debtors and creditors due within one year and therefore management believes that the carrying values of those financial instruments approximate a fair value.

Capital management

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

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

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

12. Share capital and premium – Group and Company

Issued, called up and fully paid:

	Number of shares (thousands)	Share Capital £'000	Share Premium £'000	Total £'000
As at 1 January	122,358	6,118	16,736	22,854
Issued in year	18,182	909	9,091	10,000
Share issue costs	–	–	(554)	(554)
At 31 December 2012	140,540	7,027	25,273	32,300

On 28 August 2012, the Company raised £10 million before expenses, by the placing for cash of 18,182,000 new ordinary shares of £0.05 each at 55 pence per share.

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

	2012 Pence per share		2011 Pence per share	
	High	Low	High	Low
First quarter	55.75	29.88	40.00	13.75
Second quarter	45.62	31.00	23.75	15.25
Third quarter	65.12	36.75	29.16	15.25
Fourth quarter	63.50	50.00	39.25	23.15

13. Other reserves

	Group 2012 £'000	Group 2011 £'000
Currency transition reserve		
Balance at beginning of year	65	70
Currency translation differences	53	(5)
Balance at end of year	118	65

14. Accumulated deficit

	Group £'000	Company £'000
Year ended 31 December 2011		
At 1 January 2011	(4,362)	(7,281)
Loss for the financial year	(780)	(8,673)
Share based payments charge (Note 17)	66	66
At 31 December 2011	(5,076)	(15,888)
Year ended 31 December 2012		
At 1 January 2012	(5,076)	(15,888)
Loss for the financial year	(1,094)	(9,272)
Share based payments charge (Note 17)	100	100
At 31 December 2012	(6,070)	(25,060)

15. Group operating loss

	2012 £'000	2011 £'000
This is stated after charging		
Loss on exchange	69	3
Operating lease rentals – land and buildings	23	23

Audit Services:

Fees payable to Group's auditor for the audit of parent Company and consolidated accounts.	26	26
Fees payable to the Group's auditor for the audit of Company's subsidiaries pursuant to legislation.	6	6

16. Employees and Directors costs

Number of employees	2012 Number	2011 Number
The average monthly number of employees (including the Executive Directors) during the year was:		
Oil and gas exploration	2	2
Staff costs during the year amounted to:	2012 £'000	2011 £'000
Wages and salaries	403	414
Social security costs	91	54
Pension costs (note 21)	54	57
Share based payment	100	66
	648	591

The two full time Executive Directors are the key management personnel. Remuneration of the Directors is discussed within the Remuneration Report on pages 18 to 20.

Notes to the Financial Statements

Continued

17. Share-based payments

Share options

The Company has granted options to Directors under an Employee Share Option Scheme. Details of the grants are shown in the Remuneration Report on pages 18 to 20. As at 31 December 2012, the following options were outstanding:

Option price	Number 2012	Number 2011	Exercisable at 31 Dec '12	Exercisable at 31 Dec '11	Remaining contractual life	Normal exercise dates	Target variable	Target
25p	–	1,950,000	–	–	–	19/05/2014 to 18/05/2021	Share price	(1)
36.5p	1,090,000	–	–	–	–	01/06/2015 to 31/05/2022	Share price	(2)

- (1) The Average share price must reach or exceed a share price which is 30 per cent greater than the exercise price. The target share price is therefore 32.5 pence per share.
- (2) The Average share price must reach or exceed a share price which is 30 per cent greater than the exercise price. The target share price is therefore 47.5 pence per share.

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

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

Fair value of share options and assumptions

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

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

	2012 £'000	2011 £'000
Expense for share options granted in 2012	41	–
Expense for share options granted in 2011	59	36
Expense for share options granted in 2008	–	30
Total expense as employee costs in the year	100	66

18. Finance income and costs

	2012	2011
	£'000	£'000
Finance income		
Bank interest	13	19
Retranslation of foreign cash balances	–	133
	13	152
	2012	2011
	£'000	£'000
Finance costs		
Loan interest	7	29
Other interest	107	1
Retranslation of foreign cash balances	26	–
	140	30

19. Income Tax

The total tax credit for the year is £53,000 (31 December 2011: £105,000).

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (24.50%) (31 December 2011: 26.49%)

The differences are explained below:

	2012	2011
	£'000	£'000
Loss before income tax	(1,147)	(885)
Loss before income tax multiplied by standard rate of tax 24.50% (2011:26.49%)	(281)	(234)
Effects of:		
Expenses not deductible for tax purposes	281	67
Other short term timing differences	–	158
Rate adjustment for deferral tax	(53)	(96)
Total current tax charge	(53)	(105)

In addition to the changes in rates of corporation tax disclosed, a number of further changes to the UK corporate tax system were announced in the March 2012 UK Budget statement. A resolution passed by Parliament on 26 March 2012 has reduced the main rate of corporation tax to 24% from 1 April 2012. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2012 was included in the Finance Bill 2012. Further reductions to the main rate are proposed to reduce the rate by 1% to 22% from 1 April 2014. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

Notes to the Financial Statements

Continued

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

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Loss before income tax	(1,147)	(885)	(9,272)	(8,673)
Adjustment for:				
Disposal of intangible	29	–	–	–
Equity settled share-based payment transactions	100	66	100	66
Unrealised foreign exchange gains	53	35	–	–
Operating cash flows before movements in working capital	(965)	(784)	(9,172)	(8,607)
Change in trade and other receivables	(65)	(14)	(61)	(14)
Change in trade and other payables	2,141	990	2,280	1,181
Cash generated by operations	1,111	192	(6,953)	(7,440)

21. Pension commitments

The Group contributes to a defined contribution pension scheme. The assets of this scheme are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £54,000 (2011: £57,000). There were no contributions payable to the funds at the year end.

Staff are eligible to join the Group's defined contribution scheme after three months' service with the Group. The Group contributes 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 18 to 20.

22. Capital commitments and contingencies

At the 31 December 2012, Providence Resources plc on behalf of the Barryroe consortium is in legal dispute with two of its contractors in relation to the provision of services during the Barryroe drilling campaign. The company is not in a position to give the details and values surrounding the legal disputes with the two contractors due to the commercial sensitivity and nature of the claim. Therefore, the information usually required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the legal dispute. The directors are of the opinion that the claim against the two contractors will be successful.

The legal dispute against both contractors is expected to last up to 2 years.

The Group has no unprovided contractual commitments for capital expenditure.

23. Operating lease commitments – minimum lease payments

At 31 December 2012 there were no operating lease commitments.

	Land and buildings	
	2012 £'000	2011 £'000
Group and company		
Future minimum lease payments due		
No later than 1 year	–	6

24. Related party transactions

(a) Transactions with SeaEnergy PLC (formerly Ramco Energy plc)

Until December 2007, the ultimate controlling party of the Group was SeaEnergy PLC ("SeaEnergy"). Following the issue of new shares to the shareholders of Milesian Oil & Gas Limited in December 2007 SeaEnergy's holding was reduced to 42.6 per cent. and subsequently to 21.48 per cent. It is no longer the controlling party, but retains significant influence. The Company entered into a services agreement with SeaEnergy on 10 April 2006, pursuant to which SeaEnergy undertook to provide the Group with (a) certain management, accounting, IT support, insurance and administrative services required by the Group in connection with its business in consideration of a fee of £10,500 per month and (b) certain commercial and technical services as the Group may require from time to time, such services being charged at an hourly rate of £100 per hour. The Directors consider the service agreement to be based at fair value on an arm's length basis. The company terminated this agreement effective 30 September 2012. As at 31 December 2012 the Group owed SeaEnergy £nil (2011: £nil) under the agreement.

There has been no turnover during the period between the Lansdowne and SeaEnergy Groups. As at 31 December 2012 the Group had no other outstanding amounts owed to SeaEnergy PLC. (2011: £2,000). Amounts due to SeaEnergy are unsecured. Interest is payable at 4 per cent. plus LIBOR.

(b) Loans from directors

In February 2009 the Company entered into a new loan agreement with LC Capital Master Fund Limited. S Lampe is a managing member of LC Capital Advisors LLC, the general partner of LC. Details are given in note 9.

(c) Amounts due by subsidiaries

At 31 December 2012 amounts owed to Lansdowne Oil & Gas plc by its subsidiaries totalled £19.5 million (2011: £11.1 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.

(d) Compensation of key management personnel

	2012 £'000	2011 £'000
Short-term employee benefits	358	390
Post employment benefits	54	57
Share-based payment	99	66
	511	513

25. Post Balance Sheet events

Since the end of the financial year, the Directors are not aware of any other event or circumstance which has not being dealt with in this report which may have a significant impact on the operations of the Consolidated Entity.

Notice of Annual General Meeting

Notice is hereby given that the 7th Annual General Meeting of the members of Lansdowne Oil & Gas plc ("the Company") will be held at the offices of Cenkos Securities, 6.7 & 8 Tokenhouse Yard, London EC2R 7AS, on 13 June 2013 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 2012 and the Auditors' Report thereon.
- 2 To consider the re-election of Emmet Brown who retires by rotation and being eligible offers himself for re-election as a Director.
- 3 To consider the re-election of Stephen Boldy who retires by rotation and being eligible offers himself for re-election as a Director.
- 4 To consider the re-election of J Aldersey-Williams who has been appointed to the board since the last Annual General Meeting and being eligible offers himself for re-election as a Director.
- 5 That Ernst & Young LLP be appointed Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.
- 6 To consider the following Resolution as an Ordinary Resolution:

THAT in accordance with Article 2.9 of the Company's current articles of association ("the Current Articles"), the Directors be and they are hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 ("the Act") to allot relevant securities (as defined in section 560 of the Act), in addition to any existing authorities, up to an aggregate nominal amount equal to £2,342,500 such authority to expire at the conclusion of the next Annual General Meeting of the Company (save that the Company may, before such expiry, make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired).
- 7 To consider the following Resolution as a Special Resolution:

THAT, subject to and conditional upon the passing of Resolution 6 above, in accordance with Article 2.10 of the Current Articles, the Directors be and they are hereby empowered pursuant to and in accordance with section 570 of the Act, in addition to any existing authorities, to allot equity securities (as defined in section 560 of the Act) for cash as if sub-section 561(1) of the Act did not apply to the allotment of such equity securities pursuant to the provision of that Article, provided that this power shall be limited to:

 - 7.1 the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record date as the Directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on any such record date, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with 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
 - 7.2 the allotment (otherwise than pursuant to paragraph 7.1 above) to any person or persons of equity securities up to an aggregate nominal amount of £1,405,400;

and this power shall expire on the conclusion of the next Annual General Meeting of the Company (save that the Company may, before such expiry, make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired).
- 8 To consider the following Resolution as a Special Resolution:

THAT, in accordance with section 701 of the Act, the Company be and is hereby generally and unconditionally authorised to purchase for cancellation its own ordinary shares by way of market purchase (within the meaning of sub-section 693(4) of the Act), provided that:

 - 8.1 the maximum number of ordinary shares hereby authorised to be acquired is 14,054,000 ordinary shares of 5 pence each, being approximately 10 per cent. of the Company's existing issued share capital;
 - 8.2 the maximum price which may be paid for such shares is an amount equal to 105 per cent. of the average of the middle market quotations for an ordinary share in the Company derived from the Daily Official List of The London Stock Exchange for the five dealing days immediately preceding the date of purchase, and the minimum price is 5 pence per share being the nominal value thereof, in both cases exclusive of expenses;

-
- 8.3 the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company; and
- 8.4 the Company may before the expiry of the authority hereby conferred make a contract to purchase its ordinary shares under such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its ordinary shares in pursuance of any such contract.

By order of the Board

Con Casey

Company Secretary

Notes

Every member entitled to attend and vote at the above Annual General Meeting is entitled to appoint a proxy or proxies, who need not be a member of the Company, to attend, speak and on a show of hands, or on a poll, vote instead of him or her. A member may appoint more than one proxy in relation to the Annual General Meeting, provided that each proxy is appointed to exercise the rights attached to a different share of shares held by that member. Return of the form of proxy will not prevent a member from attending and voting in person. To be effective, forms of proxy must be received by the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham BR3 4TU at least (i) 48 hours before the time appointed for the holding of the Annual General Meeting or the adjourned meeting and (ii) in the case of a poll taken more than 48 hours after it was demanded, 24 hours before the time appointed for the taking of the poll. In calculating these periods, no account shall be taken of any part of a day that is not a working day.

Only persons entered on the registrar of members of the Company at 6.00pm on 11 June 2013 shall be entitled to attend and vote at the Annual General Meeting or adjourned meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after that time will be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the Annual General Meeting or adjourned meeting.

A statement of all transactions of each Director and his family interest in the shares of the Company and copies of all service contracts of the Directors with the Company or any of its subsidiaries are available for inspection at the registered office of the Company on any weekday from the date of this notice until the date of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for a period of fifteen minutes prior to the meeting until its conclusion.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's registrars, Capita Registrars (CREST participant ID: RA10), 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 Uncertified Securities Regulations 2001.

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