Lansdowne oil & gas plc

Annual Report and Financial Statements

2021

Contents

Chairman's Statement

2021 was a year of transition for our Company. In the early part of 2021, work continued on the technical and funding aspects of a potential Barryroe Early Development Scheme, but it became apparent that the intended farm-in partner, SpotOn, would not be able to deliver the funding as required under the Farm Out Agreement ("FOA"). As the intended partner was not able to provide the required funding, the Barryroe Partners terminated the FOA. Upon the termination of the Farm Out Agreement, the Barryroe partners reverted to their pre-Farm Out equity positions (Lansdowne 20%, Providence 80%) and resumed full control of the development of the Barryroe Project.

In April 2021, the Barryroe Partners submitted a revised Lease Undertaking work programme for approval from the Department of the Environment, Climate and Communications ("DECC"). This revised Lease Undertaking is designed to move Barryroe to a declaration of commerciality, turning 2C (contingent) resources into 2P (proven) reserves and subsequently seeking the award of a Petroleum Lease, prior to the commencement of production via the Early Development System.

When originally drilled and tested the 48/24-10z well on the Barryroe Field discovered and established good oil flow rates from the Basal Wealden A Sand (3,504 barrels per day (bpd)), as well as strong gas flow rates from the overlying gas bearing Basal Wealden C Sand.

An area to the south and updip of the 48/24-10z well was identified as optimal for appraisal and this was designated the K area. A site survey, designed to optimise the location of a future development/appraisal well was acquired successfully in November 2021 over the K area, with the work completed on time and under budget.

During 2021, several important third-party technical studies were carried out to evaluate the potential of a first phase of development of the Barryroe Field, centred around the 48/24-10z well and surrounding central parts of the Barryroe Field. These studies included reservoir modelling of the sub-area to be targeted in the Phase 1 development, updated well design and costings, and an updated conceptual development study, focused only on the oil-bearing Basal Wealden A Sand.

As a result of these additional technical studies, the Barryroe Partners commissioned a new Competent Person's Report to reflect the incremental understanding imparted by these studies. The Competent Persons Report was prepared by RPS Group Plc. and the results were provided to shareholders in February 2022. The RPS Competent Persons Report has addressed the potential oil volumes in the Basal Wealden A Sand, the reservoir reviewed in the earlier full-field Competent Persons Report carried out by Netherland Sewell & Associates Inc. in 2012.

Overlaying the identified oil-bearing Basal Wealden A Sands are the important C Sands. During the initial drilling of the 48/24-10z well, the well tested strong flow rates from the C Sands. The recent RPS Competent Persons Report did not address the gas volumes present in the overlying C Sand which Lansdowne believes are of significant volume and value. Whilst the Competent Persons Report has only addressed oil volumes in the sub-area of the Barryroe Field to be potentially targeted by the proposed Phase 1 development, it is important to note the incremental value and considerable energy security available to Ireland that may be offered by the development of gas volumes in the C Sand.

The RPS Competent Persons Report concluded that the Phase 1 development, in the P50 Case, has the potential to recover 81.2 million barrels of oil (16.24 million barrels net to Lansdowne) from a Best Estimate of 278 million barrels of oil in place (STOIIP).

An economic evaluation, documented in the RPS Competent Persons Report, for the Phase 1 development in the 2C oil resources case, delivers an NPV10% for Lansdowne's 20% share of $104 million under a Brent Oil Price assumption of US$68 per barrel in 2027, rising to $70/bbl in 2028 and 2029 and inflated at 2% per annum thereafter. This equates to a NPV10% of $6.40/bbl.

The volumes identified in the RPS Competent Persons Report are of significant value to both Lansdowne and Ireland. Further work will be conducted on the gas volumes present in the overlying C Sands as this gas, combined with the already identified oil volumes offers a significant addition to Ireland's energy security. It is Lansdowne belief that the development of Barryroe has taken on a critical energy security role for Ireland and we look forward to expediting the development of this asset.

At the AGM in September 2021, Viscount Torrington retired from the Lansdowne Board, and I would thank him for more than fifteen years of service and for serving as Chairman for the last five years. We will miss his wisdom and calm guidance and wish him all the very best for his retirement.

Financial Results

The Group recorded an after tax loss of £0.1 million for the year ended 31 December 2021 compared to a loss of £0.4 million for the year ended 31 December 2020.

Group operating expenses for the year were £0.1 million, compared to £0.3 million in 2020.

Net finance expense for the year was £49,000 (2020: £59,000).

Cash balances of £0.2 million (2020: £0.6 million) were held at the end of the financial year.

The spend incurred on the Barryroe licence area for the year totalled £435,000 (2020: £147,000).

Total equity attributable to the ordinary shareholders of the Group was £14.7 million as at 31 December 2021 (£14.8 million as at 31 December 2020).

The Company has entered into an agreement with LC Capital Master Fund ("LCCMF") to extend the payment date of its outstanding loan of £1.028 million (the "Loan") which was due for repayment on 31 December 2021. The repayment date on the loan has been extended to 31 December 2022 (the "Loan Extension").

Further, as part of LCCMF's agreement to the Loan Extension, the Company has agreed to certain amendments to the warrants to subscribe for up to 26 million new ordinary shares in the Company that were granted to LC Capital Targeted Opportunities Fund LP ("LCCTOF" and together with LCCMF, "LC Capital") in December 2020 as part of a previous extension of the Loan (the "Existing Warrants"). The Existing Warrants had an exercise price of 1.2 pence per warrant and an expiry date of 31 December 2021. The exercise period for the Existing Warrants has been extended to now expire on 31 December 2022, in line with the Loan Extension and the exercise price was adjusted to 0.525p/warrant (being the closing mid market price on 29 December 2021).

In March 2022, the Company placed 60,000,000 new ordinary shares with new and existing investors at a placing price of 0.5 pence per share, raising £300,000 before costs.

Associated with the fund raise, 1,821,826 warrants were granted to LC Capital Targeted Opportunities Fund, LP in accordance with the provisions of LCCTOF's warrant instrument, the terms of which were announced previously on 31 December 2021. LC now holds 27,821,826 warrants over ordinary shares and the strike price for these warrants has been amended to 0.5 pence per share from 0.525 pence per share pursuant to the LC warrant instrument.

Outlook

The new studies have indicated that an oil development of the core area of Barryroe through the Phase 1 development, could deliver c. 20,000 bpd of oil (gross), 4,000 bpd net to Lansdowne. At 20,000 bpd, this equates to around 15% of Ireland's current oil consumption, which continues to run at around 130,000 bpd of oil, 100% of which is currently imported. Such indigenous oil production would have a much lower carbon footprint than imported oil and would increase security of supply in these uncertain times.

Encouragingly, in the Competent Persons Report, the project economics of the Phase 1 development are robust under a Brent Oil Price assumption of US$68 per barrel in 2027, rising to $70/bbl in 2028 and 2029 and inflated at 2% per annum thereafter, an assumption that Lansdowne considers conservative in light of the current energy price environment.

Furthermore, the RPS Competent Persons Report has only addressed the oil in the Basal Wealden A Sand, which allows it to be correlated to the earlier work carried out by NSAI.

Barryroe also contains substantial amounts of gas. Gas was proven in the Basal Wealden C Sand reservoir in the 48/24-10z well that overlays the oil reservoir and this has previously been estimated by Providence Resources Plc to hold a potential gas resource of c 400 billion cubic feet gas initially in place (BCF GIIP). Lansdowne believes this significant gas resource could make a vitally important contribution to Ireland's energy mix as it transitions to a net zero carbon economy, and it is anticipated that any future phased development programme will include consideration of this important gas resource.

A report published by the Irish Academy of Engineering in April 2022 highlighted the fact that "Natural gas will be required in Ireland for decades to come to ensure a stable electricity supply at times of low wind generation." This report also highlighted that, despite having 5000 megawatts of installed wind generation capacity, at times when the wind is not blowing, as occurred on 25th of March 2022, renewables provided less than 3% of system demand, with natural gas providing 63% and coal 20%.

Development of Barryroe could also deliver substantial tax revenues and reduce carbon footprint by substituting for higher emission imports.

With the completion of the site survey over the K location in November 2021, the ground is set for moving forward with the necessary appraisal well, which will address both the A and C Basal Wealden Sand reservoirs and clarify the split between oil and gas resource volumes.

Unfortunately, however, nothing can move forward without the granting of Lease Undertaking over Barryroe, the application for which was submitted in April 2021. This continues to remain under consideration by the Department of the Environment, Climate and Communications (DECC).

Security of energy supply has become critical, following the Russian invasion of Ukraine. The EU is planning an embargo on Russian supplies of fossil fuels and has recently published a plan (REPower the EU) outlining actions to be taken to end the era of dependence on Russian fossil fuels.

One such core action is diversifying to find alternative energy supplies. The EU recognises that in the short-term "we need alternative supplies of gas, oil and coal as quickly as possible."

The actions planned by the EU under diversification include increasing LNG deliveries from the US, Canada and Norway; restarting energy dialogues with Algeria; exploring the export potential of sub-Saharan African countries like Nigeria, Senegal and Angola, intensifying co-operation with Azerbaijan on the Southern Gas Corridor and seeking to increase LNG supplies from Egypt and Israel.

It seems extraordinary that whilst the EU is contemplating this diverse range of actions to diversify supply, Barryroe remains languishing, unable to progress.

We will continue to press for an award of a Lease Undertaking so that the Barryroe partners can get back to work for the benefit of the Irish people and the wider EU community.

Jeffrey Auld
Chairman
29 June 2022

Oil and Gas Interests

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

Licence	Interest	Operator
01/11 Barryroe Exploration Licence *	20 per cent	Exola (Subsidiary of Providence Resources Plc)
Helvick Lease Undertaking	9 per cent	Providence Resources Plc

* An application has been submitted for a Lease Undertaking

Notes

Irish licensing regime	
Licensing option	Gives the holder an exclusive right to apply for an Exploration Licence: a. for a defined period b. in return for undertaking an agreed work programme.
Exploration Licence	A "Standard" licence covers an agreed work programme in water less than 200 metres deep. The work programme usually includes an exploration well. The licence period is six years.
Lease Undertaking	Gives the holder an exclusive right to apply for a Petroleum Lease: a. for a defined period b. in return for undertaking an agreed work programme.

Strategic Report

For the year ended 31 December 2021

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 2021 and 31 December 2020 are shown on pages 19 and 20, respectively. Group net assets at 31 December 2021 were £14.7 million (2020: £14.8 million). At 31 December 2021, the Group held £0.2 million (2020: £0.64 million) as cash or short-term deposits.

The Group had intangible assets totalling £16 million (2020: £15.7 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 £0.1 million (2020: £0.35 million).

A loss after tax of £0.1 million (2020: £0.4 million) was recorded in the year and the basic and diluted loss per share for the year was 0.02p (2020: 0.05p).

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

In early 2020, the Covid 19 Pandemic caused a dramatic downturn in economic activity, a major reduction in oil consumption and a precipitous fall in oil price to below $30/bbl. The UK NBP gas price fell in line to around 15p/therm. A recovery in the oil price started in late 2020 and continued through 2021, with the Brent price back to pre-COVID levels of c. $70/bbl by year end. Gas prices recovered even more sharply throughout Europe and the UK NBP price for gas moved above 100p/therm in August 2021 and on a number of occasions in Q4 2021 exceeded 200p/therm. Following Russia's invasion of Ukraine in late February 2022, there have been further dramatic increases in oil and gas prices.

The Brent oil price currently stands above $100/bbl and the futures curve remains above $70/bbl for the next five years.

The UK NBP gas price stands above 150p/therm and remains above 100p/therm for the next five years on the futures curve.

The principal risk facing the Group in moving forward its assets is the award of new authorisations by the Irish Government.

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

Strategic Report

Continued

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

Strategic and external risks

- Failure of third party services
- Failure to be granted a lease undertaking
- Deterioration of capital markets, inhibiting efficient equity and/or debt raising for developments
- Commercial misalignment with co-venturers
- Material fall in oil or gas prices

Market risks

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

Dollar/Sterling Exchange Rates (Dollar per Pound Sterling)				
	At end of year	**Average rate***	**High**	**Low**
2020	1.36	1.28	1.36	1.16
2021	**1.35**	**1.38**	**1.42**	**1.32**

Euro/Sterling Exchange Rates (Euro per Pound Sterling)				
	At end of year	**Average rate***	**High**	**Low**
2020	1.11	1.12	1.21	1.08
2021	**1.19**	**1.17**	**1.19**	**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 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 award of new authorisations from the Irish Government and 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 guarantee 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

29 June 2022

Directors' Report

For the year ended 31 December 2021

The Directors present their directors' report and audited financial statements for the year ended 31 December 2021.

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 12 to 13.

Details of executive director and company secretary

Dr Stephen Boldy (*Chief Executive Officer*), aged 66, 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 61, 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 32 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 78, 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 retired from the board on 9 September 2021.

Jeffrey Auld*† (*Non-Executive Chairman*), aged 55, has more than 30 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 and took over as Chairman in September 2021.

Daniel McKeown*† (*Non-Executive Director*), aged 40, graduated with a BA Economics & Political Science from the University of Dublin, Trinity College and a Diploma de Grande Ecole (Commerce), MSc. In Management Science and Diplom-Kaufmann from ESCP Europe, Paris. He has more than 17 years of financial, commercial and operational experience in upstream oil and gas, having worked for Goldman Sachs, Perella Weinberg, SeaCrest Capital, Allied Irish Banks and Azinam Ltd. He was appointed as a Non-Executive Director of Lansdowne Oil & Gas plc in September 2021.

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

Directors' Report
Continued

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 2021 and 31 March 2022:

	31 December 2021		31 March 2022	
	No. of shares	% of Capital	No. of shares	% of Capital
Lampe Conway & Co LLC/LC Capital Master Fund Limited	171,241,938	19.60%	171,241,938	18.34%
Brandon Hill Capital	100,671,158	11.52%	100,671,158	10.78%
Spreadex	73,652,449	8.43%	71,152,449	7.62%
Cantor Fitzgerald Europe	61,550,151	7.05%	50,050,151	5.36%
Hargreaves Stockbrokers	50,285,540	5.76%	61,747,923	6.61%
Goldman Sachs	–	–	59,000,000	6.32%
Interactive Investor (EO)	40,639,895	4.65%	41,552,120	4.45%
Mr Mark Ward	27,257,490	3.12%	32,429,234	3.47%

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 (2020: £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 7. 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 3.

The Group's main prospect is in the appraisal stage and does not contain any proven reserves.

The Group aims to finance the work programme obligations related to the licences which it holds, by the issue of new share capital, raising additional debt or by a combination of both.

Going concern

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 discussed further in the Statement of Accounting Policies section (d) on pages 25 to 26.

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
29 June 2022

Corporate Governance Statement

For the year ended 31 December 2021

The directors recognise the importance of sound corporate governance. The Company has adopted the QCA Code, which the directors consider appropriate for a company of its size and nature. The QCA takes key elements of good governance and allows companies to apply them in a manner which is appropriate for the differing needs of small companies. The "Comply or Explain" maxim allows companies to inform shareholders where policies differ from the norm and why. The details of the Company's policies in this respect are set out in its AIM Notice 50 Statement, which can be downloaded from the Company's website at www.lansdowneoilandgas.com/company/corporate-governance/.

Directors

At 31 December 2021, the Board comprised of a Non-Executive Chairman, one Executive Director and one Non-Executive Directors. Biographies of the Directors are presented on page 7. Jeffrey Auld is the senior Non-Executive Director and Chairman.

Board Meeting attendance record	2021 Eligible	2021 Attended
S A R Boldy	10	10
T Torrington (Retired on 09/09/2021)	5	5
J Auld	10	10
D. McKeown (Appointed on 09/09/2021)	5	5

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 Lord Torrington, Daniel McKeown and Jeffrey Auld (Chairman), with Lord Torrington retiring on 9 September 2021. 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 Jeffrey Auld (Chairman), Daniel McKeown and Lord Torrington, with Lord Torrington retiring on 9 September 2021. 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 their 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 12 to 13 and contains a statement of remuneration policy and details of the remuneration of each Director.

Corporate Governance Statement

Continued

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 strategic report, 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 UK adopted International Financial Reporting Standards 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 applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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
Director
29 June 2022

Remuneration Report

For the year ended 31 December 2021

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, Jeffrey Auld (Chairman) and Daniel McKeown, who are Non-Executive Directors of the Company, with Lord Torrington retiring on 9 September 2021.

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	2021 Total £'000	2020 Total £'000
Executive Directors						
SAR Boldy	60	–	–	–	60	60
Non-Executive Directors						
T Torrington (Retired on 09/09/2021)	14	–	–	–	14	20
John Daniel McKeown (Appointed on 09/09/2021)	4	–	–	–	4	-
J Aldersey-Williams	-	–	–	–	–	10
JD Auld	17	–	–	–	17	15
2021	95	–	–	–	95	–
2020	105	–	–	–	–	105

Interests in Shares

The beneficial interests of the Directors who held office at 31 December 2021 in the ordinary shares of the Company are as follows:

	At 31 Dec 2020	At 31 Dec 2021	At 31 March 2022
SAR Boldy	6,400,660	6,400,660	6,400,660
J D Auld	2,828,619	2,828,619	3,828,619
	9,229,279	9,229,279	10,229,279

Interests in share options

	Exercise Price	At 31 Dec 2020	2021 Granted	2021 Lapsed	At 31 Dec 2021	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

Details of the performance criteria, conditional upon which the options are exercisable, are set out in note 14 to the financial statements. During 2021, the share price ranged between a high of 1.48p and a low of 0.48p.

On behalf of the Board

J D Auld
Chairman, Remuneration Committee

29 June 2022

Independent Auditor's Report to the Shareholders of Lansdowne Oil & Gas Plc

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Lansdowne Oil & Gas Plc ("the Company") and its consolidated undertakings (together "the Group") for the year ended 31 December 2021 which comprise the consolidated income statement, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, 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 summary of significant accounting policies set out in note 1. The financial reporting framework that has been applied in their preparation is UK Law and UK adopted international accounting standards.

In our opinion:

- the financial statements give a true and fair view of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Group financial statements 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 under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with ethical requirements that are relevant to our audit of financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard as applied to a listed entity and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 to the financial statements which outlines the Directors conclusion that the Group's and Company's ability to continue as a going concern is subject to Regulatory uncertainty associated with the issuance by the Department of the Environment, Climate and Communications ('DECC') of a Lease Undertaking in respect of the Group's interest in Barryroe together with the requirement to secure additional debt or equity funding. There are no guarantees that the Lease Undertaking will be granted and/or that the Company will be in a position to secure such funding. As stated in note 1, these events or conditions, along with the other matters explained in note 1, indicate that a material uncertainty exists 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 directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that, subject to the material uncertainty, the Group and the Company's financial position means that this is realistic. As set out in note 1 in the financial statements, they have also concluded that there is a material uncertainty that could cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The risk

There is little judgement involved in the directors' conclusion that risks and circumstances described in note 1 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We evaluated the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period.

The risk that we considered most likely to adversely affect the Group's and Company's available financial resources over this period was the impact of a failure to raise additional funds, which may be heightened by uncertainties associated with the issuance by DECC of the Lease Undertaking.

As this was a risk that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, our audit procedures included:

- inspecting the Directors' Going Concern Memorandum which includes cash flow projections to 30 June 2023 and concludes that there is a "material uncertainty" relating to the ability of the Group and Company to continue as a Going Concern;
- inspecting management's cash flow projections and key underlying assumptions prepared by Group management for the period up to 30 June 2023;

- critically assessing assumptions in management's base case scenario relevant to liquidity, in particular assessing the funds required to discharge the Company's share of costs on the Barryroe licence together with ongoing working capital requirements and other assumptions inherent in the forecasts;
- inspecting documentation which was submitted by the consortium partners during the year to DECC for an application for a Lease Undertaking and subsequent correspondence with DECC to gain an understanding of the status and timing of the granting of the Lease Undertaking;
- corroborating the funding requirement to other available information;
- considering sensitivities over the level of available financial resources indicated by management's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from this risk.
- inspecting management's analysis of the alternative funding options available to the Group and Company; and
- considering the adequacy of the disclosures within the basis of preparation note on page 25 in respect of going concern, and whether the disclosures properly reflected the risks that the Group and Company face in respect of their ability to continue as a going concern.

Arising from our procedures, we noted that:

- assumptions used by management regarding the Group's and Company's funding requirements were within a reasonable range; and
- planned fundraising, either from a further equity placing or via shareholders loans, in late 2022, likely to occur upon award of a lease undertaking for Barryroe, are consistent with the Group's and Company's funding requirements.

Based on the work we have performed; we found the disclosure of the material uncertainty to be acceptable.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Detecting irregularities including fraud

We identified the areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements and risks of material misstatement due to fraud, using our understanding of the entity's industry, regulatory environment and other external factors and inquiry with the directors. In addition, our risk assessment procedures included:

- Inquiring with the directors and other management as to the Group's policies and procedures regarding compliance with laws and regulations, identifying, evaluating and accounting for litigation and claims, as well as whether they have knowledge of non-compliance or instances of litigation or claims.
- Inquiring of directors and the audit committee as to the Group's policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Inquiring of directors and the audit committee regarding their assessment of the risk that the financial statements may be materially misstated due to irregularities, including fraud.
- Inspecting the Group's regulatory and legal correspondence.
- Reading Board minutes.
- Performing planning analytical procedures to identify any usual or unexpected relationships.

We discussed identified laws and regulations, fraud risk factors and the need to remain alert among the audit team.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including companies and financial reporting legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items, including assessing the financial statement disclosures and agreeing them to supporting documentation when necessary.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, environmental law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these non-direct laws and regulations to inquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance.

We assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. As required by auditing standards, we performed procedures to address the risk of management override of controls. On this audit we do not believe there is a fraud risk related to revenue recognition We did not identify any additional fraud risks.

In response to the fraud risks, we also performed procedures including:

- Evaluating the business purpose of significant unusual transactions; and
- Assessing significant accounting estimates for bias.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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 matter as follows (unchanged from 2020).

Carrying value of intangible exploration / appraisal assets – £16.1 million (2020: £15.7 million)
Refer to accounting policies (d) and (i), and Note 4 (financial disclosures)

The key audit matter

The Group has a 20% interest in a consortium which holds the rights to develop the Barryroe prospect, offshore Ireland. To date, the Group has incurred expenditure of £16.1 million (2020: £15.7 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 the issuance by the DECC of a Lease Undertaking required to progress the development of the prospect, 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 and challenged management's impairment 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;
- inspecting documentation which was submitted by the consortium partners during the year to DECC for an application for a Lease Undertaking and subsequent correspondence with DECC to gain an understanding of the status and timing of the granting of the Lease Undertaking;
- 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;
- 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; and
- 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.

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 £162,000 (2020: £163,000). This has been calculated using a benchmark of Group total assets (of which it represents 1% (2020: 1%). 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. We applied Group materiality to assist us determine the overall audit strategy.

We set Group performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 75% of group materiality (2020: 75%). We applied this percentage in our determination of performance materiality based on the low level of identified control deficiencies and audit misstatements during the prior year, together with the stability of senior management over the last number of years. We applied Group performance materiality to assist us determine what risks were significant risks for the Group.

Materiality for the Company financial statements as a whole was set at £2,180 (2020: £6,511), determined with reference to a benchmark of the Company's total assets (of which it represents 1% (2020: 1%)).

We set the Company performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. The Company performance materiality was set at 75% of Company materiality (2020: 75%). We applied this percentage in our determination of performance materiality based on the low level of identified control deficiencies and audit misstatements during the prior year, together with the stability of senior management over the last number of years.

We agreed with the Audit Committee that we would report to them all corrected and uncorrected audit misstatements in excess of £8,100 (2020: £8,150), 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.

Other information

The directors are responsible for the other information presented in the annual report together with the financial statements. The other information comprises the information included in the strategic and directors' report and Chairman's Statement, Oil and Gas Interests, Corporate Governance Statement and Remuneration Report. The financial statements and our auditor's report thereon do not comprise part of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

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 strategic report and the directors' report have been prepared in accordance with the Companies Act 2006.

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, 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.

Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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.

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, *Senior Statutory Auditor* for and on behalf of KPMG, Chartered Accountants, Statutory Auditor
1 Stokes Place
St. Stephen's Green,
Dublin 2
29 June 2022

Consolidated Income Statement

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Administrative expenses		**(82)**	(348)
Operating loss		**(82)**	(348)
Finance costs	15	**(49)**	(59)
Loss for the year before tax		**(131)**	(407)
Income tax	16	**–**	–
Loss for the year		**(131)**	(407)
Loss per share (pence):			
Basic loss per ordinary share	3	**(0.02p)**	(0.05p)
Diluted loss per ordinary share	3	**(0.02p)**	(0.05p)

The results for the year all arise on continuing operations.

The accompanying notes on pages 25–37 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 29 June 2022.

Jeffrey Auld
Director

Stephen Boldy
Director

Consolidated Statement of Financial Position

As at 31 December 2021

Assets	Notes	2021 £'000	2020 £'000
Non-Current Assets			
Intangible assets	4	**16,125**	15,690
Current Assets			
Trade and other receivables	6	**21**	17
Cash and cash equivalents		**199**	635
		220	652
Total Assets		**16,345**	16,342
Equity and Liabilities			
Shareholders' Equity			
Share capital	11	**11,930**	11,930
Share premium	11	**28,284**	28,284
Currency translation reserve		**59**	59
Share-based payment reserve	14	**316**	923
Accumulated deficit		**(25,936)**	(26,412)
Total Equity		**14,653**	14,784
Non-Current Liabilities			
Provisions	9	**388**	316
Current Liabilities			
Shareholder loan	8	**1,027**	979
Trade and other payables	7	**277**	263
Total Liabilities		**1,692**	1,558
Total Equity and Liabilities		**16,345**	16,342

The accompanying notes on pages 25–37 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 29 June 2022.

Jeffrey Auld
Director

Stephen Boldy
Director

Company Statement of Financial Position

As at 31 December 2021

Assets	Notes	2021 £'000	2020 £'000
Current Assets			
Trade and other receivables	6	**20**	17
Cash and cash equivalents		**198**	634
Total Assets		**218**	651
Equity and Liabilities			
Shareholders' Equity			
Share capital	11	**11,930**	11,930
Share premium	11	**28,284**	28,284
Share-based payment reserve		**316**	923
Accumulated deficit		**(41,615)**	(41,727)
Total Equity		**(1,085)**	(590)
Current Liabilities			
Shareholder loan	8	**1,027**	979
Trade and other payables	7	**276**	262
Total Liabilities		**1,303**	1,241
Total Equity and Liabilities		**218**	651

The accompanying notes on pages 25–37 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 29 June 2022.

Jeffrey Auld
Director

Stephen Boldy
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Loss for the year		**(131)**	(407)
Adjustments for:			
Interest payable and similar charges		**48**	60
Decrease/(increase) in trade and other receivables		**(4)**	3
Increase/(decrease) in trade and other payables		**86**	(132)
Net cash used in operating activities		**(1)**	(476)
Cash flows from investing activities			
Acquisition of intangible exploration assets	4	**(435)**	(147)
Net cash used in investing activities		**(435)**	(147)
Cash flows from financing activities			
Proceeds from the issue of share capital		**–**	1,688
Cost of raising shares		**–**	(60)
Repayment of loan		**–**	(386)
Net cash from financing activities		**–**	1,242
Net (decrease)/increase in cash and cash equivalents		**(436)**	619
Cash and cash equivalents at 1 January		**635**	16
Cash and cash equivalents at 31 December		**199**	635

The accompanying notes on pages 25–37 form an integral part of these financial statements.

Company Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Loss for the year		**(496)**	(556)
Adjustments for:			
Interest payable and similar charges		**49**	60
Decrease/(increase) in trade and other receivables		**(3)**	3
Increase/(decrease) in trade and other payables		**14**	(131)
Net cash used in operating activities		**(436)**	(624)
Cash flows from financing activities			
Proceeds from the issue of share capital		**–**	1,688
Cost of raising shares		**–**	(60)
Repayment of loan		**–**	(386)
Net cash from financing activities		**–**	1,242
Net (decrease)/increase in cash and cash equivalents		**(436)**	618
Cash and cash equivalents at 1 January		**634**	16
Cash and cash equivalents at 31 December		**198**	634

The accompanying notes on pages 25–37 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share Capital £'000	Share Premium £'000	Share Based Payment Reserve £'000	Currency Translation Reserve £'000	Accumulated Deficit £'000	Total Equity £'000
Balance at 1 January 2020	11,722	26,864	923	59	(26,005)	13,563
Loss for the financial year	–	–	–	–	(407)	(407)
Total comprehensive loss for the year	–	–	–	–	(407)	(407)
Issue of new shares – gross consideration (note 11)	208	1,480	–	–	–	1,688
Cost of share issues	–	(60)	–	–	–	(60)
Balance at 31 December 2020	11,930	28,284	923	59	(26,412)	14,784
Balance at 1 January 2021	11,930	28,284	923	59	(26,412)	14,784
Loss for the financial year	–	–	–	–	(131)	(131)
Total comprehensive loss for the year	–	–	–	–	(131)	(131)
Lapse of share options	–		(607)	–	607	–
Balance at 31 December 2021	**11,930**	**28,284**	**316**	**59**	**(25,636)**	**14,653**

The accompanying notes on pages 25–37 form an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2021

	Share Capital £'000	Share Premium £'000	Share Based Payment Reserve £'000	Accumulated Deficit £'000	Total Equity £'000
Balance at 1 January 2020	11,722	26,864	923	(41,171)	(1,662)
Loss for the financial year	–	–	–	(556)	(556)
Issue of new shares – gross consideration (note 11)	208	1,480	–	–	1,688
Cost of share issues	–	(60)	–	–	(60)
Balance at 31 December 2020	11,930	28,284	923	(41,727)	(590)
Balance at 1 January 2021	11,930	28,284	923	(41,727)	(590)
Loss for the financial year	–	–	–	(495)	(495)
Total comprehensive loss for the year	–	–	–	(495)	(495)
Lapse of share options	–	–	(607)	607	–
Balance at 31 December 2021	**11,930**	**28,284**	**316**	**(41,615)**	**(1,085)**

The accompanying notes on pages 25–37 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2021

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 UK adopted International Financial Reporting Standards ("IFRS"), 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.

The Directors have carried out a detailed assessment of the Group's ability to continue as a going concern as part of which they have assessed regulatory and funding considerations relevant to continuing the Group's current and prospective exploration activity. This assessment included considering the Group's available cash resources, potential sources of additional funding and its relationship with the holder of its loan note. The Directors have prepared cash flow projections for the period to 30 June 2023 which are discussed further below.

Regulatory considerations

In February 2021, the Irish Minister at the Department of the Environment, Climate and Communications, Eamonn Ryan, announced that the Government would introduce legislation to end the award of any new licences for both oil and gas exploration. This has since been passed into law.

It was again confirmed that the legislation will not affect existing authorisations (such as SEL1/11 – Barryroe), whereby existing licences can progress to production. Should this change, the Company would pursue strenuously claims for compensation.

The Group has a 20% interest in a consortium which holds the rights to develop the Barryroe prospect (SEL1/11 – Barryroe). The Barryroe Standard Exploration Licence period continued up until the 13 July 2021. Prior to its expiry, and having met all the conditions attaching to that Licence, the consortium applied for the follow-on permit, being a Lease Undertaking, which is subject to Ministerial approval. Initial documentation for an application for a Lease Undertaking was submitted to the Department of the Environment, Climate and Communications ('DECC') in April 2021 and was completed in July 2021, prior to the expiry of SEL 1/11 in July 2021. DECC requested additional information in support of the application, which was provided. The Lease Undertaking application remains under consideration by DECC. The Barryroe Partners continue to engage with DECC, however, it remains uncertain as to when the Lease Undertaking will be granted.

Funding considerations

Cash flow projections prepared by the Directors indicate that the Group's and Company's ability to continue as a going concern is dependent on securing additional debt or equity funding.

The Directors anticipate that the Company will raise new funds, upon award of a Lease Undertaking for Barryroe, sufficient to fund the Group's share of costs on the Barryroe Licence together with on-going working capital requirements. The directors expect that this can be completed either from a further equity placing, via shareholder loans, or accessing other potential forms of less dilutive funding available to the Company that includes, but is not limited to, combinations of the following:

(i) a convertible instrument or
(ii) industry asset-level funding by way of a farm-out or
(iii) financial support from either a strategic partner or future product offtake provider at either the corporate level or asset level or
(iv) debt funding.

The Directors believe that the Company will be able to secure further debt or equity funding as may be required. However, there is no guarantee that the Company will be able to secure such funding.

In addition, the Directors expect that the maturity date of shareholder loans which are due for repayment in December 2022 may be extended should this be requested by the Company.

The Directors have considered the various matters set out above and determined that these events and conditions constitute a material uncertainty 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 Group and Company 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;

- Exploration and evaluation assets
  The carrying value of exploration and evaluation assets was £16.1 million (2020: £15.7 million) at 31 December 2021. The directors carried out a review, in accordance with IFRS 6 Exploration for and Evaluation of Mineral Interests, of the carrying value of these assets and are satisfied that these are recoverable, acknowledging however that their recoverability is dependent on future successful exploration efforts and the granting of the lease undertaking which is subject to government approval.
- Decommissioning
  The decommissioning provision amounts to £0.4 million (2020: 0.3 million) at 31 December 2021 and represents management's best estimate of the costs involved in decommissioning the various exploration licence areas to return them to their original condition. These estimates include certain management assumptions with regard to future costs, timing of activity, inflation rates and discount rates.
- Deferred tax asset
  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.

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. The Group's policy for oil and gas assets is also compliant with IFRS 6 "Exploration for and Evaluation of Mineral Resources". Under this standard, the Group's exploration and appraisal activities are capitalised as intangible assets and its development and production activities are capitalised within "Property, plant and equipment".

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

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

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

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

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

(j) Investments

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

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) Finance income and expenses

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method.

Finance expenses comprise interest on leased assets, unwinding of any discount on provisions, fair value movement of warrants, and foreign exchange movements in the retranslation of non-sterling denominated liabilities.

(r) 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.

(s) 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.

(t) Warrants

The Group classifies instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The warrants issued (as outlined in note 11) are derivative in nature and are classified as equity instruments.

(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:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2;
- Amendments to IFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021;
- Amendments to IFRS 4 Insurance Contracts – deferral of effective date of IFRS 9.

Forthcoming requirements

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:

- Amendments to IAS 1 Classification of Liabilities as Current or Non-current;
- Amendments to IFRS 17, Insurance contracts: Initial application of IFRS 17 and IFRS 9;
- Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies;
- Amendments to IAS 8, Definition of Accounting Estimates;
- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a single transaction;
- Amendments to IFRS 10 and IAS 28, Sale of 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.

	2021 £'000	2020 £'000
Loss for the year attributable to equity holders	**(131)**	(407)
Weighted average number of ordinary shares in issue - basic and diluted	**873,618,337**	789,385,913
Loss per share arising from continuing operations attributable to the equity holders of the Company – basic and diluted (in pence)	**(0.02)**	(0.03)

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 2021 and 2020, potentially issuable shares would have been anti-dilutive. The number of potentially issuable shares at 31 December 2021 is 27,445,970 (2020: 34,258,887).

4. Intangible assets

Group	**Exploration / appraisal assets £'000**
Cost	
At 1 January 2020	15,543
Additions	147
At 31 December 2020	15,690
At 1 January 2021	15,690
Additions	435
At 31 December 2021	**16,125**

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 appraisal assets are dependent on moving these forward to development and production.

Following the termination of the SpotOn FOA in April 2021, the Barryroe Partners have retaken control of the project and Lansdowne will as a result retain its 20% original equity in the project, maintaining 69MM Barrels of Oil Equivalent net 2C resources.

The oil price has recovered sharply since the autumn of 2020 and now stands at c.$110/bbl.

In April 2021, a revised Lease Undertaking work programme was submitted to the Department of the Environment, Climate and Communications, designed to move Barryroe to a declaration of commerciality, turning 2C resources into 2P reserves and subsequently seeking the award of a Petroleum Lease, prior to the commencement of production via the EDS. Operations cannot move forward without the granting of Lease Undertaking over Barryroe, and this continues to remain under consideration by DECC.

Approval to proceed with a site survey over the K Location was granted in February 2021 and operations were completed successfully in November 2021.

5. Investments in subsidiaries

Cost	Company £'000
At 1 January 2020 and 1 January 2021	–
Impairment	–
At 31 December 2020 and 31 December 2021	–

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

Name of undertaking	Registered Office	Class of share	Proportion held	Nature of business
Lansdowne Celtic Sea Limited	London, England	Ordinary	100 per cent	Oil and gas exploration
Milesian Oil & Gas Limited	Dublin, Ireland	Ordinary	100 per cent	Oil and gas exploration
Lansdowne Munster Limited	Dublin, Ireland	Ordinary	100 per cent	Oil and gas exploration

Significant joint operation	Principal activity	Effective Interest 2021 %	Effective Interest 2020 %
Barryroe Exploration Licence	Hydrocarbon exploration	**20**	20
Helvick Lease Undertaking	Hydrocarbon exploration	**9**	9

6. Trade and other receivables

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Amounts falling due within one year:				
Value added tax and other taxes	**5**	4	**5**	4
Prepayments	**16**	13	**15**	13
	21	17	**20**	17

7. Trade and other payables

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Amounts falling due within one year:				
Trade payables	**132**	73	**131**	72
Taxes and social security	**29**	119	**29**	119
Accruals	**116**	71	**116**	71
	277	263	**276**	262

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.

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Senior secured loan notes - Issued in 2015 (i)	**1,027**	979
	1,027	979

(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. In December 2021, LC Capital Master Fund Ltd has agreed to extend the term of the loan to 31 December 2022.

(ii) Certain warrants have been issued to the holder of the loan notes, details of which are set out in note 11.

9. Provisions

	Asset retirement obligation 2021 £'000	Asset retirement obligation 2020 £'000
Beginning of year	**316**	316
Additional charge	**72**	–
As at 31 December	**388**	316

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

The discount was fully unwound at the end of 2018, however, there was an additional charge in the current year.

10. Financial risk management

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

Given the low level of average cash balances held by the Company and 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 Company and 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 2021 was held with such banks.

Other than the allowance for impairment of £435,057 (2020: £146,738) recognised in respect of receivables from its subsidiaries, the Company has no credit risk associated with its other receivables. See note 18 (b).

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

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

(c) Liquidity risk

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

Work programme obligations related to the Company and 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 Company and Group will need to raise further capital 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 2021, all trade and other payables and shareholder loans were due within one year.

Fair value of non-derivative financial assets and financial liabilities

The Company and 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.

Notes to the Financial Statements

Continued

11. Share capital – Group and Company

	2021	2020
Authorised		
873,618,337 ordinary shares at £0.01 pence each	**873,618,337**	873,618,337

Issued, called up and fully paid:

	Number of Ordinary shares	**Share Capital £'000**	**Share Premium £'000**	**Total £000**
At 1 January 2020	665,349,846	11,722	26,864	38,586
Issued in year	208,268,491	208	1,480	1,688
Share issue costs	-	-	(60)	(60)
At 31 December 2020	873,618,337	11,930	28,284	40,214
At 1st January 2021	873,618,337	11,930	28,284	40,214
At 31 December 2021	**873,618,337**	**11,930**	**28,284**	**40,214**

Warrants

	No of Warrants
At 1 January 2020	113,434,245
Issued in year	26,000,000
Exercised in year	(73,066,666)
Lapsed in year	(40,367,579)
At 31 December 2020	26,000,000
At 1 January 2021	26,000,000
At 31 December 2021	**26,000,000**

Note: Warrants to subscribe for up to 26,000,000 shares issued in December 2020 which had an exercise price of 1.2p and an expiry date of date of 31 December 2021 were extended to now expire on 31 December 2022. The exercise price has been adjusted to 0.525p per warrant. These are the only warrants currently outstanding at year end.

12. Statutory information

	2021 £'000	**2020 £'000**
The loss for the year stated after (crediting)/charging:		
Foreign exchange losses/(gains)	**1**	(1)
Audit Services:		
Fees payable to Group's auditor for the audit of the Company and consolidated financial statements	**21**	25
Fees payable to the Group's auditor for the audit of Company's subsidiaries pursuant to legislation.	**6**	6

13. Employee costs

Number of employees

The average monthly number of employees
(including executive directors) during the year was:

	2021 Number	2020 Number
Oil and gas exploration	**1**	1

Staff costs during the year amounted to:	**2020 £'000**	2020 £'000
Wages and salaries	**60**	60
Social security costs	**9**	9
	69	69

Remuneration of the Directors is disclosed in note 18 and within the Remuneration Report on pages 12-13.

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 page 13. As at 31 December 2021, the following options were outstanding:

Option exercise price	Number	Exercisable at 31 Dec '20	Lapsed in 31 Dec '21	Exercisable at 31 Dec '21	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	945,970	–	945,970	01/06/2015 to 31/05/2022	Share price	(2)
15p	500,000	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 1,445,970.

The cost of awards under the share option scheme was recognised over the vesting period of the awards, 2014 to 2017. The shares vested 2014 to 2017 in full. Therefore, there is no share based payment charge in either 2021 or 2020.

15. Finance costs

	2021 £'000	2020 £'000
Loan interest	**49**	60
Retranslation of foreign currency cash balances	**–**	(1)
Total expense	**49**	59

Notes to the Financial Statements

Continued

16. Income Tax

	2021 **£'000**	2020 £'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;

	2021 **£'000**	2020 £'000
Loss before income tax	**(131)**	(407)
Loss before income tax multiplied by standard rate of tax 19% (2020:19%)	**(25)**	(77)
Effects of:		
Expenses not deductible for tax purposes	**2**	25
Losses carried forward	**23**	52
Total tax credit	**–**	–

Unrecognised deferred tax assets, in respect of unused losses, amounts to £2.5 million (2020: £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 (2020: Nil).

18. Related party transactions

(a) **Transactions with Smith & Williamson**

Con Casey is a director of Smith & Williamson, 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 £81,500 (2020: £75,800). 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 2021, the Group owed Smith & Williamson £22,490 (2020: £13,014) under the agreement.

(b) Amounts due by subsidiaries

At 31 December 2021, amounts owed to the Company by its subsidiaries totalled £24.8 million (2020: £24.5 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:

	2021	2020
	£'000	£'000
Short-term benefits	**95**	105

(d) **Transactions with LC Capital Master Fund Ltd**

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

(e) **Directors' shareholdings**

Details of directors' shareholdings are given on page 13.

19. Post Balance Sheet events

In March 2022, the Company placed 60,000,000 new ordinary shares with new and existing investors at a placing price of 0.5 pence per placing share, raising £300,000 before costs.

Associated with the fund raise, 1,821,826 warrants were granted to LC Capital Targeted Opportunities Fund, LP in accordance with the provisions of LCCTOF's warrant instrument, the terms of which were announced previously on 31 December 2021. LC now holds 27,821,826 warrants over ordinary shares and the strike price for these warrants has been amended to 0.5 pence per share from 0.525 pence per share pursuant to the LC warrant instrument.

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.

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