Lansdowne oil & gas plc

2017 ANNUAL REPORT AND FINANCIAL STATEMENTS

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

Lansdowne
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Chairman’s Statement

Introduction

Whilst 2017 continued to be very difficult for the sector, there was a recovery of the oil price, which has continued to strengthen into 2018 and it appears that we may have turned the corner, with oil supply returning to balance with demand.

For Lansdowne, 2017 was another year focused upon survival through the difficult conditions and ensuring retention of its appraisal projects in the Celtic Sea.

In the second quarter of 2017, the Company entered into a Loan Agreement for £350,000 with one of its major shareholders, Brandon Hill Capital Limited, and the existing LC Capital Master Fund Loan was further extended to 1 July 2018. These arrangements were put in place to allow additional time to pursue a farm-out of Barryroe (SEL 1/11). Lansdowne's 20% interest in Barryroe is our core asset and in July 2017 an extension was granted to the duration of Standard Exploration Licence 1/11 which contains the Barryroe Field, such that the First Phase will continue to July 2019 and the overall term will continue to July 2021.

This was an important step in enabling farm-out negotiations to continue and in December the Barryroe partners (Providence Resources plc, (Operator) 80% and Lansdowne 20%) announced that they had entered into a period of exclusivity with a potential farminee in order to conclude contractual negotiations, having reached provisional agreement on key commercial terms for a multi-well programme at Barryroe.

In November 2017 the Company announced that the Minister of State at the Department of Communications, Climate Action and Environment had given his consent for the assignment of 10% of Providence's interest in the Helvick Lease Undertaking (“LU”) to Lansdowne Celtic Sea Limited and 10% interest in the Helvick LU to Marginal Field Development Company Limited (MFDEVCO) through a farm-out agreement.

Following these assignments, Lansdowne now holds a 9% interest in Helvick. MFDEVCO are continuing their evaluation work under the farm-in agreement, at their sole cost.

Financial Results

The Group recorded an after tax loss of £0.3 million for the year ended 31 December 2017 compared to a loss of £1.2 million for the year ended 31 December 2016.

Group operating expenses for the year were £0.2 million, compared to £0.7 million in 2016.

Net finance expense for the year was £121,000 (2016: £571,000).

Cash balances of £0.02 million (2016: £0.17 million) were held at the end of the financial year.

Total equity attributable to the ordinary shareholders of the Group was £12.1million as at 31 December 2017 (£12.5 million as at 31 December 2016).

Post Balance Sheet Events

In March 2018, the Company announced that it, along with EXOLA, a wholly owned subsidiary of Providence Resources, had entered into a Farm-Out Agreement ("FOA") with APEC Energy Enterprises Limited ("APEC") over SEL 1/11, containing the Barryroe Field.

APEC is a privately owned Chinese company which has a strategic partnership with China Oilfield Services Co., Ltd ("COSL") and JIC Capital Management Limited ("JIC") for the investment and development of offshore oil and gas opportunities worldwide utilising Chinese drilling units, services and equipment.

Under the terms of the FOA, in consideration for APEC taking a 50% working interest in SEL 1/11, the key commercial and operational terms provide for APEC to:

Commercial Terms

- Be directly responsible for paying 50% of all the cost obligations associated with the drilling of 3 vertical wells, plus any associated side-tracks and well testing (hereinafter referred to as the "Drilling Programme");
- Provide a drilling unit and related operational services for the Drilling Programme;
- Finance, by way of a non-recourse loan facility (the "Loan"), the remaining 50% of all costs of the Barryroe Partners associated with the Drilling Programme;
- The loan, drawable against the budget for the Drilling Programme, will incur an annual interest rate of LIBOR +5% and will be repayable from production cashflow from SEL 1/11, with APEC being entitled to 80% of production cashflow from SEL 1/11 until the Loan is repaid in full;
- Following repayment of the Loan, APEC will be entitled to 50% of production cashflow from SEL 1/11 with EXOLA and Lansdowne being entitled to 40% and 10% of production cashflow, respectively.

Operational Terms

- EXOLA will act as Operator for the Drilling Programme with technical assistance being provided by the APEC Consortium.
- After the completion of the Drilling Programme, APEC will have the right to become Operator for the development/production phase.

Closing

The Closing of the Farm-Out ("Closing"), which is expected to occur in Q3 2018, is conditional on completion of all ancillary legal documentation required to implement the terms of the FOA, and is subject to the approval of the Minister of State at the Department of Communications, Climate Action and Environment and the approval of the Chinese Government. In addition, the details of, and schedule for, the Drilling Programme are subject to further ongoing technical discussions between APEC, Lansdowne and Exola. On closing, the revised equity in SEL 1/11 will be EXOLA (Operator, 40%), APEC (50%) & Lansdowne (10%).

In April 2018, the Company announced that it had placed 69,230,761 new ordinary shares at a placing price of 1.3p/share to raise £900,000 before costs, with these funds being used to meet the Company's share of ongoing Barryroe costs through to closing of the farm-out, expected to take place in Q3 2018, and to fund ongoing working capital requirements until mid-2019.

In addition, Brandon Hill Capital agreed to convert its entire Loan, amounting to £326,911 (including interest), into new shares at the placing price. Furthermore, LC Capital Master Fund agreed to convert a substantial portion of its Loan, amounting £680,000, into new shares, also at the placing price, and to extend the remaining balance due on that loan to 30th June 2019.

In May 2018, at a General Meeting of the Company, these conversions were formally approved by shareholders.

Chairman's Statement

Outlook

The signing of the Barryroe Farm-Out Agreement with the Chinese Consortium is of enormous significance to Lansdowne and has the potential to transform the Company.

Work is underway to finalise the details of the Drilling Programme and to complete all the additional necessary legal work for closing.

It is anticipated that drilling will commence in mid-2019 and by late that year it is expected that the project could have advanced to development sanction.

The last few years have been very difficult for Lansdowne and it would not have survived without the support of our major shareholders, LC Capital Master Fund and Brandon Hill Capital and I would once again like to thank them for this.

Lord 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
Helvick Lease Undertaking	9 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.

Strategic Report
For the year ended 31 December 2017

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 2017 and 31 December 2016 are shown on pages 23 and 24, respectively. Group net assets at 31 December 2017 were £12.1 million (2016: £12.5 million). At 31 December 2017, the Group held £0.02 million (2016: £0.17 million) as cash or short-term deposits.

The Group had intangible assets totalling £14.7 million (2016: £14.4 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 one full-time Executive Director, with administration and technical support provided by LHM Casey McGrath Ltd 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 £0.2 million (2016: £0.7 million).

A loss after tax of £0.3 million (2016: £1.2 million) was recorded in the year and the basic and diluted loss per share for the year was 0.1p (2016: 0.4p).

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 projects.

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

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

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

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

Strategic and external risks:
- 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 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
2015	1.48	1.53	1.59	1.47
2016	1.23	1.35	1.49	1.21
2017	**1.35**	**1.30**	**1.36**	**1.21**

Euro/Sterling Exchange Rates (Euro per Pound Sterling)

	At end of year	Average Rate*	High	Low
2015	1.36	1.38	1.44	1.34
2016	1.17	1.22	1.37	1.11
2017	**1.13**	**1.14**	**1.20**	**1.08**

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

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

There is no assurance that the Group's exploration and development activities will be successful. The Group's activities may also be curtailed, delayed or cancelled not only as a result of adverse weather conditions but also as a result of shortage or delays in the delivery of drilling rigs and other equipment which, at times, are in short supply. The Group seeks to manage these risks through portfolio management, balancing risk across a range of prospects and leads, which carry varying technical and commercial risks, and carefully managing the financial exposure to each asset in the portfolio through the arrangements set out with counterparties. The Group competes with other Exploration & Petroleum companies, some of whom have much greater financial resources than the Group, for the identification and acquisition of oil and gas licences and properties and also for the recruitment and retention of skilled personnel.

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

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

Stephen Boldy
Chief Executive Officer

22 June 2018

Directors' Report
For the year ended 31 December 2017

The Directors present their directors' report and audited financial statements for the year ended 31 December 2017.

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. 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 62, 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 57, was appointed Company Secretary in January 2013. Mr. Casey has an honours degree in Business Management from Trinity College Dublin 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 Ltd.

Details of non executive directors
Lord Torrington (Non-Executive Chairman)†*, aged 74, 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 with an effective date from 20 July 2016.

Steven Lampe (Non-Executive Director)†, aged 59, 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 55, 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. He served as finance director to Texaco's North Sea Upstream Business Unit from 1999-2001 and was CEO of SeaEnergy PLC from 2012-2016. He has also worked, and is currently working as a consultant across the energy sector, working with oil & gas and renewables clients. He has been a director of Lansdowne Oil & Gas plc since 2012.

Jeffrey Auld* (Non-Executive Director), aged 51, has more than 25 years of financial and commercial experience in upstream oil and gas development and production. He is currently the President and CEO of Serinus Energy plc, an AIM listed oil and gas company. 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 2017 and 31 May 2018:

	31 December 2017		31 May 2018	
	No. of Shares	% of Capital	No. of Shares	% of Capital
Lampe Conway & Co LLC/LC Capital Master Fund Limited	138,160,668	27.08%	190,468,360	28.99%
Brandon Hill Capital	59,000,000	11.56%	83,146,999	12.66%
Hargreaves Stockbrokers	23,482,259	4.60%	36,453,541	5.55%
Artemis Investment Management	20,000,000	3.92%	19,500,000	2.97%
Beaufort Securities	19,581,306	3.84%	15,273,106	2.33%
Directors (page 16)	16,831,857	3.30%	16,831,857	2.56%
Interactive Investor (EO)	16,528,122	3.24%	27,480,952	3.46%

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 (2016: £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 and future developments
The Directors are not aware of any event or circumstance which has not been dealt with in note 19 to the financial statements.

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

The Group's main prospect is 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 note 1 (d) on page 29.

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

Stephen Boldy
Chief Executive Officer

22 June 2018

Corporate Governance Statement
For the year ended 31 December 2017

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 2017, 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. Lord Torrington is the senior Non-Executive Director and Chairman.

Board Meeting attendance record	2017 Eligible	2017 Attended
S A R Boldy	6	6
T Torrington	6	6
S G Lampe	6	6
J Aldersey-Williams	6	6
J Auld	6	6

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 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 Lord Torrington (Chairman) and Steven Lampe. 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.

Corporate Governance Statement
For the year ended 31 December 2017

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 on page 29 in note 1 (d) to the financial statements.

By order of the Board

Con Casey FCCA
Company Secretary

22 June 2018

Remuneration Report
For the year ended 31 December 2017

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 Lord Torrington (Chairman) and Steven Lampe, 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 a service contract with the Company with a rolling notice period of one year.

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
The executive Directors' remuneration package, which is reviewed annually, consists of annual salary, performance related bonuses, health and other benefits, pension contributions and share options.

S A R Boldy is entitled to an 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.

Remuneration Report
For the year ended 31 December 2017

	Salary and fees £'000	Performance Related Bonus £'000	Benefits £'000	Pension Contributions £'000	2017 Total £'000	2016 Total £'000
Executive Directors						
SAR Boldy	60	-	-	-	60	158
R Slape (resigned 17 June 2016)	-	-	-	-	-	101
Non-Executive Directors						
J Greenall (resigned 20 July 2016)	-	-	-	-	-	22
T Torrington	20	-	-	-	20	28
SG Lampe	-	-	-	-	-	8
J H Aldersey-Williams	15	-	-	-	15	8
JD Auld	15	-	-	-	15	23
2017	**110**	**-**	**-**	**-**	**110**	-
2016	348	-	-	-	-	348

Interests In Shares
The beneficial interests of the Directors who held office at 31 December 2017 in the ordinary shares of the Company are as follows:

	At 31 Dec 2016	At 31 Dec 2017	At 31 May 2018
SAR Boldy	6,400,660	6,400,660	6,400,660
T Torrington	4,916,500	4,916,500	4,916,500
S G Lampe	2,446,078	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	2,828,619
	16,831,857	16,831,857	16,831,857

S G Lampe had an interest in 138,160,668 shares at 31 December 2017 and 190,468,360 at 31 May 2018 in the Company held by LC Capital Master Fund Limited. S Lampe is managing member of Lampe Conway & Co. LLC, the investment manager of LC Capital Master Fund Limited.

Interests In Share Options

	Exercise Price	At 31 Dec 2016	2017 Granted	2017 Lapsed	At 31 Dec 2017	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 2017, the share price ranged between a high of 1.65p and a low of 0.85p.

On behalf of the Board

Lord Torrington
Chairman, Remuneration Committee

22 June 2018

Independent Auditor's Report
For the year ended 31 December 2017

1. Our opinion is unmodified
We have audited the financial statements of Lansdowne Oil & Gas plc ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2017 which comprise the consolidated income statement and statement of other comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement, the Company statement of financial position, the Company statement of changes in equity, the Company statement of cash flows and the related notes, including the accounting policies in note 1. The financial reporting framework that has been applied in their preparation is UK Law and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:
- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2017 and of its loss for the year then ended;
- the Company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006;
- the Group financial statements and the Company statement of financial position have been prepared in accordance with the Companies Act 2006.

Basis of opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are further described in the Auditor's Responsibilities section of our report. We have fulfilled our ethical responsibilities under, and we remained independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2. Key audit matters: our assessment of risks of material misstatement
Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, we identified one Group key audit matter, as set out below.

Carrying value of intangible exploration/appraisal assets (£14.7 million (2016: £14.4 million)) and going concern.

Refer to accounting policies (d) and (i), Note 4 and Note 19.

The key audit matter
The Group has a 20% interest in a consortium which holds the rights to develop the Barryroe prospect, offshore Ireland. To date, the Group has incurred expenditure of £14.7 million (2016: £14.4 million) in relation to this prospect, all of which has been deferred as intangible assets - exploration/appraisal assets. In order to realise this asset in the future, the Group will continue to incur costs as further development work is carried out on the prospect. The ability to fund this expenditure is critical to the Group's ability to continue as a going concern and to the future production of commercially-successful volumes of hydrocarbons. As such, the funding position of the Group is one of the matters of most significance in our audit.

The assessment of the carrying value of the intangible asset capitalised to date requires management to exercise judgement which requires consideration of a number of factors, including, but not limited to, the Group's intention to proceed with future work programmes on the site, the likelihood of licence renewal, the success of drilling and geological analysis and the successful production of hydrocarbons in commercial quantities.

How the matter was addressed in our audit
In responding to this key audit matter, among others, we:

- examined the funding position of the Group, in particular the post year end announcements in relation to:
    - the Barryroe farm out;
    - the placing of shares;

  and assessed management's judgement that these transactions result in the Group having sufficient financial resources, for at least the period to 30 June 2019, and the necessary funds for the Group to fulfil its obligations in respect of the development of the Barryroe oilfield;
- obtained and documented the process for recording transactions relating to exploration/appraisal assets and assessed the design and implementation of key controls which management performs in relation thereto;
- considered the appropriateness of the criteria for the capitalisation of exploration and appraisal expenditure in accordance with relevant accounting standards and whether there was any inappropriate capitalisation of costs;
- evaluated the directors' judgements used to determine that the capitalised costs of the assets do not exceed their recoverable amount;
- performed inquires with management regarding the Group's intention to carry out exploration and evaluation activity on the Barryroe prospect and corroborated these inquires by inspecting management's cash-flow forecast to verify that it includes further spend on the prospect. We also corroborated our inquires with management and with the directors to confirm our understanding of the intentions and strategy of the Group;
- challenged the directors regarding their conclusion that there were no indicators of potential impairment;
- considered the adequacy of the related disclosures in the financial statements.

Based on the evidence obtained, we found that the carrying value of the intangible exploration/appraisal assets recognised in the financial statements to be reasonable.

We have determined that there are no key audit matters to communicate in our report in relation to the Company.

3. Our application of materiality and an overview of the scope of our audit
The Group materiality in the current year was £200,000 (2016: £200,000). This has been calculated using a benchmark of Group total assets (of which it represents 1.3% (2016: 1.3%), which we have determined, in our professional judgement, to be one of the principal benchmarks within the financial statements relevant to members of the Company in assessing financial performance.

Materiality for the Company financial statements as a whole was set at £400 (2016: £2,000), determined with reference to a benchmark of the Company's total assets (of which it represents 1% (2016: 1%)).

We report to the board of directors all corrected and uncorrected misstatements identified through our audit in excess of £10,000 (2016: £7,000), in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

All audit work was conducted by the Group audit team using the materiality levels set out above.

4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information in the annual report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the strategic and directors' report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

- we have not identified material misstatements in the strategic report or the directors' report;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the 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.

We have nothing to report on these matters.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 10, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report
For the year ended 31 December 2017

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities
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,
Chartered Accountants, Statutory Auditor Firm
1 Stokes Place
St. Stephen's Green,
Dublin 2

22 June 2018

Consolidated Income Statement
For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Administrative expenses		**(226)**	(665)
Operating loss		**(226)**	(665)
Finance costs	15	**(121)**	(571)
Loss for the year before tax		**(347)**	(1,236)
Income tax	16	**-**	-
Loss for the year		**(347)**	(1,236)
Loss per share (pence):			
Basic loss per ordinary share	3	**(0.1p)**	(0.4p)
Diluted loss per ordinary share	3	**(0.1p)**	(0.4p)

The results for the period all arise on continuing operations.

The accompanying notes on pages 29 - 42 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 22 June 2018.

John Aldersey-Williams
Director

Stephen Boldy
Director

Consolidated Statement of Financial Position
As at 31 December 2017

Assets	*Notes*	**2017 £'000**	**2016 £'000**
Non-Current Assets			
Intangible assets	4	**14,672**	14,399
Current Assets			
Trade and other receivables	6	**23**	38
Cash and cash equivalents		**15**	165
		38	203
Total Assets		**14,710**	14,602
Equity and Liabilities			
Shareholders' Equity			
Share capital	11	**11,571**	11,571
Share premium		**25,126**	25,126
Currency translation reserve		**59**	59
Share-based payment reserve		**923**	923
Accumulated deficit		**(25,533)**	(25,186)
Total Equity		**12,146**	12,493
Non-Current Liabilities			
Provision for liabilities	9	**288**	261
Current Liabilities			
Shareholder loan		**1,909**	1,587
Trade and other payables	7	**367**	261
Total Liabilities		**2,564**	2,109
Total Equity and Liabilities		**14,710**	14,602

The accompanying notes on pages 29 - 42 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 22 June 2018.

John Aldersey-Williams
Director

Stephen Boldy
Director

Company Statement of Financial Position
As at 31 December 2017

Assets	Notes	2017 £'000	2016 £'000
Current Assets			
Trade and other receivables	6	**23**	38
Cash and cash equivalents		**14**	164
		37	202
Total Assets		**37**	202
Equity and Liabilities			
Shareholders' Equity			
Share capital	11	**11,571**	11,571
Share premium		**25,126**	25,126
Share-based payment reserve		**923**	923
Accumulated deficit		**(39,853)**	(39,260)
Total Equity		**(2,233)**	(1,640)
Current Liabilities			
Shareholder loan		**1,909**	1,587
Trade and other payables	7	**361**	255
Total Liabilities		**2,270**	1,842
Total Equity and Liabilities		**37**	202

The accompanying notes on pages 29 - 42 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 22 June 2018.

John Aldersey-Williams
Director

Stephen Boldy
Director

Consolidated Statement of Cash Flows
For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Loss for the year		**(347)**	(1,236)
Adjustments for:			
Interest payable and similar charges		**119**	571
Decrease in trade and other receivables		**15**	54
Increase/(decrease) in trade and other payables		**106**	(1,913)
Net cash used in operating activities		**(107)**	(2,524)
Cash flows from investing activities			
Acquisition of intangible exploration assets	4	**(273)**	(64)
Net cash used in investing activities		**(273)**	(64)
Cash flows from financing activities			
Proceeds from the issue of share capital		**-**	3,363
Proceeds from new loan		**230**	-
Repayment of loan		**-**	(930)
Net cash from financing activities		**230**	2,433
Decrease in cash and cash equivalents		**(150)**	(155)
Cash and cash equivalents at 1 January		**165**	320
Cash and cash equivalents at 31 December		**15**	165

The accompanying notes on pages 29 - 42 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 22 June 2018.

John Aldersey-Williams
Director

Stephen Boldy
Director

Company Statement of Cash Flows
For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Loss for the year		**(593)**	(2,901)
Adjustments for:			
Interest payable and similar charges		**93**	548
Decrease in trade and other receivables		**15**	54
Increase/(decrease) in trade and other payables		**105**	(289)
Net cash used in operating activities		**(380)**	(2,588)
Cash flows from financing activities			
Proceeds from the issue of share capital		**-**	3,363
Proceeds from new loan		**230**	-
Repayment of loan		**-**	(930)
Net cash from financing activities		**230**	2,433
Net (decrease) in cash and cash equivalents		**(150)**	(155)
Cash and cash equivalents at 1 January		**164**	319
Cash and cash equivalents at 31 December		**14**	164

The accompanying notes on pages 29 - 42 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	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 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	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
Balance at 1st January 2017	11,571	25,126	923	59	(25,186)	12,493
Loss for the financial year	-	-	-	-	(347)	(347)
Balance at 31st December 2017	**11,571**	**25,126**	**923**	**59**	**(25,533)**	**12,146**

The accompanying notes on pages 29 - 42 form an integral part of these financial statements.

Company Statement of Changes in Equity
For the year ended 31 December 2017

	Share Capital £'000	Share Premium £'000	Share Based Payment Reserve £'000	Accumulated Deficit £'000	Total Equity £'000
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	3,484	-	-	-	3,484
Cost of share issues	-	(121)	-	-	(121)
Balance at 31st December 2016	11,571	25,126	923	(39,260)	(1,640)
Balance at 1st January 2017	11,571	25,126	923	(39,260)	(1,640)
Loss for the financial year	-	-	-	(593)	(593)
Balance at 31st December 2017	**11,571**	**25,126**	**923**	**(39,853)**	**(2,233)**

The accompanying notes on pages 29 - 42 form an integral part of these financial statements.

1. Presentation of accounts 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 2019. The following represent the key assumptions underpinning the cash flow projections:

Barryroe farm out
On 28 March 2018, the Company announced a deal to Farm-Out a 50% working interest in its Barryroe prospect to a Chinese consortium led by APEC Energy Enterprise Limited. It is proposed that the Consortium will fund 100% of the drilling costs for 3 wells and associated side-tracks. It is further proposed that the Consortium will finance the Group's 50% share of the drilling programme costs by way of a non-recourse loan, secured against future Barryroe production cash-flow.

Placing
On 6 April 2018, the Company raised £900,000 before costs by placing 69,230,761 new ordinary shares with new and existing investors.

Brandon Hill Capital also agreed to convert the outstanding amount of its loan to the Company, amounting to £326,911 (including interest), into new ordinary shares at the placing price.

In addition, LC Capital Master Fund Ltd agreed to convert £680,000 of the senior secured loan (including associated interest) issued to it by the Company in March 2015 into new ordinary shares at the placing price, and extend the term of the remaining amounts under the Loan Note to 30th June 2019.

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

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

(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 16)

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. 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, 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 are given in the Directors' Remuneration Report and note 14 of these financial statements.
The cost of awards under the share option scheme is recognised over the three or five year period to which the performance criteria relate. The amount recognised is based on the fair value of the share options, as measured at the date of the award. The corresponding credit is taken to a share based payments reserve. The proceeds on exercise of share options are credited to share capital and share premium.

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

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

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

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

(s) Foreign currency
The Group's consolidated financial statements are presented in Sterling, which is also the 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) Operating segments
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. Because the Group does not engage yet in business activities from which it may earn revenue, and as all its developmental activities are currently located in one geographical area, no reportable segment has been identified nor disclosed in these financial statements.

(v) Changes 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
Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 7: Disclosure Initiative
Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses

A number of new standards, amendments to standards and interpretations issued are not yet effective and have not been applied in preparing these financial statements. These new standards, amendments to standards and interpretations are not expected to have a material impact on the Group's financial statements as the Group has no transactions that would be affected by these new standards and amendments.

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

Standard
IFRS 15: Revenue from contracts with customers
IFRS 9: Financial Instruments
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 22: Foreign Currency Transactions and Advance Consideration
Amendments to IAS 40: Transfers of Investment Property
IFRS 23: Uncertainty over Income Tax Treatments
IFRS 16: Leases
Amendments to IFRS 9: Prepayments Features with Negative Compensation
IFRS 17: Insurance Contracts
Amendments to IAS 28: Long-term Interests i Associates and Joint Ventures
Annual Improvements to IFRS 2015 -2017 Cycle
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
Amendments to References to the Conceptual Framework in IFRS Standards

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.

	2017 £'000	2016 £'000
Loss for the year attributable to equity holders	**(347)**	(1,236)
Weighted average number of ordinary shares in issue - basic and diluted	**334,116,800**	334,116,800
Loss per share arising from continuing operations attributable to the equity holders of the Company - basic and diluted (in pence)	**(0.1)**	(0.4)

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 2017 and 2016, potentially issuable shares would have been anti-dilutive. The number of potentially issuable shares at 31 December 2017 is 513,204,394 (2016: 513,204,394).

4. Intangible assets

Group	**Exploration/ appraisal assets** **£'000**
Cost	
At 1 January 2016	14,335
Additions	64
As at 31 December 2016	14,399
At 1 January 2017	14,399
Additions	273
As at 31 December 2017	**14,672**

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
Cost	**£'000**
At 1 January 2016	-
Impairment	-
At 31 December 2016 and 31 December 2017	**-**

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

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

Significant joint operation	Principal activity	Effective Interest	
		2017 %	**2016 %**
Barryroe Exploration Licence	Hydrocarbon exploration	20	20
Helvick Lease Undertaking	Hydrocarbon exploration	9	10

6. Trade and other receivables

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Amounts falling due within one year:				
Value added tax and other taxes	**5**	19	**5**	19
Prepayments	**18**	19	**18**	19
	23	38	**23**	38

7. Trade and other payables

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Amounts falling due within one year:				
Trade payables	**113**	115	**106**	109
Taxes and social security	**119**	117	**123**	117
Accruals	**135**	29	**132**	29
	367	261	**361**	255

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.

	2017	2016
	£'000	£'000
Amounts falling due within one year:		
Senior secured loan notes – Issued in 2015 (i)	**1,666**	1,586
Junior secured loan notes – Issued in 2017 (ii)	**243**	-
	1,909	1,586

(i) A senior secured loan note was issued in 2015 to LC Capital Master Fund Ltd, a related party as outlined in note 18. Currently, the coupon rate is 5% per annum and the repayment date for this loan is 30 June 2019. In April 2018, LC Capital Master Fund Ltd, agreed to convert £680,000 of the senior secured loan (including associated interest) into new ordinary shares at a price of 1.3p per share.

(ii) In June 2017, the Company entered into a loan agreement with one of its shareholders, Brandon Hill Capital Ltd, pursuant to which Brandon Hill Capital agreed to provide a loan of up to £350,000, repayable one year after drawdown. The loan agreement carries a coupon of 12% per annum simple interest on the drawn parts of the principal. The principal and interest is repayable in cash at the end of the term. In April 2018, Brandon Hill Capital agreed to convert the outstanding amount of the loan into new ordinary shares at a price of 1.3p per share.

9. Provision for liabilities

	Asset retirement obligation	Asset retirement obligation
	2017	2016
	£'000	£'000
Beginning of period	261	238
Unwinding of discount	26	23
As at 31 December	**287**	**261**

This 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 the result for the year.

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 the loss for the year.

(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 2017 was held with such banks.

Other than the allowance for impairment of £290,075 (2016: £1,709,930) recognised in respect of receivables from its subsidiaries, the Company has no credit risk associated with its other receivables. See note 18 (b).

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 2017, 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 equity plus shareholder loans.

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

	2017	2016
Authorised		
510,164,394 ordinary shares at £0.01 pence each	**510,164,394**	**510,164,394**

Issued, called up and fully paid:

	Number of Ordinary Shares	Share Capital £'000	Share Premium £'000	Total £'000
At 1st January 2016	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
Issued in year	-	-	-	-
At 31st December 2017	**510,164,394**	**11,571**	**25,126**	**36,697**

12. Statutory information

	2017 £'000	2016 £'000
The loss for the year stated after (crediting)/charging:		
Foreign exchange gains, net	**-**	(2)
Operating lease rentals - premises	**3**	46
Audit Services:		
Fees payable to Group's auditor for the audit of the Company and consolidated financial statements	**29**	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:

	2017 Number	2016 Number
Oil and gas exploration	**1**	2

	2017 £'000	2016 £'000
Wages and salaries	**60**	259
Social security costs	**5**	42
	65	301

Remuneration of the Directors is disclosed 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 16 to 17. As at 31 December 2017, the following options were outstanding:

Option exercise price	Number	Exercisable at 31 Dec '17	Exercisable at 31 Dec '16	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 cost of awards under the share option scheme was recognised over the vesting period of the awards, three years.

15. Finance costs

	2017 £'000	2016 £'000
Loan interest	**93**	547
Unwinding of discount (note 9)	**26**	23
Retranslation of foreign currency cash balances	**2**	1
Total expense	**121**	571

16. Income Tax

	2017	2016
	£'000	£'000
Current tax charge	-	-
Total income tax credit	-	-

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

	2017	2016
	£'000	£'000
Loss before income tax	**(347)**	(1,236)
Loss before income tax multiplied by standard rate of tax 19.25% (2016: 19.25%)	**(67)**	(238)
Effects of:		
Expenses not deductible for tax purposes	**20**	20
Losses carried forward	**47**	218
Total tax credit	-	-

Unrecognised deferred tax assets, in respect of unused losses, amount to £1.8 million (2016: £1.7 million).

Deferred tax assets have not been recognised because it is not probable that future taxable profits will be available against which the Group can use the benefits therefrom.

17. Capital commitments

The Group has no unprovided contractual commitments for capital expenditure (2016: Nil).

18. Related party transactions

(a) Transactions with LHM Casey McGrath

Con Casey is a partner in the accountancy practice, LHM Casey McGrath Ltd, and he is the company secretary of the Company. The Company has entered into a services agreement with LHM Casey McGrath Ltd 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 an annual fee totalling £60,000 (2016: £60,000). This agreement can be terminated by LHM Casey McGrath Ltd 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 2017, the Group owed LHM Casey McGrath Ltd £11,453 (2016: £578) under the agreement.

(b) Amounts due by subsidiaries

At 31 December 2017, amounts owed to the Company by its subsidiaries totalled £23.5 million (2016: £23.2 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:

	2017	2016
	£'000	£'000
Short-term benefits	**110**	348

(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) Transactions with Brandon Hill Capital Ltd

The Company has a loan agreement with Brandon Hill Capital Limited, a major shareholder. Details of the loan agreement are given in note 8.

(f) Directors' shareholdings

Details of directors' shareholdings are given on pages 16 to 17.

19. Post Balance Sheet events

On 28 March 2018, the Group agreed to Farm-Out a 50% working interest in Barryroe to a Chinese Consortium led by APEC Energy Enterprise Limited. The Consortium is to fund 100% of drilling costs for 3 wells and associated side-tracks. The Consortium is to also finance the Group's 50% share of drilling programme costs by way of a loan which is to be secured against future Barryroe production cash-flow.

On 6 April 2018, the Company placed 69,230,761 new ordinary shares with new and existing investors at a placing price of 1.3 pence per placing share, raising £900,000 before costs.

Brandon Hill Capital also agreed to convert the outstanding amount of its loan to the Company, amounting to £326,911 (including interest), into new ordinary shares at the placing price.

In addition, LC Capital Master Fund Ltd, agreed to convert £680,000 of the senior secured loan (including associated interest) issued to it by the Company in March 2015 into new ordinary shares at the placing price, and extend the term of the remaining amounts under the Loan Note to 1st July 2019.

After the share placing on 6th April 2018, the number of shares currently in issue total 656,849,846.

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.

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