Lansdowne
oil & gas plc

Annual Report and Financial Statements 2016

Lansdowne
oil & gas plc

Contents

Chairman's Statement

This year proved to be very challenging for the Company. Oil prices continued to decline, reaching a low-point below $30/bbl in the first quarter. Furthermore, on 13 April 2016, a judgement was handed down by the Court of Appeal overturning an earlier ruling against Transocean in a dispute with Providence Resources ("Providence") about certain spread costs.

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

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

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

Given the financial implications of this, Lansdowne shares were suspended pending clarification of the Company's financial position. The Company moved to address the situation and a General Meeting held on 9 June 2016 gave shareholder approval to allot new shares and for a necessary share capital re-organisation. A placing was then completed to raise £2.1 million to settle the outstanding amounts due and to provide working capital and Lansdowne's shares returned to trading on 22 June 2016.

Coincident with the placing, a portion (£930,000) of the LC Capital Master Fund loan was converted into equity at a placing price of 1p per share, the remaining loan was extended to the end of June 2017 and the interest rate was reduced from 10% per annum to 5% per annum.

In addition, the Company entered into an option, exercisable on one or more occasions at any time for 12 months from June 2016, to require Brandon Hill Capital to use its reasonable endeavours to procure subscribers for new ordinary shares in the capital of the Company to raise up to an aggregate additional £500,000 (the "Additional Placing"). Exercise of the option was conditional, inter alia, upon the Company being required to reimburse Providence Resources in respect of further costs and/or awards associated with the Transocean dispute.

A hearing of Transocean's application in respect of Part 36 of the English Civil Procedure Rules was heard by Mr Justice Popplewell in the Commercial Court in London on 14 October 2016 and Judgement was handed down on 20 October 2016.

The Judgement stated that, as a result of the decision of the Court of Appeal in April 2016, Transocean was entitled to its costs of the first instance proceedings from 30 August 2014 on the Standard Basis (i.e. approximately 70%) but that the other Part 36 cost consequences in relation to obtaining costs on the indemnity basis, interest on costs and the principal sum and the surcharge of £75,000 did not apply. Based on the Judgement, Providence paid Transocean a sum amounting to some 40% of Transocean's claim for costs. Under the Joint Operating Agreement, Lansdowne reimbursed Providence for its 20% share of these costs.

Chairman's Statement

In December 2016, the Company triggered its outstanding option agreement with Brandon Hill Capital and placed 30,000,000 new ordinary shares ("Additional Placing Shares") at a Placing Price of 1p per share to raise £300,000 before costs to settle its share of costs and to provide general working capital.

On 9 November 2016, the Company announced that the Supreme Court ordered that permission to appeal be refused as the appeal did not raise a point of law of general public importance.

The dispute with Transocean arose as a result of the failure of equipment on the rig whilst drilling the Barryroe appraisal well, leading to extensive delay and cost over-run. The long-running litigation has been a painful and distracting experience for the Company and it is a great relief to finally put this behind us.

Standard Exploration Licence 4/07 was relinquished with effect from 31 December 2016.

Lansdowne retained a 20% interest in the licence after farming out to PSE Kinsale Energy Limited ("Kinsale Energy"), who acquired an 80% interest and operatorship and who drilled the 49/11-3 well on the Midleton Prospect in 2015. The well found gas in the Greensand, the main reservoir target, but the volume was considered too small to be commercial.

Kinsale Energy conducted a comprehensive post-well evaluation of the other prospective structures on the acreage, but concluded that, based on the current data available, none of these were attractive enough in terms of risk and reward to offer drillable targets.

Midleton was considered the prime prospect on SEL 4/07 and, following the disappointing results of the 49/11-3 well, it made sense to relinquish the acreage. This further portfolio rationalisation reduced Lansdowne's running costs and allowed the Company to focus all its resources upon the Barryroe Field where substantial 2C resources have been established.

In addition to portfolio rationalisation, the Company has taken other actions to further reduce running costs, with Richard Slape, Commercial Director, leaving after the successful completion of the re-financing and Johnny Greenall, Chairman, retiring at the AGM on 20 July 2016.

I would like to thank both of them for all their efforts and wish them the very best for the future.

Financial Results

The Group recorded an after tax loss of £1.2 million for the year ended 31 December 2016 compared to a loss of £15.1 million for the year ended 31 December 2015.

Group operating expenses for the year were £0.7 million, compared to £1.0 million in 2015.

Net finance expense for the year was £571,000 (2015: £129,000).

Cash balances of £0.17 million (2015: £0.32 million) were held at the end of the financial year.

Total equity attributable to the ordinary shareholders of the Group has increased to £12.5 million as at 31 December 2016 from £10.4 million as at 31 December 2015.

Chairman's Statement

Outlook

The Court of Appeal ruling posed a real problem at what was already a difficult time for your Company. However, the Company was successful in its re-financing efforts and I would like to thank all that took part, but in particular the support of Brandon Hill Capital, Beaufort Securities and LC Capital, was essential to providing a successful outcome. I would also like to thank LC Capital for further extending the LC Capital Master Fund Loan to 1st July 2018.

Now that the immediate problems associated with the litigation payment have been resolved, it is time to look forward to creating value from our 20% interest in Barryroe. This is by any standards a significant resource with attractive costs of development and production and our entire focus is to move this project forward against a background of greatly reduced drilling and operating costs and a stabilising oil price environment.

With the recovery of the oil price, farm-in activity within the industry has started to recover and the Barryroe Farm Out process is continuing.

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

Tim Torrington
Chairman

Oil and Gas Interests

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

Licence	Interest	Operator
01/11 Barryroe Exploration Licence	20 per cent	Exola
2/07 Helvick Exploration Licence	10 per cent	Providence Resources Plc

Notes

Irish licensing regime

Licensing option
Gives the holder an exclusive right to apply for an Exploration Licence
a. for a defined period
b. in return for undertaking an agreed work programme.

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

Lease Undertaking
Gives the holder an exclusive right to apply for a Petroleum Lease
a. for a defined period
b. in return for undertaking an agreed work programme.

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

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

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

The Group and Company Statements of Financial Position as at 31 December 2016 and 31 December 2015 are shown on pages 21 and 22, respectively. Group net assets at 31 December 2016 were £12.5 million (2015: £10.4 million). At 31 December 2016, the Group held £0.17 million (2015: £0.32 million) as cash or short-term deposits.

The Group had intangible assets totaling £14.4 million (2015: £14.3 million) at the reporting date. These assets relate to the Group's exploration licences in the Celtic Sea and their associated work programmes.

During the year, the Group had two full-time Executive Directors, one of whom resigned in June 2016, with administration and technical support provided by LHM Casey McGrath under a service agreement. These costs, together with the costs associated with the Company's listed status and general overheads, account for the administrative expenses of £0.7 million (2015: £1.0 million).

A loss after tax of £1.2 million (2015: £15.1 million) was recorded in the year and the basic and diluted loss per share for the year was 0.4p (2015: 10.2p).

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

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

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

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

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

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

Market risks:
The Group is exposed to a variety of risks, including the effects of changes in interest rates and foreign currency exchange rates. These are discussed in note 10. In the normal course of business, the Group also faces certain other non-financial or non-quantifiable risks. To the extent that the Group's oil and gas assets can be successfully developed, the Group's assets, revenues and cash flows may become dominated by Dollar or Euro-based oil and gas operations. Accordingly, the Sterling/Dollar and Sterling/Euro exchange rates are important to the Sterling prices of the Shares traded on the AIM market of the London Stock Exchange.

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

Dollar/Sterling Exchange Rates (Dollar per Pound Sterling)

	At end of year	Average Rate*	High	Low
2011	1.55	1.61	1.67	1.55
2012	1.61	1.59	1.62	1.52
2013	1.65	1.56	1.65	1.49
2014	1.56	1.65	1.72	1.55
2015	1.48	1.53	1.59	1.47
2016	**1.23**	**1.35**	**1.49**	**1.21**

Euro/Sterling Exchange Rates (Euro per Pound Sterling)

	At end of year	Average Rate*	High	Low
2011	1.20	1.15	1.20	1.10
2012	1.23	1.23	1.28	1.18
2013	1.20	1.18	1.23	1.14
2014	1.28	1.24	1.29	1.19
2015	1.36	1.38	1.44	1.34
2016	**1.17**	**1.22**	**1.37**	**1.11**

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

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

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

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

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

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

Stephen Boldy
Chief Executive Officer

23 June 2017

Directors' Report
For the year ended 31 December 2016

The Directors present their directors' report and audited financial statements for the year ended 31 December 2016.

Directors
In accordance with the Company's Articles of Association, Directors retire and, being eligible, offer themselves for re-election. Stephen Boldy has a service contract with an unexpired notice period of one year. Richard Slape had a service contract with an unexpired notice period of six months and he resigned from his position on 17 June 2016. 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 15 to 17.

Details of executive director and company secretary
Dr Stephen Boldy (Chief Executive Officer), aged 61, 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.

Con Casey, aged 56, was appointed Company Secretary in January 2013. Mr. Casey has an honours degree in Business Management from Trinity College and is a Fellow of the Association of Chartered Certified Accountants. He has over 30 years' experience in advising companies in the natural resources sector as well as acting as adviser to a number of publicly quoted companies and semi-state organisations. He specialises in the area of corporate finance and is a founding partner of LHM Casey McGrath.

Details of non executive directors
Viscount Torrington (Non-Executive Chairman)†*, aged 73, 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. Tim was appointed Chairman effective date 20 July 2016.

Steven Lampe (Non-Executive Director)†, aged 58, 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.

John Aldersey-Williams (Non-Executive Director)*, aged 54, has worked in energy since 1984. He started his career as an oil company geologist before completing an MBA. He then spent some years in investment banking, with an energy focus, before returning to the oil industry in financial and commercial roles. From 1999 to 2001, he served as finance director to Texaco's North Sea Upstream Business Unit. From 2001 until 2008, he was a consultant active across the energy sector, before being appointed a Director and subsequently CEO of SeaEnergy PLC in 2012. He has been a director of Lansdowne Oil & Gas plc since 2012.

Jeffrey Auld* (Non-Executive Director), aged 50, has more than 20 years of financial and commercial experience in upstream oil and gas development and production, and is currently a director of Sabalo Energy Limited and President and CEO of Serinus Energy Inc. His career has involved periods working for exploration and production companies – Premier Oil, PetroKazakhstan and Equator Exploration; as well as periods spent in financial institutions – Goldman Sachs, Canaccord Adams and Macquarie. He was appointed as a Non-Executive Director of Lansdowne Oil & Gas plc in September 2013.

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

Substantial shareholders
The Directors have been notified of the following interests in 3 per cent or more of the Company's issued share capital at 31 December 2016 and 31 May 2017:

	31 December 2016		31 May 2017	
	No. of Shares	% of Capital	No. of Shares	% of Capital
Lampe Conway & Co LLC/LC Capital Master Fund Limited	138,160,668	27.08%	138,160,668	27.08%
Brandon Hill Capital	58,000,000	11.37%	53,000,000	10.39%
Hargreaves Stockbrokers	-	-	28,320,605	5.55%
SeaEnergy Hibernia Limited (a subsidiary of SeaEnergy plc)	30,194,193	5.92%	-	-
Beaufort Securities	27,795,299	5.45%	18,056,174	3.54%
Jarvis Investment Management	27,621,288	5.41%	71,859,982	14.09%
Artemis Investment Management	23,100,000	4.53%	20,750,000	4.07%
Directors (page 14)	16,831,797	3.58%	16,831,797	3.30%

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

Dividends
The directors do not recommend the payment of a dividend (2015: £Nil).

Directors' statement as to disclosure of information to auditors
The directors who were members of the board at the time of approving the directors' report are listed on page 9. 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
The LC Capital Master Fund loan has been further extended to 1st July 2018.

Future developments
The Group's future outlook is described in the Chairman's Statement on page 2 to 4.

The Group's prospects are in the exploration and appraisal stage and does not contain any proven reserves.

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

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

The Directors have prepared the financial statements on the going concern basis which assumes that the Group and Company will continue in operational existence for at least twelve months from the date of these financial statements as discussed further in the Statement of Accounting Policies section (d) on page 27.

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

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

By order of the Board

Con Casey FCCA
Company Secretary

23 June 2017

Corporate Governance Statement
For the year ended 31 December 2016

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

Directors
At 31 December 2016, the Board comprised of a Non-Executive Chairman, one Executive Director and three further Non-Executive Directors. Biographies of the Directors are presented on page 9. Viscount Tim Torrington is the senior Non-Executive Director and Chairman.

Board Meeting attendance record	2016 Eligible	2016 Attended
S A R Boldy	25	25
T Torrington	25	23
S G Lampe	25	23
J Aldersey-Williams	25	23
J Auld	25	24

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 Committee
The Audit Committee comprises John H Aldersey-Williams (Chairman), Jeffrey Auld and Lord 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 financial statements and the accounting and internal control systems in the Group. The Audit Committee has unrestricted access to, and oversees, the relationship with the Group's Auditors, KPMG. 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 independent auditors are engaged to express an opinion on the financial statements. They review and test the systems of internal financial control and data contained in the financial statements to the extent necessary to express their audit opinion. They discuss with management the reporting of operational results and the financial position of the Group and present their findings to the Audit Committee.

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

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

Remuneration Committee
The Remuneration Committee comprises of Steven Lampe and Lord Torrington (Chairman). It reviews the scale and structure of the Executive Directors' remuneration and the terms of their service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the Non-Executive Directors are set by the entire Board. No Director or manager of the Group may participate in any meeting at which discussion or any decision regarding his own remuneration takes place. The Remuneration Committee also administers any share option schemes or other employee incentive schemes adopted by the Company from time to time.

The Remuneration Report is presented on pages 15 to 17 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 previous Annual Reports and press releases. The Board views the AGM as an opportunity to communicate with private investors and encourages them to attend. The Board aims to ensure that the Chairmen of the Audit and Remuneration Committees are available to answer questions. Shareholders are invited to ask questions and are given the opportunity to meet the Directors informally following the meeting. The Company complies with best practice in ensuring that the Notice of the AGM is dispatched to shareholders at least 21 days ahead of the meeting.

Directors' responsibilities
The directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

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

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

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

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

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

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

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

By order of the Board

Con Casey FCCA
Company Secretary

23 June 2017

Remuneration Report
For the year ended 31 December 2016

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

Remuneration Committee
The members of the Remuneration Committee (the Committee) are Steven Lampe and Lord Torrington (Chairman), both of whom are Non-Executive Directors of the Company.

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

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

Remuneration Policy
The Group operates in the international oil and gas industry and aims to attract, reward, motivate and retain top executives in a manner appropriate to that industry and with the objective of long term accumulation of value for shareholders. The remuneration packages currently being offered are intended to be competitive and comprise a mix of performance related and non-performance related remuneration designed to incentivise Directors. The packages are in line with industry norms.

Directors' Service Contracts
S A R Boldy has and R Slape had service contracts with the Company with a rolling notice period of one year and six months respectively. The other Directors do not have service contracts with the Company.

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

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

S A R Boldy is entitled to annual bonus equal to 2 per cent of the audited consolidated after tax profits of the Company and its subsidiaries subject to a cap equal to his annual salary during the relevant financial year. He is also entitled to bonus payments on the entering into of binding agreements with third parties in respect of any farm-out arrangements relating to the Group's assets, with a requirement to utilise any such bonus payments to subscribe for Ordinary Shares of the Company.

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

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

Directors' Detailed Emoluments

	Salary and fees £'000	Performance Related Bonus £'000	Benefits £'000	Pension Contributions £'000	2016 Total £'000	2015 Total £'000
Executive Directors						
SAR Boldy	158	-	-	-	158	243
R Slape (resigned 17 June 2016)	101	-	-	-	101	187
Non-Executive Directors						
J Greenall (resigned 20 July 2016)	22	-	-	-	22	40
T Torrington	28	-	-	-	28	30
SG Lampe (1)	8	-	-	-	8	15
J H Aldersey-Williams	8	-	-	-	8	-
JD Auld	23	-	-	-	23	30
2016	**348**	**-**	**-**	**-**	**348**	**-**
2015	450	47	9	39	-	545

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

In addition to the above cash emoluments, the expense in the year for share options previously awarded to S A R Boldy was £Nil (2015: £15,720), J Greenall £Nil (2015: £1,310), T Torrington £Nil (2015: £1,310), and SG Lampe £Nil (2015: £1,310).

Interests in Shares

The beneficial interests of the Directors who held office at 31 December 2016 in the ordinary shares of the Company are as follows:

	At 31 Dec 2015	At 31 Dec 2016	At 31 May 2017
SAR Boldy	700,660	6,400,660	6,400,660
T Torrington	2,105,880	4,916,500	4,916,500
S G Lampe	196,078	2,446,078	2,446,078
J H Aldersey-Williams	240,000	240,000	240,000
J D Auld	-	2,828,619	2,828,619
	3,242,618	16,831,797	16,831,797

S G Lampe has an interest in 138,160,668 shares in the Company held by LC Capital Master Fund Limited.
S G Lampe is managing member of Lampe Conway & Co. LLC, the investment manager of LC Capital Master Fund Limited.

Remuneration Report
For the year ended 31 December 2016

Interests in Share Options

	Exercise Price	At 31 Dec 2015	2016 Granted	2016 Lapsed	At 31 Dec 2016	Normal Exercise Dates
SAR Boldy	36.5p	600,000	-	-	600,000	1st June 2015 to 31 May 2022
SAR Boldy	25p	1,000,000	-	-	1,000,000	20 May 2014 to 19 May 2021
T Torrington	36.5p	50,000	-	-	50,000	1st June 2015 to 31 May 2022
T Torrington	25p	100,000	-	-	100,000	20 May 2014 to 19 May 2021
S G Lampe	36.5p	50,000	-	-	50,000	1st June 2015 to 31 May 2022

Details of the performance criteria, conditional upon which the options are exercisable, are set out in note 14 to the financial statements. During 2016, the share price ranged between a high of 2.30p and a low of 1.06p.

On behalf of the Board

Lord Torrington
Chairman, Remuneration Committee

23 June 2017

Independent Auditor's Report
For the year ended 31 December 2016

We have audited the financial statements of Lansdowne Oil & Gas plc for the year ended 31 December 2016. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the company's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made on page 27 of the financial statements concerning the group and company's ability to continue as a going concern. The group incurred a net loss of £1.2 million during the year ended 31 December 2016 and, at that date, had net current liabilities of £12.5 million. These conditions, along with the other matters explained on page 27 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group or the company was unable to continue as a going concern.

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

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

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

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

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

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Directors' Responsibilities Statement set out on page 14, 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 Financial Reporting Council's Ethical Standards for Auditors.

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

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

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

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

David Meagher (Senior Statutory Auditor)
for and on behalf of KPMG, Statutory Auditor
Chartered Accountants, 1 Stokes Place,
St. Stephen's Green, Dublin 2

23 June 2017

Consolidated Income Statement
For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Administrative expenses		**(665)**	(1,048)
Impairment of intangible assets		**-**	(14,949)
Operating loss		**(665)**	(15,997)
Finance costs	15	**(571)**	(129)
Loss for the year before tax		**(1,236)**	(16,126)
Income tax credit	16	**-**	1,052
Loss for the year		**(1,236)**	(15,074)
Loss per share (pence):			
Basic loss per ordinary share	3	**(0.4p)**	(10.2p)
Diluted loss per ordinary share	3	**(0.4p)**	(10.2p)

The results for the period all arise on continuing operations. The group has no other comprehensive income or expense in the current or prior year.

The accompanying notes on pages 27 - 41 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23 June 2017.

John Aldersey-Williams
Director

Stephen Boldy
Director

Consolidated Statement of Financial Position
As at 31 December 2016

Assets	*Notes*	2016 £'000	2015 £'000
Non-Current Assets			
Intangible assets	4	**14,399**	14,335
Current Assets			
Trade and other receivables	6	**38**	92
Cash and cash equivalents		**165**	320
		203	412
Total Assets		**14,602**	14,747
Equity and Liabilities			
Shareholders' Equity			
Share capital	11	**11,571**	8,087
Share premium	11	**25,126**	25,247
Currency translation reserve		**59**	59
Share-based payment reserve		**923**	923
Accumulated deficit		**(25,186)**	(23,950)
Total Equity		**12,493**	10,366
Non-Current Liabilities			
Provision for liabilities	9	**261**	240
Current Liabilities			
Shareholder loan	8	**1,587**	1,968
Trade and other payables	7	**261**	2,173
Total Liabilities		**2,109**	4,381
Total Equity and Liabilities		**14,602**	14,747

The accompanying notes on pages 27 - 41 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23 June 2017.

John Aldersey-Williams
Director

Stephen Boldy
Director

Company Statement of Financial Position

As at 31 December 2016

Assets	*Notes*	2016 £'000	2015 £'000
Current Assets			
Trade and other receivables	6	**38**	92
Cash and cash equivalents		**164**	319
Total Assets		**202**	411
Equity and Liabilities			
Shareholders' Equity			
Share capital	11	**11,571**	8,087
Share premium	11	**25,126**	25,247
Share-based payment reserve		**923**	923
Accumulated deficit		**(39,260)**	(36,359)
Total Equity		**(1,640)**	(2,102)
Current Liabilities			
Shareholder loan	8	**1,587**	1,968
Trade and other payables	7	**255**	545
Total Liabilities		**1,842**	2,513
Total Equity and Liabilities		**202**	411

The accompanying notes on pages 27 - 41 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23 June 2017.

John Aldersey-Williams
Director

Stephen Boldy
Director

Consolidated Statement of Cash Flows
For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Loss for the year		**(1,236)**	(15,074)
Adjustments for:			
Impairment of assets	4	-	14,949
Interest payable and similar charges		**571**	127
Equity settled share-based payment expense	14	-	29
Tax credit	16	-	(1,052)
Decrease in trade and other receivables		**54**	105
(Decrease)/increase in trade and other payables		**(1,913)**	196
Net cash used in operating activities		**(2,524)**	(720)
Cash flows from investing activities			
Acquisition of intangible exploration assets	4	**(64)**	(2,133)
Net cash used in investing activities		**(64)**	(2,133)
Cash flows from financing activities			
Proceeds from the issue of share capital	11	**3,363**	1,034
Proceeds from new loan		**-**	1,863
Repayment of loan		**(930)**	**-**
Net cash from financing activities		**2,433**	2,897
Net (decrease)/increase in cash and cash equivalents		**(155)**	44
Cash and cash equivalents at 1 January		**320**	276
Cash and cash equivalents at 31 December		**165**	320

The accompanying notes on pages 27 - 41 form an integral part of these financial statements.

Company Statement of Cash Flows
For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Loss for the year		**(2,901)**	(7,074)
Adjustments for:			
Impairment of assets	5	-	5,432
Interest payable and similar charges		**548**	105
Equity settled share-based payment expense	14	-	29
Decrease in trade and other receivables		**54**	80
(Decrease) in trade and other payables		**(289)**	(1,425)
Net cash used in operating activities		**(2,588)**	(2,853)
Cash flows from financing activities			
Proceeds from the issue of share capital	11	**3,363**	1,034
Proceeds from new loan		**-**	1,863
Repayment of loan		**(930)**	-
Net cash from financing activities		**2,433**	2,897
Net (decrease)/increase in cash and cash equivalents		**(155)**	44
Cash and cash equivalents at 1 January		**319**	275
Cash and cash equivalents at 31 December		**164**	319

The accompanying notes on pages 27 - 41 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2016

	Share Capital £'000	Share Premium £'000	Share Based Payment Reserve £'000	Currency Translation Reserve £'000	Accumulated Deficit £'000	Total Equity £'000
Balance at 1st January 2015	7,027	25,273	894	59	(8,876)	24,377
Loss for the financial year	-	-	-	-	(15,074)	(15,074)
Total comprehensive loss for the year	-	-	-	-	(15,074)	(15,074)
Share based payments charge (note 14)	-	-	29	-	-	29
Issue of new shares - gross consideration (note 11)	1,060	-	-	-	-	1,060
Cost of share issues	-	(26)	-	-	-	(26)
Balance at 31st December 2015	8,087	25,247	923	59	(23,950)	10,366
Balance at 1st January 2016	8,087	25,247	923	59	(23,950)	10,366
Loss for the financial year	-	-	-	-	(1,236)	(1,236)
Total comprehensive loss for the year	-	-	-	-	(1,236)	(1,236)
Issue of new shares - gross consideration (note 11)	3,484		-	-	-	3,484
Cost of share issues	-	(121)	-	-	-	(121)
Balance at 31st December 2016	11,571	25,126	923	59	(25,186)	12,493

The accompanying notes on pages 27 - 41 form an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2016

	Share Capital £'000	Share Premium £'000	Share Based Payment Reserve £'000	Accumulated Deficit £'000	Total Equity £'000
Balance at 1st January 2015	7,027	25,273	894	(29,285)	3,909
Loss for the financial year	-	-	-	(7,074)	(7,074)
Share based payments charge (note 14)	-	-	29	-	29
Issue of new shares - gross consideration (note 11)	1,060	-	-	-	1,060
Cost of share issues	-	(26)	-	-	(26)
Balance at 31st December 2015	8,087	25,247	923	(36,359)	(2,102)
Balance at 1st January 2016	8,087	25,247	923	(36,359)	(2,102)
Loss for the financial year	-	-	-	(2,901)	(2,901)
Issue of new shares - gross consideration (note 11)	3,484	-	-	-	3,484
Cost of share issues	-	(121)	-	-	(121)
Balance at 31st December 2016	11,571	25,126	923	(39,260)	(1,640)

The accompanying notes on pages 27 - 41 form an integral part of these financial statements

1. Presentation of financial statements and accounting policies

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

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

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

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

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

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

The Directors have carried out a detailed assessment of the Group's current and prospective exploration activity, its relationship with the holder of its loan note, and the cash flow projections for the period to 30 June 2018. The following represent the key assumptions underpinning the cash flow projections:

Barryroe farm out
Discussions are continuing with a view to concluding a farm-out deal(s) on attractive commercial terms.

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

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

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

(e) Basis of measurement
The Group prepares its financial statements on the historical cost basis. Where the carrying value of assets and liabilities are calculated on a different basis, this is disclosed in the relevant accounting policy.

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

Those areas believed to be key areas of judgements are;
- Going concern (policy (d) above)
- Oil and Gas Intangible exploration/ appraisal assets (policy (i) below)

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

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

The subsidiaries are those companies controlled, directly or indirectly, by Lansdowne Oil & Gas plc. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. This control is normally evidenced when Lansdowne Oil & Gas plc owns, either directly or indirectly, more than 50 per cent. of the voting rights or potential voting rights of a company's share capital. Companies acquired during the year are consolidated from the date on which control is transferred to the Group, and subsidiaries to be divested are included up to the date on which control passes from the Group. Inter-company balances, transactions and resulting unrealised income are eliminated in full.

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

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

(i) Oil and gas intangible exploration/appraisal assets and property, plant & equipment - development/ producing assets

All expenditure relating to oil and gas activities is capitalised in accordance with the "successful efforts" method of accounting, as described in the 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 within "Property, plant and equipment".

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

Licence acquisition costs, geological and geophysical costs and the direct costs of exploration and appraisal are initially capitalised as intangible assets, pending determination of the existence of commercial reserves in the licence area. Such costs are classified as intangible assets based on the nature of the underlying asset, which does not yet have any proven physical substance. Exploration and appraisal costs are held, un-depleted, until such a time as the exploration phase on the licence area is complete or commercial reserves have been discovered. If commercial reserves are determined to exist and the technical feasibility of extraction demonstrated, then the related capitalised exploration/appraisal costs are first subjected to an impairment test (see below) and the resulting carrying value is transferred to the development and producing assets category within property, plant and equipment. If no commercial reserves exist, then that particular exploration/appraisal effort was "unsuccessful" and the costs are written off to the income statement in the period in which the evaluation is made. The success or failure of each exploration/appraisal effort is judged on a field by field basis.

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

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

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

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

(j) Investments

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

(k) Operating leases

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

(l) Cash and cash equivalents

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

(m) Decommissioning costs and provisions

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

(n) Equity

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

(o) Taxation

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

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

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

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

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

(p) Defined contribution pension schemes
The Group contributes to a defined contribution pension scheme on behalf of certain employees. The pension cost represents contributions payable by the Group to the scheme.

(q) Share based payments
The Group has in place an equity-settled share option scheme, details of which is given in the Directors' Remuneration Report and note 14 of these financial statements.

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

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

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

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

(r) Finance income and expenses
Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method.

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the reporting date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All exchange gains and losses are taken to the income statement.

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

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

(v) Change in accounting policies

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

Standard
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
Annual Improvements to IFRSs 2010 - 2012 Cycle
Amendments to IFRS 11: Accounting for acquisitions of interests in Joint Operations
Àmendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation
Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Bearer Plants
Amendments to IAS 27 Equity method in Separate Financial Statements
Amendments to IAS 1: Disclosure Initiative
Annual Improvements to IFRSs 2012-2014 Cycle
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the consolidation exception (December 2014)

New Standards and interpretations effective that have not been early adopted
A number of new standards, amendments to standards and interpretations that are not yet effective and have not been applied in preparing these financial statements. These new standards, amendments to standards and interpretations are either not expected to have a material impact on the Group's financial statements or are still under assessment by the Group.

The principal new standards, amendments to standards and interpretations are as follows:

Standard
IFRS 15: Revenue from contracts with customers
IFRS 9 Financial Instruments (2009, and subsequent amendments in 2010 and 2013)
Amendments to IAS 7: Disclosure Initiative
Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses
Clarifications to IFRS 15: Revenue from Contracts with Customers
Amendments to IFRS 2: Classification and measurement of share-based payment transactions
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Annual Improvements to IFRS 2014 -2016 Cycle
IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration
Amendments to IAS 40: Transfers of Investment Property
IFRS 16: Leases
IFRS 14: Regulatory Deferral Accounts
Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture.

2. Segmental Reporting

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

3. Loss per ordinary share

The loss for the year was wholly from continuing operations.

	2016 £'000	2015 £'000
Loss for the year attributable to equity holders	**(1,236)**	(15,074)
Weighted average number of ordinary shares in issue - basic and diluted	**334,116,800**	157,698,252
Loss per share arising from continuing operations attributable to the equity holders of the Company - basic and diluted (in pence)	**(0.4)**	(10.2)

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one class of potential ordinary shares being share options. As a loss was recorded for both 2016 and 2015, potentially issuable shares would have been anti-dilutive. The number of potentially issuable shares at 31 December 2016 is 513,704,394 (2015: 165,007,665).

4. Intangible assets

Group	Exploration/ appraisal assets £'000
Cost	
At 1 January 2015	27,151
Additions	2,133
Impairment	(14,949)
As at 31 December 2015	14,335
At 1 January 2016	14,335
Additions	64
Impairment	-
As at 31 December 2016	**14,399**

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

5. Investments in subsidiaries

	Company £'000
Cost	
At 1 January 2015	5,432
Impairment	(5,432)
At 31 December 2015 and 31 December 2016	-

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

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

Significant joint operation Interest	Principal activity	Effective 2016%	2015%
Barryroe	Hydrocarbon exploration	20	20
Helvick	Hydrocarbon exploration	10	10

6. Trade and other receivables

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Amounts falling due within one year:				
Value added tax and other taxes	**19**	22	**19**	22
Prepayments	**19**	70	**19**	70
	38	92	**38**	92

7. Trade and other payables

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Amounts falling due within one year:				
Trade payables	**115**	223	**109**	222
Taxes and social security	**117**	161	**117**	161
Accruals	**29**	1,789	**29**	162
	261	2,173	**255**	545

8. Shareholder loan - Group and Company

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

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Senior secured loan notes	**1,587**	**1,968**

The Group's senior secured loan note was issued in 2015 to LC Capital Master Fund Ltd, a related party as outlined in note 19.

The loan note carried a coupon of 10% per annum and was repayable on 9 September 2016. The terms of the loan note also contain a redemption premium, which is calculated as 20% of the principal amount outstanding as at 8 March 2016.

During the year, the Group renegotiated the terms of the loan note. It became repayable on 30 June 2017 and the coupon rate has been reduced from 10% per annum to 5% per annum. Subsequent to the year end, the repayment date was extended to 1 July 2018.

During the year, LC Capital Master Fund also agreed to convert £930,000 of the amount outstanding into 93 million new ordinary shares at 1p per share.

9. Provision for liabilities

	Deferred tax (i) 2016 £'000	Asset retirement obligation (ii) 2016 £'000	Total 2016 £'000	Deferred tax (i) 2015 £'000	Asset retirement obligation (ii) 2015 £'000	Total 2015 £'000
Beginning of period	-	238	**238**	1,052	217	**1,269**
Unwinding of discount	**-**	23	**23**	-	23	**23**
Provision used during the period	-	-	-	(1,052)	-	**(1,052)**
As at 31 December	-	261	**261**	-	240	**240**

(i) An unprovided deferred tax asset, in respect of unused losses, amounts to £1.7 million (2015: £1.5 million).
(ii) The provision relates to the cost of abandonment of the Barryroe well, discounted over a seven year period.

10. Financial risk management

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

(a) Market risk

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

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

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

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks. The Group's policy is to deposit cash with banks with an 'A' rating or better where possible. 100 per cent of cash held on deposit at 31 December 2016 was held with such banks.

There is no credit risk associated with other receivables.

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

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

(c) Liquidity risk

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

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

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

There is no difference between the carrying value and the contractually undiscounted cash flows for financial liabilities. At 31 December 2016, all trade and other payables and shareholder loans were due within one year.

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

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

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

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

11. Share capital - Group and Company

	2016	2015
Authorised		
510,164,394 (2015: 161,741,795) ordinary shares at £0.01 pence each	**510,164,394**	161,741,795

Issued, called up and fully paid:

	Number of Ordinary Shares	Share Capital £'000	Share Premium £'000	Total £'000
At 1st January 2015	140,540,159	7,027	25,273	32,300
Issued in year	21,201,636	1,060	-	1,060
Share issue costs	-	-	(26)	(26)
At 31st December 2015	161,741,795	8,087	25,247	33,334
Issued in year	348,422,599	3,484	-	3,484
Share issue costs	-	-	(121)	(121)
At 31st December 2016	**510,164,394**	**11,571**	**25,126**	**36,697**

On 20 June 2016, the Company placed 318,422,599 new ordinary shares with new and existing investors at a placing price of 1 pence per placing share, raising approximately £3.2 million before costs.

On 18 December 2016, the Company placed 30,000,000 new ordinary shares with existing investors at a placing price of 1 pence per placing share, raising £300,000.

12. Statutory information

	2016 £'000	2015 £'000
The loss for the year stated after (crediting)/charging:		
Foreign exchange gains, net	**(2)**	(3)
Operating lease rentals - premises	**46**	70
Audit Services:		
Fees payable to Group's auditor for the audit of the Company and consolidated financial statements	**26**	26
Fees payable to the Group's auditor for the audit of Company's subsidiaries pursuant to legislation	**6**	6

13. Employee costs

Number of employees
The average monthly number of employees
(including Executive Directors) during the year was:

	2016 Number	2015 Number
Oil and gas exploration	**2**	**2**

	2016 £'000	2015 £'000
Wages and salaries	**259**	382
Social security costs	**42**	48
Pension costs (note 17)	**-**	39
Share based payment	**-**	29
	301	498

Remuneration of the Directors is disclosed in note 19 and, within the Remuneration Report on page 16.

14. Share-based payments

Share options
The Company has granted options to current and former Directors under an Employee Share Option Scheme. Details of the grants are shown in the Remuneration Report on pages 17. As at 31 December 2016, the following options were outstanding:

Option exercise price	Number	Exercisable at 31 Dec '16	Exercisable at 31 Dec '15	Normal exercise dates	Target variable	Target
25p	1,950,000	1,950,000	1,950,000	19/05/2014 to 18/05/2021	Share Price	(1)
36.5p	1,090,000	1,090,000	1,090,000	01/06/2015 to 31/05/2022	Share Price	(2)
15p	500,000	-	-	01/04/2017 to 24/06/2025	Share Price	(3)

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

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

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

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

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

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

Fair value of share options issued in prior years and related assumptions

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

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

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

	2016	**2015**
	£'000	**£'000**
Expense for share options granted in 2015	**-**	5
Expense for share options granted in 2012	**-**	24
Total expense as employee costs in the year	**-**	29

15. Finance costs

	2016	**2015**
	£'000	**£'000**
Loan interest	**547**	105
Unwinding of discount (note 9)	**23**	23
Retranslation of foreign currency cash balances	**1**	1
Total expense	**571**	129

16. Income Tax

	2016	**2015**
	£'000	**£'000**
Current tax charge	-	-
Deferred tax credit	-	1,052
Total income tax credit	-	1,052

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

	2016 £'000	2015 £'000
Loss before income tax	**(1,236)**	(16,126)
Loss before income tax multiplied by standard rate of tax 19.25% (2015: 20.25%)	**(238)**	(3,265)
Effects of:		
Expenses not deductible for tax purposes	**20**	10
Losses not recognised	**-**	3,027
Losses carried forward	**218**	228
Deferred tax provision released	**-**	1,052
Total tax credit	-	1,052

17. Pension commitments

The Group contributes to a defined contribution pension scheme. The assets of this scheme are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £nil (2015: £39,000) for the year. There were no contributions payable to the funds at the year end.

Staff are eligible to join the Group's defined contribution scheme after three months' service with the Group. The Group contributes between 7 and 15 per cent of each participating employee's salary to the scheme. The employees may also contribute to the scheme.

18. Capital commitments

The Group has no unprovided contractual commitments for capital expenditure.

19. Related party transactions

(a) Transactions with LHM Casey McGrath

Con Casey is a partner in the accountancy practice, LHM Casey McGrath and he is the company secretary of the Company. The Company entered into a services agreement with LHM Casey McGrath pursuant to which the practice provides the Group with certain management, accounting, IT support, insurance and administrative services required by the Group in connection with its business in consideration of a fee totaling £60,000 (2015: £72,000). This agreement can be terminated by LHM Casey McGrath or by the Company on giving 90 days' notice. The Directors consider the service agreement to be at fair value on an arm's length basis. As at 31 December 2016, the Group owed LHM Casey McGrath £578 (2015: £4,758) under the agreement.

(b) Amounts due by subsidiaries

At 31 December 2016, amounts owed to the Company by its subsidiaries totalled £23.2 million (2015: £21.5 million). These amounts have been provided in full in the Company's financial statements as there is no immediate prospect of repayment. Amounts due to the Company are unsecured, non-interest bearing and have no fixed repayment terms.

(c) Compensation of key management personnel

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

	2016	2015
	£'000	£'000
Short-term benefits	**348**	506
Post-employment benefits	**-**	39
Share-based payment expense	**-**	29
	348	574

d) Transactions with LC Capital Master Fund Ltd

The Company has a loan agreement with LC Capital Master Fund Limited. S. Lampe is a managing member of LC Capital Advisors LLC, the general partner of LC. Details of the loan agreement are given in note 8.

e) Directors' shareholdings

Details of directors' shareholdings are given on page 16. Each of the directors participated in the share placing during the year.

20. Post Balance Sheet events

The LC Capital Master Fund loan has been further extended to 1st July 2018.

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

Advisers

Secretary

Con Casey FCCA

Registered Office

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

Registered in England and Wales
Number 05662495

Nominated Adviser and Broker

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

Joint Broker

Beaufort Securities Limited
63 St. Mary Axe,
London EC3A 8AA

Solicitors

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

Pinsent Masons LLP
30 Crown Place
London EC2A 4ES

Mason Hayes Curran
South Bank House
Barrow Street
Dublin 4

Auditors

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

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

Bankers

Bank of Ireland
175 Rathmines Road Lower
Dublin 6

Bank of Ireland Global Markets
Colville House
Talbot Street
Dublin 1

Website

www.lansdowneoilandgas.com

Lansdowne
oil & gas plc

www.lansdowneoilandgas.com