Lansdowne
oil & gas plc

2018 ANNUAL REPORT AND FINANCIAL STATEMENTS

Lansdowne
oil & gas

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Chairman's Statement

Introduction

The key event during 2018 was entering into a Farm-Out Agreement ("FOA"), along with EXOLA, a wholly owned subsidiary of Providence Resources plc, in respect of Standard Exploration Licence (SEL) 1/11, containing the Barryroe Field, to APEC Energy Enterprises Limited ("APEC").

APEC is a privately-owned Chinese Company, which has a strategic partnership with other Chinese companies for the investment and development of offshore oil and gas opportunities worldwide utilising Chinese drilling units, services and equipment.

The terms of the FOA, were initially announced in March 2018, but were updated in September 2018, following the signing of a binding legal agreement, after receiving the necessary governmental consents.

The Updated FOA provided for a full cost-carried firm drilling programme comprising of the drilling and testing of four vertical wells and one horizontal side-track (collectively the "Drilling Programme"), plus the optional drilling of two further horizontal wells, together with cash advances to EXOLA for certain agreed project and operational costs totalling $19.5 million.

Under the FOA, APEC acquired a 50% working interest in SEL 1/11, with EXOLA retaining 40% and Lansdowne 10%.

During the year, extensive work was carried out on well planning and, as announced in September, the site survey was planned for late 2018. The permission for the well site survey operations was granted to EXOLA on October 8, 2018 by the Minister, with the operations scheduled to be carried out in Q4 2018.

However, on November 15, 2018, the Company was notified that An Taisce issued legal proceedings on November 12, 2018 against the Minister and the Attorney General regarding the issuance of the permission for EXOLA to conduct well site survey operations at Barryroe. Specifically, in its application, An Taisce sought to challenge by way of Judicial Review the process by which permission for the well site survey operations had been granted by the Minister.

Given the questions surrounding the Site Survey approval, a decision was taken by EXOLA and its Barryroe partners not to act on the well site survey permission as-granted, but rather to submit a new application.

Financial Results

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

In addition, Brandon Hill Capital agreed to convert its entire existing 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 existing Loan, amounting to £680,000, into new shares, also at the placing price.

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

In October 2018 and January 2019 Brandon Hill Capital exercised the conversion of warrants in the Company, which resulted in the delivery of an additional £85,000 to the company.

The Group recorded an after-tax loss of £0.3 million for the year ended 31 December 2018 compared to a loss of £0.3 million for the year ended 31 December 2017.

Group operating expenses for the year were £0.2 million, compared to £0.2 million in 2017.

Net finance expense for the year was £100,000 (2017: £121,000).

Cash balances of £0.16 million (2017: £0.02 million) were held at the end of the financial year.

Total equity attributable to the ordinary shareholders of the Group was £13.7 million as at 31 December 2018 (£12.1 million as at 31 December 2017).

Post Balance Sheet Events

Further progress toward drilling has continued in 2019, with the announcement in February that COSL nominated their 6th generation "COSL Innovator" semi-submersible drilling unit, which is currently based in the Norwegian North Sea, to carry out the Barryroe Drilling Programme.

Chairman's Statement

EXOLA submitted a new application for a well-site survey in February 2019 to the Irish regulatory authorities. A number of questions were subsequently raised by the regulator and replies to all of these were supplied by EXOLA and the application is currently the subject of adjudication by the regulatory authorities.
In April 2019, an application was made to convert SEL 1/11 to a Lease Undertaking.

In June 2019, further amendments to the Barryroe Farm-Out Agreement were announced.

A total of US$ 24 million (previously US$ 19.5 million) has now been allocated to fund the forward costs of EXOLA as Operator of the Barryroe Project. Such costs are associated with carrying out the well-site survey operations, consenting the drilling programme and other project-related costs. This increased sum reflects an agreed augmented scope of Operator-related costs associated with the drilling programme.

Of the US$ 24 million, US$ 9 million is to specifically cover the costs associated with front-end well-site survey operations and pre-drill well consenting, which have not been incurred yet due to the previously disclosed legal challenge to the well-site survey consent. The balance of US$ 15 million is payable prior to the spudding of the first well and is to cover Operator-related drilling costs.

Such costs are to be financed by APEC pursuant to a non-recourse loan facility (the "Loan") which, as announced previously, is drawable against the budget for the Drilling Programme

Under the original terms of the Updated FOA, which envisaged well-site survey operations during Q4 2018, it was agreed that APEC would proceed to make an advance to EXOLA under the Loan of an initial US$ 9 million shortly after the signing of the Updated FOA. This advance was not received during Q4 2018 as originally expected. However, given the delays to the programme (see below), EXOLA did not, in fact, require the funds at that time to finance the front-end well-site survey operations and pre-drill well consenting.

The Barryroe Partners have agreed a series of amendments to the Updated FOA over recent months which provided for extensions to the date by APEC of the initial loan advance US$ 9 million, with the extension date now set at July 5 2019.

Subject to receipt of regulatory consents and financing, the well-site survey operations are now expected to be carried out in Q3 2019.

The company has entered into a Loan Agreement ("Loan") for GBP 300,000 with its major shareholders, LC Capital and Brandon Hill Capital Limited, who will each provide £150,000 for working capital to the Company.

Under the Agreement Lansdowne is able to draw down funds at its discretion in part or in full. A coupon of 12% per annum will be applied only to those funds drawn by the Company. There are no options, warrants or convertible aspect to the loan and no fee owed to Brandon Hill Capital for providing the funds. The Loan is unsecured and is repayable in full on 25th July 2020.

Brandon Hill and LC Capital are Significant Shareholders in Lansdowne and therefore the Loan is considered a related party transaction for the purposes of the AIM Rules. The Directors of Lansdowne consider, having consulted with the Company's nominated adviser, that the terms of the Loan are fair and reasonable insofar as the Company's shareholders are concerned.

In November 2018 the Company announced the appointment of SP Angel Corporate Finance LLP as nominated adviser and they have now been further appointed as joint-broker.

Outlook

We had thought that 2018 was the year that Lansdowne finally turned the corner with the signing of the Farm-Out Agreement for Barryroe which was expected would lead to a comprehensive appraisal programme on this substantial oil and gas accumulation (346 MMBOE 2C Resources).

Unfortunately, however, regulatory delays in the permitting of the site survey operations and delay to the delivery of funding to EXOLA as called for under the Farm-Out Agreement, have delayed the Drilling Programme.

A wider threat to all oil and gas activity offshore Ireland is posed by the Bill put forward in the Irish Parliament that effectively seeks to block the award of any new hydrocarbon licence arrangements. The debate on this Bill is continuing. The concept behind this measure is to address carbon dioxide emissions and thus Climate Change.

Chairman's Statement

Whilst recognising that we are in a transition from dependence on fossil fuels to a future where renewables will become the dominant energy source, all projections indicate that we will continue to require fossil fuels, especially gas, for many years to come.

The Bill that has been tabled would, if passed, not result in any reduction in emissions and would leave Ireland entirely reliant on imports for its hydrocarbon requirements.

Given all of the above, the outlook is somewhat uncertain, but we continue to believe in the value of our equity in Barryroe, a substantial oil accumulation in shallow water, and we will continue our efforts to demonstrate and crystallise this value.

In September 2018, upon the signing of the binding Farm-out Agreement on Barryroe, Steven Lampe stepped down from the Board, but remains involved with the Company in an observer status. I would like to thank him for his service and his continuing 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	10 per cent	Exola
2/07 Helvick Exploration Licence	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.

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 2018 and 31 December 2017 are shown on pages 23 and 24, respectively. Group net assets at 31 December 2018 were £13.7 million (2017: £12.1 million). At 31 December 2018, the Group held £0.16 million (2017: £0.02 million) as cash or short-term deposits.

The Group had intangible assets totalling £15.3 million (2017: £14.7 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 Smith & Williamson 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 £0.19 million (2017: £0.22 million).

A loss after tax of £0.3 million (2017: £0.3 million) was recorded in the year and the basic and diluted loss per share for the year was 0.05p (2017: 0.1p).

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
- Changes in government policy

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 the end of year	Average rate*	High	Low
2017	1.35	1.30	1.36	1.21
2018	**1.28**	**1.33**	**1.43**	**1.26**

Euro/Sterling Exchange Rates (Euro per Pound Sterling)

	At the end of year	Average rate*	High	Low
2017	1.13	1.14	1.20	1.08
2018	**1.12**	**1.13**	**1.16**	**1.10**

* 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 the two current 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

26 June 2019

Directors' Report
For the year ended 31 December 2018

The Directors present their directors' report and audited financial statements for the year ended 31 December 2018.

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 63, 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 58, 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 corporate finance director in Smith & Williamson.

Details of non executive directors
Lord Torrington (Non-Executive Chairman)†*, aged 75, 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 which an effective date from 20 July 2016.

John Aldersey-Williams (Non-Executive Director)†*, aged 56, has worked in the energy sector 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 52, 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.

Steven Lampe (Non-Executive Director), aged 60, 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. Steve resigned as a director on 21 September 2018.

* 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 2018 and 31 May 2019:

	31 December 2018		31 May 2019	
	No. of shares	% of Capital	No. of shares	% of Capital
Lampe Conway & Co LLC/LC Capital Master Fund Limited	190,468,360	28.78%	190,468,360	28.63%
Brandon Hill Capital	93,493,593	14.13%	93,493,593	14.05%
Hargreaves Stockbrokers	41,555,741	6.28%	51,690,696	7.77%
InterTrader	28,846,153	4.36%	44,962,598	6.76%
IG Markets	26,388,381	3.99%	47,718,034	7.17%
Mr & Mrs Mackay	20,000,000	3.02%	28,727,369	4.32%

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 (2017: £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 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 have prepared cash flow projections for the period to 30 June 2020. The following represent the key assumptions underpinning the cash flow projections:

Barryroe farm out
Under the terms of the Farm-Out Agreement entered into between the Barryroe partners (Providence and Lansdowne) and APEC Energy Enterprises, all costs will be borne by APEC through the planning and drilling of the appraisal well programme.

The Barryroe Partners have agreed a series of amendments to the Updated FOA over recent months which provided for extensions to the date by APEC of the initial loan advance US$ 9 million, with the extension date now set at 5 July 2019. The Directors continue to expect that APEC will fulfil its commitments under the FOA.

Funding options

On 25 June 2019, the Company secured debt funding of GBP 150,000 from LC Capital and GBP 150,000 from Brandon Hill Capital Limited by way of loan note the terms of which are summarised as follows:

- funds can be drawn down at Lansdowne's discretion
- the amount of the drawdown is limited to GB £50,000 per calendar month
- the Lender is to provide funds within 5 business days upon receipt of drawdown notice
- Lansdowne is able to draw down funds at its discretion in part or in full
- a coupon of 12% per annum will be applied only to those funds drawn by Lansdowne.
- there are no options, warrants or convertible aspect to the loan
- no fee is payable to either LC Capital or Brandon Hill Capital Ltd for providing the funds.
- the loan is unsecured.

In addition, LC Capital Master Fund Ltd agreed to extend the term of the remaining amounts under its existing Loan Note to 31 December 2019. At this time the Directors anticipate further forbearance on repayment from LC Capital Master Fund Ltd whereby the Company will not be required to discharge amounts due under this loan note prior to 30 June 2020.

It is intended that the new Debt Facility will provide sufficient funds to carry the Company through to the end of 2019, by which time the Directors expect the Barryroe Site Survey to have been approved and competed and the Integrated Project Management Contract (Drilling Contract) to have been signed with COSL, in accordance with the farm out agreement announced in September 2018.

Based on the cash flow projections prepared by the Directors, the debt funding secured will not be adequate to ensure that the Group and Company will be in a position to discharge all liabilities as they fall due. The Directors believe that the Company will be able to secure further debt or equity funding as may be required to address any shortfall arising. However, there is no guarantee that the Company will be able to secure such funding.

The Directors are aware of the proposals put forward in the Petroleum and Other Minerals Development Bill 2018 ("Climate Emergency Measures Bill 2018") that has been put forward in the Irish Parliament (Dáil Éireann). Whilst it is uncertain whether it will advance and also whether it will be subject to amendments, should the Climate Emergency Measures Bill 2018 be enacted in its current form, the Company's ability to progress its licences may be negatively impacted. In this event it is expected that the Company would pursue strenuously claims for compensation.

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

Financial instruments

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

Auditor

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

26 June 2019

Corporate Governance Statement
For the year ended 31 December 2018

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. The board has resolved to adopt the principles of the Quoted Companies Alliance Governance Code ("QCA Code"), full details of which are set out in the company website www.lansdownoilandgas.com.

Directors
At 31 December 2018, the Board comprised of a Non-Executive Chairman, one Executive Director and two 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	2018 Eligible	2018 Attended
S A R Boldy	13	13
T Torrington	13	12
J Aldersey-Williams	13	12
J Auld	13	9
S G Lampe*	9	9

*Resigned as a director on 21 September 2018.

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 John Aldersey-Williams 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 identify 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 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 directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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 Company and of its profit or loss for that period. In preparing the 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and a directors' report that complies with that law and those regulations.

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 note 1 (d) to the financial statements.

By order of the Board

Stephen Boldy
Chief Executive Officer

26 June 2019

Remuneration Report

For the year ended 31 December 2018

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 John Aldersey-Williams, 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

Stephen 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, consist of annual salary, performance related bonuses, health and other benefits, pension contributions and share options.

Stephen 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.

Directors' Detailed Emoluments

	Salary and fees £'000	Performance Related Bonus £'000	Benefits £'000	Pension Contributions £'000	2018 Total £'000	2017 Total £'000
Executive Directors						
SAR Boldy	60	-	-	-	60	60
Non-Executive Directors						
T Torrington	20	-	-	-	20	20
J Aldersey-Williams	15	-	-	-	15	15
JD Auld	15	-	-	-	15	15
2018	**110**	**-**	**-**	**-**	**110**	-
2017	110	-	-	-	-	110

Interests In Shares

The beneficial interests of the Directors who held office at 31 December 2018 in the ordinary shares of the Company are as follows:

	At 31 Dec 2017	At 31 Dec 2018	At 31 May 2019
SAR Boldy	6,400,660	6,400,660	6,400,660
T Torrington	4,916,500	4,916,500	4,916,500
J H Aldersey-Williams	240,000	240,000	240,000
J D Auld	2,828,619	2,828,619	2,828,619
S G Lampe*	2,446,078	N/A	N/A
	16,831,857	14,385,779	14,385,779

* Resigned as a director on 21st September 2018. S G Lampe had an interest in 190,468,360 shares 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.

Remuneration Report

For the year ended 31 December 2018

Interests In Share Options	Exercise Price	At 31 Dec 2017	2018 Granted	2018 Lapsed	At 31 Dec 2018	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	-	-	N/A	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 2018, the share price ranged between a high of 1.15p and a low of 2.83p.

On behalf of the Board

Lord Torrington

Chairman, Remuneration Committee

26 June 2019

Independent Auditor's Report to the Members of Lansdowne Oil & Gas Plc
For the year ended 31 December 2018

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 2018 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 2018 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 2018
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Company financial statements have been prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the Group financial statements and the Company statement of financial position have been prepared in accordance with the requirements of 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.

Material uncertainty related to going concern
We draw attention to note 1(d) to the financial statements which indicates that the Group’s and Company’s ability to continue as a going concern is dependent on securing additional debt or equity funding.
There is no guarantee that the Company will be in a position to secure such funding. These events and conditions, along with the other matters explained in note 1(d), constitute a material uncertainty that may cast significant doubt on the Group’s and the Company’s ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

The risk
There is little judgement involved in the directors’ conclusion that risks and circumstances described in note 1(d) to the financial statements represent a material uncertainty over the ability of the Group and Company to continue as a going concern for a period of at least a year from the date of approval of the financial statements.

However, clear and full disclosure of the facts and the directors’ rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.

How the matter was addressed in our audit
Our audit procedures included, among others, assessing the completeness and accuracy of the matters in the going concern disclosure by:

- inspecting management’s going concern paper which outlines the status of the various factors impacting on going concern, the risks attaching to the various potential outcomes and the likely future developments;
- inspecting management’s cash flow projections and key underlying assumptions prepared by Group management for the period up to 30 June 2020;
- inspecting and challenging the key assumptions made and corroborating these assumptions with supporting evidence where possible;
- performing a sensitivity analysis on management’s cash flow forecasts;

- performing inquires of management and the Audit Committee;
- inspecting board minutes up to the date of approval of the financial statements;
- inspecting management's analysis of the alternative funding options available to the Group; and
- considering the adequacy of the Group's disclosures within the basis of preparation note on page 29 in respect of going concern, and whether the disclosures properly reflected the risks that the Group faces in respect of its ability to continue as a going concern.

Based on the audit evidence obtained, we found management's conclusion to prepare the financial statements on a going concern basis with the disclosure of a material uncertainty to be reasonable. We found the disclosure of the material uncertainty to be acceptable.

2. Other key audit matters: our assessment of risks of material misstatement
Key audit matters are those matters that, in our professional judgment, 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 addition to the matter described in the 'Material uncertainty related to going concern section' above, we identified one further Group key audit matters as follows (unchanged from 2017).

Carrying value of intangible exploration/appraisal assets (£15.3 million (2017: £14.7million))
Refer to accounting policies (d) and (i), Note 4 and Note 19.

The key audit matter
The Group has a 10% interest in a consortium which holds the rights to develop the Barryroe prospect, offshore Ireland. To date, the Group has incurred expenditure of £15.3 million (2017: £14.7 million) in relation to this prospect, all of which has been capitalised as intangible assets - exploration/appraisal assets.

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:
- evaluated management's assessment of intangible assets with reference to the criteria of IFRS 6 *Exploration for and Evaluation of Mineral Resources* and the Group's accounting policy
- obtained an understanding of the Group's ongoing exploration and appraisal activity by interviewing executive and finance staff in relation to all key licences
- 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 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
We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined Group materiality in current year to be £200,000 (2017: £200,000). This was been calculated using a benchmark of Group total assets (of which it represents 1.3% (2017: 1.3%). We considered total assets to be the appropriate benchmark for determining materiality due to the relative stability of this measure in recent years. We considered quantitative and qualitative factors such as understanding the entity and its environment, history of misstatements, complexity of the Group and reliability of the control environment.
Materiality for the Company financial statements as a whole was set at £2,000 (2017: £400), determined with reference to a benchmark of the Company's total assets (of which it represents 1% (2017: 1%)).

We agreed with the Audit Committee that we would report to them all corrected and uncorrected audit misstatements in excess of £10,000 (2017: £10,000), in addition to other audit misstatements below that threshold that in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds

Our audit scope included a full audit of all components, accounting for 100 per cent of the Group's total loss before tax and net assets.

4. 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. 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.

5. Strategic report and directors' report
Based solely on our work on the other information
- 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 is consistent with the financial statements; and
- in our opinion, the directors' report has 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 13, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

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 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

Our 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.

Colm O'Sé
for and on behalf of KPMG,
Chartered Accountants, Statutory Auditor
1 Stokes Place
St. Stephen's Green,
Dublin 2

26 June 2019

Consolidated Income Statement
For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Administrative expenses		**(193)**	(226)
Operating loss		**(193)**	(226)
Finance costs	15	**(100)**	(121)
Loss for the year before tax		**(293)**	(347)
Income tax	16	**-**	-
Loss for the year		**(293)**	(347)
Loss per share (pence):			
Basic loss per ordinary share	3	**(0.05p)**	(0.1p)
Diluted loss per ordinary share	3	**(0.05p)**	(0.1p)

The results for the year all arise on continuing operations.

The accompanying notes on pages 29 - 43 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 June 2019.

John Aldersey-Williams
Director

Stephen Boldy
Director

Consolidated Statement of Financial Position

As at 31 December 2018

		2018	2017
Assets	*Notes*	**£'000**	**£'000**
Non-Current Assets			
Intangible assets	4	**15,311**	14,672
Current Assets			
Trade and other receivables	6	**47**	23
Cash and cash equivalents		**159**	15
		206	38
Total Assets		**15,517**	14,710
Equity and Liabilities			
Shareholders' Equity			
Share capital	11	**11,718**	11,571
Share premium	11	**26,833**	25,126
Currency translation reserve		**59**	59
Share-based payment reserve		**923**	923
Accumulated deficit		**(25,826)**	(25,533)
Total Equity		**13,707**	12,146
Non-Current Liabilities			
Provisions	9	**316**	288
Current Liabilities			
Shareholder loan	8	**1,046**	1,909
Trade and other payables	7	**448**	367
Total Liabilities		**1,810**	2,564
Total Equity and Liabilities		**15,517**	14,710

The accompanying notes on pages 29 - 43 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 June 2019.

John Aldersey-Williams
Director

Stephen Boldy
Director

Company Statement of Financial Position
As at 31 December 2018

Assets	*Notes*	2018 £'000	2017 £'000
Current Assets			
Trade and other receivables	6	**47**	23
Cash and cash equivalents		**159**	14
Total Assets		**206**	37
Equity and Liabilities			
Shareholders' Equity			
Share capital	11	**11,718**	11,571
Share premium	11	**26,833**	25,126
Share-based payment reserve		**923**	923
Accumulated deficit		**(40,761)**	(39,853)
Total Equity		**(1,287)**	(2,233)
Current Liabilities			
Shareholder loan	8	**1,046**	1,909
Trade and other payables	7	**447**	361
Total Liabilities		**1,493**	2,270
Total Equity and Liabilities		**206**	37

The accompanying notes on pages 29 - 43 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 June 2019.

John Aldersey-Williams
Director

Stephen Boldy
Director

Consolidated Statement of Cash Flows
For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Loss for the year		**(293)**	(347)
Adjustments for:			
Interest payable and similar charges		**98**	119
(Increase)/decrease in trade and other receivables		**(24)**	15
Increase in trade and other payables		**80**	106
Net cash used in operating activities		**(139)**	(107)
Cash flows from investing activities			
Acquisition of intangible exploration assets	4	**(639)**	(273)
Net cash used in investing activities		**(639)**	(273)
Cash flows from financing activities			
Proceeds from the issue of share capital		**1,025**	-
Cost of raising shares		**(103)**	-
Proceeds from new loan		**-**	230
Net cash from financing activities		**922**	230
Net increase/(decrease) in cash and cash equivalents		**144**	(150)
Cash and cash equivalents at 1 January		**15**	165
Cash and cash equivalents at 31 December		**159**	15

The accompanying notes on pages 29 - 43 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 June 2019.

John Aldersey-Williams
Director

Stephen Boldy
Director

Company Statement of Cash Flows
For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Loss for the year		**(908)**	(593)
Adjustments for:			
Interest payable and similar charges		**69**	93
(Increase)/decrease in trade and other receivables		**(29)**	15
Increase in trade and other payables		**91**	105
Net cash used in operating activities		**(777)**	(380)
Cash flows from financing activities			
Proceeds from the issue of share capital		**1,025**	-
Cost of raising shares		**(103)**	-
Proceeds from new loan		**-**	230
Net cash from financing activities		**922**	230
Net increase/(decrease) in cash and cash equivalents		**145**	(150)
Cash and cash equivalents at 1 January		**14**	164
Cash and cash equivalents at 31 December		**159**	14

The accompanying notes on pages 29 - 43 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	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 2017	11,571	25,126	923	59	(25,186)	12,493
Loss for the financial year	-	-	-	-	(347)	(347)
Total comprehensive loss for the year	-	-	-	-	(347)	(347)
Balance at 31st December 2017	11,571	25,126	923	59	(25,533)	12,146
Balance at 1st January 2018	11,571	25,126	923	59	(25,533)	12,146
Loss for the financial year	-	-	-	-	(293)	(293)
Total comprehensive loss for the year	-	-	-	-	(293)	(293)
Issue of new shares - gross consideration (note 11)	147	1,810	-	-	-	1,957
Cost of share issues	-	(103)	-	-	-	(103)
Balance at 31st December 2018	**11,718**	**26,833**	**923**	**59**	**(25,826)**	**13,707**

The accompanying notes on pages 29 - 43 form an integral part of these financial statements.

Company Statement of Changes in Equity
For the year ended 31 December 2018

	Share Capital £'000	Share Premium £'000	Share Based Payment Reserve £'000	Accumulated Deficit £'000	Total Equity £'000
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)
Balance at 1st January 2018	11,571	25,126	923	(39,853)	(2,233)
Loss for the financial year	-	-	-	(908)	(908)
Issue of new shares - gross consideration (note 11)	147	1,810	-	-	1,957
Cost of share issues	-	(103)	-	-	(103)
Balance at 31st December 2018	**11,718**	**26,833**	**923**	**(40,761)**	**(1,287)**

The accompanying notes on pages 29 - 43 form an integral part of these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2018

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, domiciled and registered in the UK. The registered number is 05662495. 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 preparation
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 have prepared cash flow projections for the period to 30 June 2020. The following represent the key assumptions underpinning the cash flow projections:

Barryroe farm out
Under the terms of the Farm-Out Agreement entered into between the Barryroe partners (Providence and Lansdowne) and APEC Energy Enterprises, all costs will be borne by APEC through the planning and drilling of the appraisal well programme.
The Barryroe Partners have agreed a series of amendments to the Updated FOA over recent months which provided for extensions to the date by APEC of the initial loan advance US$ 9 million, with the extension date now set at 5 July 2019. The Directors continue to expect that APEC will fulfil its commitments under the FOA.

Funding options
On 25 June 2019, the Company secured debt funding of GBP 150,000 from LC Capital and GBP 150,000 from Brandon Hill Capital Limited by way of loan note the terms of which are summarised as follows:
Under the terms of the respective agreements:

- funds can be drawn down at Lansdowne's discretion
- the amount of the drawdown is limited to GB £50,000 per calendar month
- the Lender is to provide funds within 5 business days upon receipt of drawdown notice
- Lansdowne is able to draw down funds at its discretion in part or in full
- a coupon of 12% per annum will be applied only to those funds drawn by Lansdowne.
- there are no options, warrants or convertible aspect to the loan
- no fee is payable to either LC Capital or Brandon Hill Capital Ltd for providing the funds.
- the loan is unsecured.

In addition, LC Capital Master Fund Ltd agreed to extend the term of the remaining amounts under its existing Loan Note to 31 December 2019. At this time the Directors anticipate further forbearance on repayment from LC Capital Master Fund Limited whereby the Company will not be required to discharge amounts due under this loan note prior to 30 June 2020.

It is intended that the new Debt Facility will provide sufficient funds to carry the Company through to the end of 2019, by which time the Directors expect the Barryroe Site Survey to have been approved and competed and the Integrated Project Management Contract (Drilling Contract) to have been signed with COSL, in accordance with the farm out agreement announced in September 2018.

Based on the cash flow projections prepared by the Directors, the debt funding secured will not be adequate to ensure that the Group and Company will be in a position to discharge all liabilities as they fall due. The Directors believe that the Company will be able to secure further debt or equity funding as may be required to address any shortfall arising. However, there is no guarantee that the Company will be able to secure such funding.

The Directors are aware of the proposals put forward in the Petroleum and Other Minerals Development Bill 2018 ("Climate Emergency Measures Bill 2018") that has been put forward in the Irish Parliament (Dáil Éireann). Whilst it is uncertain whether it will advance and also whether it will be subject to amendments, should the Climate Emergency Measures Bill 2018 be enacted in its current form, the Company's ability to progress its licences may be negatively impacted. In this event it is expected that the Company would pursue strenuously claims for compensation.

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

On that basis, 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)
- Measurement at grant date of share based payments (note 14)
- Recognising deferred tax assets (note 16)
- Future decommissioning costs

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 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, 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

From time to time, 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
IFRS 15: Revenue from contracts with customers
IFRS 9: Financial Instruments
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 2: Classification and measurement of share-based payment transactions
IFRIC 22: Foreign Currency Transactions and Advance Consideration

Amendments to IAS 40: Transfers of Investment Property

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 23: Uncertainty over Income Tax Treatments
IFRS 16: Leases
Amendments to IFRS 9: Prepayments Features with Negative Compensation
IFRS 14: Regulatory Deferral Accounts
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
IFRS 17: Insurance Contracts
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.

	2018 £'000	2017 £'000
Loss for the year attributable to equity holders	**(293)**	(347)
Weighted average number of ordinary shares in issue – basic and diluted	**613,569,327**	**334,116,800**
Loss per share arising from continuing operations attributable to the equity holders of the Company - basic and diluted (in pence)	**(0.05)**	**(0.1)**

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 2018 and 2017, potentially issuable shares would have been anti-dilutive. The number of potentially issuable shares at 31 December 2018 is 146,685,452 (2017: 513,204,394).

4. Intangible assets

Group	**Exploration / appraisal assets** **£'000**
Cost	
At 1 January 2017	14,399
Additions	273
At 31 December 2017	14,672
At 1 January 2018	14,672
Additions	639
At 31 December 2018	**15,311**

Oil and gas project expenditures, all of which relate to Barryroe, including geological, geophysical and seismic costs, are accumulated as intangible assets prior to the determination of commercial reserves. The directors have assessed the current ongoing activities and future planned activities and are satisfied that the carrying value is appropriate. The directors recognise that the future realisation of the Group's exploration appraisal assets is dependent on future successful exploration activities.

5. Investments in subsidiaries

	Company
	£'000
Cost	
At 1 January 2017 and 1 January 2018	-
Impairment	-
At 31 December 2017 and 31 December 2018	-

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	
		2018	**2017**
		%	%
Barryroe Exploration Licence	Hydrocarbon exploration	**10**	20
Helvick Lease Undertaking	Hydrocarbon exploration	**9**	9

6. Trade and other receivables

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Amounts falling due within one year:				
Value added tax and other taxes	**30**	5	**30**	5
Prepayments	**17**	18	**17**	18
	47	23	**47**	23

7. Trade and other payables

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Amounts falling due within one year:				
Trade payables	**271**	113	**270**	106
Taxes and social security	**119**	119	**119**	123
Accruals	**58**	135	**58**	132
	448	367	**447**	361

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.

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Senior secured loan notes – Issued in 2015 (i)	**1,046**	1,666
Junior secured loan notes – Issued in 2017 (ii)	**-**	243
	1,046	1,909

(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 1 July 2019. In 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. In June 2019, LC Capital Master Fund Ltd has agreed to extend the term of this loan to 31st December 2019.

(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. Provisions

	Asset retirement obligation 2018 £'000	Asset retirement obligation 2017 £'000
Beginning of year	**288**	261
Unwinding of discount	**28**	27
As at 31 December	**316**	288

This provision relates to the cost of abandonment of the Barryroe well, discounted to present value.

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 2018 was held with such banks.
Other than the allowance for impairment of £655,571 (2017: £290,075) recognised in respect of receivables from its subsidiaries, the Company has no credit risk associated with its other receivables. See note 17 (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 all three.

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 2018, 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

	2018	2017
Authorised		
656,849,846 ordinary shares of £0.01 pence each	**656,849,846**	510,164,394

Issued, called up and fully paid:

	Number of Ordinary Shares	Share Capital £'000	Share Premium £'000	Total £'000
At 1 January 2017	510,164,394	11,571	25,126	36,697
Issued in year	-	-	-	-
At 31 December 2017	510,164,394	11,571	25,126	36,697
Issued in year	146,685,452	147	1,810	1,957
Share issue costs	-	-	(103)	(103)
At 31 December 2018	**656,849,846**	**11,718**	**26,833**	**38,551**

12. Statutory information

	2018 £'000	2017 £'000
The loss for the year stated after (crediting)/charging:		
Foreign exchange (gains)/losses	-	-
Operating lease rentals – premises	-	3
Audit Services:		
Fees payable to Group's auditor for the audit of the Company and consolidated financial statements	**27**	29
Fees payable to Group's auditor for the audit of the 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:	**2018** **Number**	**2017** **Number**
Oil and gas exploration	**1**	1

Staff costs during the year amounted to:	**2018** **£'000**	2017 £'000
Wages and salaries	**60**	60
Social security costs	**16**	5
	76	65

Remuneration of the Directors is disclosed in note 18 and within the Remuneration Report on pages 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 2018, the following options were outstanding:

Option exercise	**Number price**	**Exercisable at 31 Dec '18**	Exercisable at 31 Dec '17	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	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

	2018 £'000	**2017 £'000**
Loan interest	**69**	93
Unwinding of discount (note 8)	**29**	26
Retranslation of foreign currency cash balances	**2**	2
Total expense	**100**	121

16. Income Tax

	2018 £'000	2017 £'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;

	2018 £'000	2017 £'000
Loss before income tax	**(293)**	(347)
Loss before income tax multiplied by standard rate of tax 19% (2017 : 19.25%)	**(56)**	(67)
Effects of:		
Expenses not deductible for tax purposes	**10**	20
Losses carried forward	**46**	47
Total tax credit	**-**	-

Unrecognised deferred tax assets, in respect of unused losses, amounts to £1.7 million (2017: £1.8 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 (2017: Nil).

18. Related party transactions

(a) Transactions with Smith & Williamson (formerly LHM Casey McGrath)

Con Casey is a director of Smith & Williamson (formerly LHM Casey McGrath), and he is the company secretary of the Company. The Company has entered into a services agreement with Smith & Williamson pursuant to which Smith & Williamson provides the Group with certain management, accounting, and administrative services required by the Group in connection with its business in consideration of an annual fee totalling £56,000 (2017: £60,000). This agreement can be terminated by Smith & Williamson 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 2018, the Group owed Smith & Williamson £27,595 (2017: £11,453) under the agreement.

(b) Amounts due by subsidiaries

At 31 December 2018, amounts owed to the Company by its subsidiaries totalled £24.1 million (2017: £23.5 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:

	2018 £'000	2017 £'000
Short-term benefits	**110**	110

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 had 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

The Directors are aware that there has been a delay in the delivery of funds from APEC to Providence, as called for under the terms of the Farm out agreement and that these funds remain outstanding.

On 25 June 2019, the Company secured debt funding of £150,000 from LC Capital and £150,000 from Brandon Hill Capital Limited by way of loan note.

The Directors are not aware of any other event or circumstance arising which had 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 Brokers

SP Angel Corporate Finance LLP
Prince Frederick House
35 - 39 Maddox Street
London
W1S 2PP

Brandon Hill Capital Limited
1 Tudor Street
London
EC4Y 0AH

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.
3100 Lake Drive
Citywest Business Campus
Dublin 24
D24 AK82

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