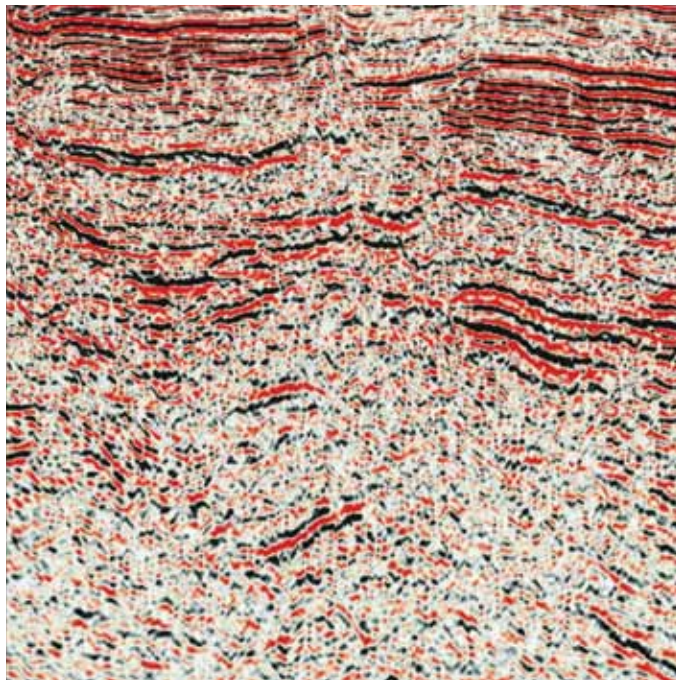
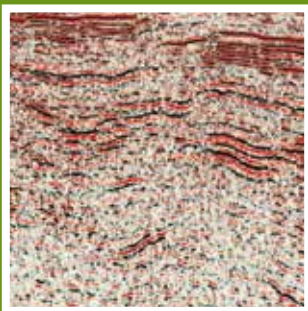


Lansdowne

oil & gas

ANNUAL REPORT &
FINANCIAL STATEMENTS 2010





Our front cover shows Lansdowne's 2008 2D seismic imaging which demonstrates the Amergin Prospect tilted-fault block.

Acquisition of 3D seismic of the Amergin Prospect is planned for the summer of 2011 and is expected to provide further improvement in seismic imaging.

2010

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Chairman's Statement

Due to the difficult stock market conditions that prevailed in 2008 and much of 2009, we sought an extension from the Irish authorities in respect of our three Standard Exploration Licences covering Midleton, Rosscarbery and Amergin. These extensions were granted and the first phase of the licences has been extended until 31 July 2012, by which time an exploration well is required to be drilled on each licence.

Thus we have secured a balanced portfolio of oil discoveries, low and moderate risk gas prospects near existing infrastructure, and moderate risk oil prospects.

In 2010 RPS Energy ("RPS") were engaged to update our Competent Persons Report ("CPR") which was completed in February 2011 and included the Helvick oilfield in which the Group now has a 10 per cent. interest following an asset swap with Providence Resources.

RPS supports the conclusion of the previous work by Providence that, although small, commercial production could be achieved at current oil prices, which could lead to first oil within two years of the project being sanctioned.

In December 2010 the Group appointed finnCap as NOMAD and Broker and in March 2011 the Group announced the placing of new ordinary shares to raise £5 million. In addition our two largest shareholders converted £1.9 million of loans into equity. Following the Placing and Loan Conversion in March 2011, the Group had cash balances of £4.7 million and loans were reduced to £250,000.

Financial Results

The Group recorded an after tax loss of £1.1 million for the year ended 31 December 2010 compared to a loss of £1.2 million for the year ended 31 December 2009.

Group operating expenses for the year were £1.0 million, compared to £1.0 million in 2009.

Net finance expense for the year was £137,000 (2009: £165,000). There was no amortisation of warrant costs included in the current year (2009: £81,000). Interest expense on loans from shareholders amounted to £134,000 (2009: £84,000).

Total equity attributable to the shareholders of the Group has increased from £5.7 million as at 31 December 2009 to £6.1 million as at 31 December 2010.

Cash balances of £26,000 (2009: £26,000) were held at the end of the financial year.

Details of loan facilities provided by shareholders are given in note 10.

Outlook

Following the extension of our licences we began the process of re-launching the Group which led to the successful placing in the first quarter of 2011. These new funds will be used primarily to acquire 3D seismic data over our discoveries and prospects in the Celtic Sea. The programme will start in June with the Providence Resources operated survey over the Barryroe oil discovery, and following interpretation of the data, the partners plan to move quickly to drill an appraisal well, which could commence later in 2011.

Also in the summer of 2011 Lansdowne will operate a programme to acquire 3D seismic data over the Amergin, Rosscarbery and Midleton prospects, covering an aggregate area of approximately 300 sq km. The Group will use the data to refine potential drilling locations and to mount a farm-out campaign with a view to attracting industry partners to drill wells on each of Midleton, Rosscarbery and Amergin in 2012, as required under the work programmes. It should be mentioned that the acquired data is expected to substantially reduce the risk normally associated with the drilling of exploration wells.

I would once again like to thank our major shareholders, LC Capital and SeaEnergy PLC, for their support through some very difficult times. Through the programme we are planning this year and next, there is a real chance of creating substantial value for all shareholders.

John Greenall
Chairman

Oil and Gas Interests

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

| Licence | Interest | Operator |
|---|---------------|--------------------------|
| 4/07 Middleton East Kinsale Exploration Licence | 100 per cent. | Lansdowne |
| 5/07 Rosscarbery Exploration Licence | 99 per cent. | Lansdowne |
| 5/08 Amergin Exploration Licence | 100 per cent. | Milesian |
| 09/1 Lee Licensing Option | 100 per cent. | Lansdowne |
| 08/1 Barryroe Licensing Option | 20 per cent. | Providence Resources PLC |
| 02/7 Helvick Exploration Licence | 10 per cent. | Providence Resources PLC |

Notes

Irish Licensing Regime

Licensing Option

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

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

Exploration Licence

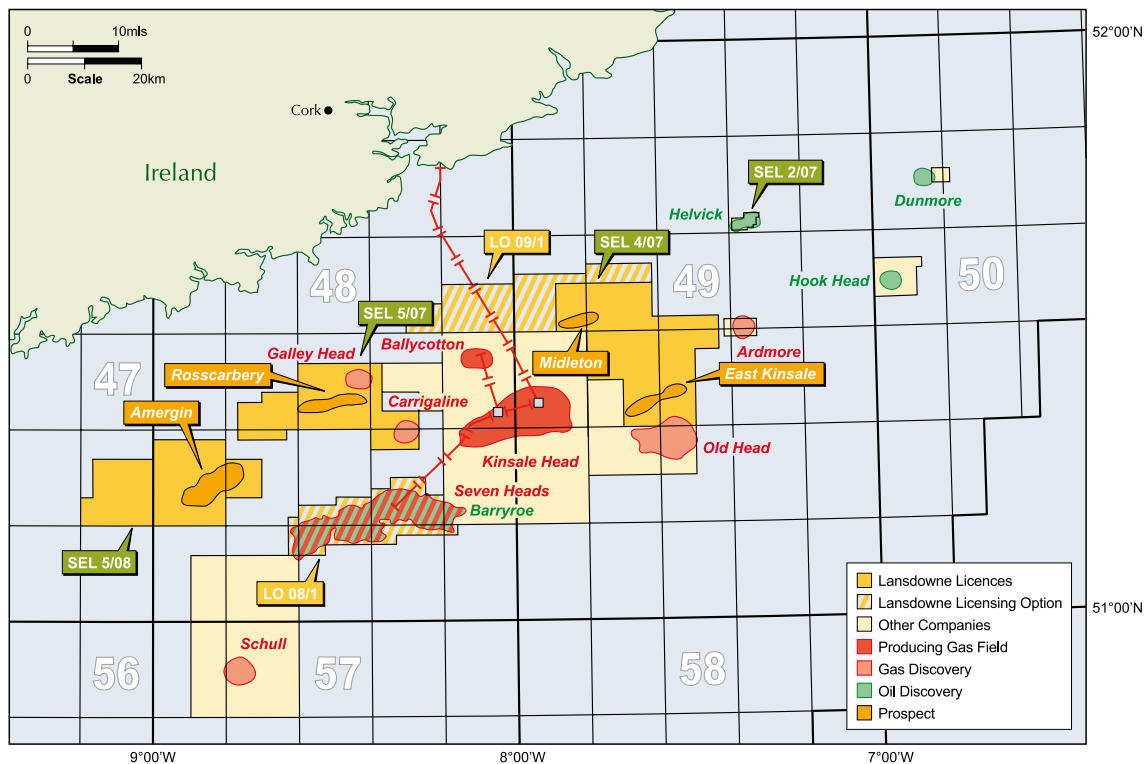
A "Standard" licence covers an agreed work programme in water less than 200 metres deep. The work programme usually includes an exploration well. The licence period is six years.

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

Lease Undertaking

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

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



Financial Review

Description of Business

Lansdowne Oil & Gas plc, an English public limited company, and its subsidiaries form an energy Group focused on exploration activities. The Group is actively exploring for, and appraising, oil and gas reserves offshore Ireland.

The Company's shares, since 21 April 2006, have been quoted on the AIM Market of the London Stock Exchange.

This financial review is intended to assist in the understanding of the Group's results of operations for the year ended 31 December 2010 and of its financial position at that date. The consolidated financial statements and notes included elsewhere contain additional information and should be referred to in conjunction with this review. They have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Administrative Expenses

The Group has two full-time paid Executive Directors. Administration and technical support is provided by SeaEnergy PLC (a major shareholder through its subsidiary Ramco Hibernia Ltd) under a service agreement. These costs and the professional fees associated with the Company's listed status account for the administrative expenses of £1.0 million (2009: £1.0 million).

Operating Loss

The Group recorded a loss before interest and taxation of £1.0 million in the year (2009: £1.0 million).

Finance Costs

Interest on loans from shareholders amounted to £134,000 (2009: £84,000). Amortisation of warrant costs amounted to £nil (2009: £81,000). Foreign exchange differences on cash balances amounted to £3,000 (2009: £nil).

Income Tax Expense

The current tax charge for the year was £nil (2009: £2,000) and the unprovided deferred tax asset on unrelieved losses was £920,000 (2009: £701,000).

Loss for the Financial Year

A loss of £1.1 million was recorded in the year (2009: £1.2 million).

Loss per Share

Basic and diluted loss per share for the year was 2.9p (2009: 3.4p).

Balance Sheet

The Group and Company balance sheets as at 31 December 2010 and 31 December 2009 are shown on page 18. Group net assets were £6.1 million at 31 December 2010 (2009: £5.7 million). At 31 December 2010, the Group held £26,000 (2009: £26,000) as cash or short-term deposits.

Following the Placing and Loan Conversion in March 2011, the Group had cash balances of £4.7 million and loans were reduced to £250,000.

The Group had goodwill and other intangible assets totalling £10.2 million at the balance sheet date (2009: £9.6 million). Included in this category is goodwill of £1.4 million (2009: £1.4 million) arising on the acquisition of Milesian Oil & Gas Limited in 2007 and costs of £8.8 million (2009: £8.2 million) incurred in connection with the Group's exploration licences in the Celtic Sea and the associated work programmes. Of the £8.8 million, £5.4 million relates to the acquisition of Milesian Oil & Gas Limited during 2007.

Cash Flow from Operations

As indicated by the consolidated statement of cash flows on page 22, the Group's net cash generated by operating activities was £25,000 for the year ended 31 December 2010 (31 December 2009 cash used: £676,000).

Cash Flows Related to Investing Activities

In 2010 the Group invested approximately £0.6 million (2009: £0.1 million) in connection with its oil and gas interests.

Cash Flows Related to Financing Activities

The Group raised £1.4 million of cash from the issue of new share capital during the year (2009: £nil).

The Group drew down loans totalling £1.0 million from shareholders during the year (2009: £0.8 million). Details of these loans are given in note 10.

Future Capital Requirements

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

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

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

Market Risks

The Group is exposed to a variety of risks, including the effects of changes in interest rates and foreign currency exchange rates. These are discussed in note 12. In the normal course of business the Group also faces certain other non-financial or non-quantifiable risks. To the extent that the Group's oil and gas assets can be successfully developed, the Group's assets, revenues and cash flows may become dominated by Dollar or Euro-based oil and gas operations. Accordingly, the Sterling/Dollar and Sterling/Euro exchange rates are important to the Sterling prices of the Shares traded on the AIM.

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

Dollar/Sterling Exchange Rates

(Dollar per Pound Sterling)

| | At end of year | Average rate ⁽¹⁾ | High | Low |
|-------------|----------------|-----------------------------|-------------|-------------|
| 2006 | 1.97 | 1.83 | 1.97 | 1.71 |
| 2007 | 1.99 | 2.01 | 2.08 | 1.96 |
| 2008 | 1.45 | 1.88 | 1.99 | 1.45 |
| 2009 | 1.62 | 1.58 | 1.67 | 1.43 |
| 2010 | 1.56 | 1.55 | 1.62 | 1.47 |

Euro/Sterling Exchange Rates

(Euro per Pound Sterling)

| | At end of year | Average rate ⁽¹⁾ | High | Low |
|-------------|----------------|-----------------------------|-------------|-------------|
| 2006 | 1.49 | 1.46 | 1.49 | 1.43 |
| 2007 | 1.36 | 1.47 | 1.51 | 1.36 |
| 2008 | 1.04 | 1.27 | 1.36 | 1.04 |
| 2009 | 1.15 | 1.12 | 1.19 | 1.01 |
| 2010 | 1.19 | 1.16 | 1.22 | 1.11 |

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

Details of how the Group manages interest rate and foreign currency exchange risks are included in note 12.

Christopher G Moar

Finance Director

16 May 2011

Board of Directors

John Greenall (Non-Executive Chairman)*†, aged 72, joined RC Greig & Co in Glasgow in 1960 becoming a partner in 1965. He assisted in the formation and subsequent fund raising of London and Scottish Marine Oil ("LASMO") and Clyde Petroleum. Mr Greenall was instrumental in creating Greig Middleton through the merger of RC Greig and WN Middleton in 1983. He joined The Stock Exchange Council in 1985 and served on the Board of its Successor – The Securities Association. In 1994 he joined HCIB (a subsidiary of Guinness Mahon ("GM")) as Director of Corporate Broking. When GM was taken over by Investec in 1998 he headed up the corporate broking team at that bank. One of HCIB's specialist research areas was the Exploration & Production sector and he oversaw a number of flotations in the sector – the most recent being Venture Production before he retired in 2002. He is a Non-Executive Director of RP&C International Limited, a niche investment bank based in London.

Dr Stephen Boldy (Chief Executive Officer), aged 55, joined Ramco Energy plc in March 2003, becoming CEO of Lansdowne in April 2006. From 1980 to 1984 Dr Boldy worked as a petroleum geologist for the Petroleum Affairs Division of the Department of Energy in Dublin and then spent almost 19 years with Amerada Hess Corporation, where his appointments included UK Exploration Manager and International Exploration Manager. Dr Boldy has extensive experience of working Irish offshore basins and the basins West of Britain and earned his PhD in geology from Trinity College Dublin.

Emmet Brown (Director of Business Development), aged 61, was managing director and founder of Milesian, acquired by Lansdowne in December 2007. Mr Brown is a petroleum geologist with 30 years experience, having worked in many facets of exploration and production worldwide. He began his career with US-based Marathon Oil in Ireland. Mr Brown was employed initially by multinational companies in positions of increasing responsibility and later as CEO and Managing Director of two junior quoted E&P oil and gas companies. Mr Brown re-established Milesian in 2003 to explore the Irish offshore. Experienced in technical and commercial due diligence evaluations, throughout his career he has advised banks, investment houses, private clients and oil and gas companies on matters of corporate and business development, asset management, mergers, acquisitions and divestments, and oil and gas joint ventures.

Christopher Moar (Finance Director and Company Secretary), aged 48, joined SeaEnergy in 1993, was appointed Company Secretary in December 1996, and became Finance Director of SeaEnergy in 2006. Prior to this he was a planning and financial accountant for Baker Oil Tools (United Kingdom) Limited. Mr Moar has an MA degree in Accountancy from Aberdeen University and qualified as a Chartered Accountant with Arthur Young in 1987.

Steven Bertram (Non-Executive Director)*, aged 51, is Managing Director of SeaEnergy and has been with SeaEnergy since 1986. He was appointed to the SeaEnergy board as Finance Director in 1991 and became Managing Director in 2005. Mr Bertram has a background in both oil exploration and production companies and oil services companies gained through his time with SeaEnergy and during his chartered accountancy training contracts. He has been involved with SeaEnergy from the Company's original USM listing through its move to AIM and its international offer and listing on the American Stock Exchange in 1997. Mr Bertram has an MA Honours degree in Economics with Accountancy from Aberdeen University and qualified as a Chartered Accountant with Arthur Young in 1984.

Steven Lampe (Non-Executive Director)†, aged 52, an investment manager based in New York, USA, is managing member of Lampe, Conway & Co LLC, a limited liability company organised in the state of Delaware.

Viscount Torrington (Non-Executive Director)*†, aged 67, 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.

* A member of the Audit Committee

† A member of the Remuneration Committee

Report of the Directors

Company Number: 05662495

The Directors submit their report and audited Group financial statements for the year ended 31 December 2010.

Principal activities and review of business

The principal activities of the Group are the exploration and appraisal of hydrocarbons. The activities of the subsidiaries are detailed in note 6 to the financial statements.

The Group consolidated income statement is set out on page 19 shows a loss on ordinary activities before tax of £1.1 million (2009: £1.2 million). After tax the Group loss for the year was £1.1 million (2009: £1.2 million). The Directors do not recommend the payment of a dividend and £1.1 million (2009: £1.2 million) will be deducted from the Group's reserves.

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

Strategy

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

Principal business risks

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

These risks include:

Financial risks:

- Cost inflation
- Oil and gas price movements
- Adverse taxation legislative changes
- Co-venturer and third party counterparty credit risk
- Adverse foreign exchange movements

Operational risks:

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

Strategic and external risks:

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

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

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

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

Report of the Directors continued

The market price of hydrocarbon products is volatile and is not within the control of the Group. If significant declines occur in the price of oil or gas, or detrimental changes occur to the Irish fiscal regime, the economic commerciality of the Groups projects can be significantly reduced or rendered uneconomic.

The successful progression of the Group's oil and gas assets depends not only on technical success, but also on the ability of the Group to obtain appropriate financing through equity financing, debt financing, farm downs or other means.

The availability of such funding will continue to be influenced by macro-economic events, including oil and gas price fluctuations and the overall state of the economy, both of which remain outside the control of the Group. There is no assurance that the Group will be successful in obtaining required financing going forward. If the Group is unable to obtain additional financing needed to fulfil its planned work programmes some interests may be relinquished and/or the scope of the operations reduced.

Future outlook

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

Employees

The Group has two full-time employees, both of whom are Executive Directors of the Company. Employees are encouraged directly to participate in the business through a share option scheme. Although much of the Group's work is unsuitable for disabled persons, positive efforts are made to recruit and train disabled persons for suitable work.

Directors

Biographies of the present Directors of the Company are listed on page 6.

In accordance with the Company's Articles of Association, Directors retire and, being eligible, offer themselves for re-election. Stephen Boldy and Emmet Brown have service contracts with an unexpired notice period of one year. Details of the remuneration of the Directors and the interests of the Directors in the share capital and share options of the Company are disclosed in the Remuneration Report included on pages 13 to 15.

Substantial shareholders

The Directors have been notified of the following interests in 3 per cent. or more of the Company's issued share capital at 13 May 2011:

| | No. of shares | Per cent. of capital |
|--|---------------|----------------------|
| Lampe Conway & Co LLC/LC Capital Master Fund Limited | 23,330,236 | 28.63 |
| Ramco Hibernia Limited | 18,765,509 | 23.03 |
| Thomas Anderson* | 11,868,283 | 14.56 |
| Directors (page 15) | 4,128,702 | 5.06 |

* at date of resignation

Share capital

Details of allotments made during the year are given in note 13 to the financial statements.

Creditor payment policy

The Group's current policy concerning the payment of its trade creditors is to:

- settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception. UK subsidiaries follow the same policy. The Group's average creditor payment period at 31 December 2010 was 56 days (2009: 52 days).

Auditors

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

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 6. 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

On 7 March 2011 the Company announced that it had conditionally raised £5 million before expenses, by the placing (the "Placing") for cash of 20,000,000 new ordinary shares of £0.05 each ("Ordinary Shares") (the "Placing Shares") at 25 pence per Ordinary Share (the "Issue Price").

Certain of the Company's directors and their connected persons participated in the Placing. Stephen Boldy subscribed for 20,000 Placing Shares and is interested in 52,660 Ordinary Shares. Viscount Torrington subscribed for 100,000 Placing Shares and is interested in 105,880 shares.

In addition, LC Capital Master Fund, Ltd ("LC Capital") subscribed for 2,092,652 Placing Shares in the Placing. Steven Lampe has a non-beneficial interest in 23,330,236 Ordinary Shares, representing 28.63% of the Company's enlarged issued share capital, held by LC Capital and Lampe Conway and Co. LLC. Steven Lampe is a managing member of Lampe Conway and Co. LLC, which is the investment manager of LC Capital.

The Company and its lenders agreed to convert (i) part of the amount outstanding in respect of a loan provided to the Company by LC Capital (the "LC Capital Loan"); and (ii) the full amount of borrowings due by the Company to SeaEnergy PLC, by the issue of 7,791,743 new Ordinary Shares (such shares, together with the Placing Shares, being the "New Ordinary Shares") at the Issue Price (the "Loan Conversion").

The remainder of the LC Capital Loan, amounting to £248,000, including accrued interest, remains outstanding and LC Capital has agreed to extend the date of maturity of the LC Capital Loan to 8 July 2011.

The Placing and Loan Conversion became unconditional after shareholder approval was obtained at a General Meeting of the Company held on 23 March 2011 and Admission to listing of the new Ordinary Shares on AIM was effected on 24 March 2011.

Financial instruments

Risk exposures and financial risk management policies and objectives are discussed in note 12 to the financial statements.

AGM business

The Annual General Meeting ("AGM") will commence at 12 noon on 14 June 2011 at finnCap. 60 New Broad Street, London EC2M 1JJ.

In addition to the routine business of the AGM, there are five items of additional business detailed in the Notice of Meeting as Resolution numbers 7 to 11.

Resolution 7 authorises the Directors to allot unissued shares in the capital of the Company.

Resolution 8 is a disapplication of the statutory pre-emption rights contained in the Companies Act 2006 and empowers the Directors to allot ordinary shares for cash in connection with rights issues, open offers and other pre-emptive offerings. It also permits the issue generally of ordinary shares having a nominal value of up to £1,020,000 (being approximately 25 per cent. of the current issued share capital) thereby enabling the Directors to take advantage of opportunities as they arise. This authority will expire at the next Annual General Meeting of the Company.

Resolution 9 is a special resolution and empowers the Directors to allot ordinary shares for cash pursuant to the Company's unapproved share option plan.

Resolution 10 is a special resolution giving the Company limited powers to purchase its own shares for cancellation.

Resolution 11 is an ordinary resolution which amends the Rules of the Company's unapproved share option plan.

By order of the Board,

C G MOAR MA CA

Company Secretary

16 May 2011

Corporate Governance

Lansdowne, as an AIM listed Company, is not required to comply with the UK Corporate Governance ("the Code") published by the Financial Reporting Council in May 2010. However, the Board recognises the importance of sound corporate governance and has ensured that, following Admission, the Group adopted policies and procedures which reflect such of the Principles of Good Governance and the Code of Best Practice as are appropriate to the Group's size. The main departure from the Code arises because the Non-Executive Directors are all shareholders of the Company and therefore cannot be considered independent in terms of the Code.

Directors

The Board comprises a Non-Executive Chairman, three Executive Directors and three further Non-Executive Directors. Biographies of the Directors are presented on page 6. John Greenall is the senior independent Non-Executive Director and Chairman.

| Board Meeting attendance record | 2010 Eligible | 2010 Attended | 2009 Eligible | 2009 Attended |
|---------------------------------------|------------------|------------------|------------------|------------------|
| S A R Boldy | 17 | 17 | 9 | 9 |
| C G Moar | 17 | 17 | 9 | 9 |
| J Greenall | 17 | 12 | 9 | 9 |
| T Torrington | 17 | 12 | 9 | 8 |
| S R Bertram | 17 | 16 | 9 | 8 |
| S G Lampe | 17 | 15 | 9 | 9 |
| E Brown | 17 | 17 | 9 | 9 |
| T Anderson (resigned 9 November 2010) | 13 | 9 | 9 | 3 |

Relationship with former Parent Company

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

The Board is responsible for setting overall Group strategy, policy, monitoring Group performance and authorising significant transactions.

The Board meets not less than four times a year and has adopted a schedule of matters reserved for its decision. All Directors have full and timely access to information and may take independent professional advice at the Group's expense.

The Board has two standing committees with terms of reference as follows:

Audit and Remuneration Committees

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

Audit Committee

The Audit Committee comprises John Greenall (Chairman), Steven Bertram and Viscount Torrington (T Anderson also served until 9 November 2010 when he was replaced by Viscount Torrington), it determines the terms of engagement of the Group's Auditors and in consultation with the Auditors, the scope of the audit. The Audit Committee receives and reviews reports from management and the Group's Auditors relating to the interim and annual accounts and the accounting and internal control systems in the Group. The Audit Committee has unrestricted access to, and oversees, the relationship with the Group's Auditors. The Audit Committee meets at least twice a year and meets with the Group's Auditors at least once a year. Other Directors may attend by invitation.

The External Auditors are engaged to express an opinion on the financial statements. They review and test the systems of internal financial control and data contained in the financial statements to the extent necessary to express their audit opinion. They discuss with management the reporting of operational results and the financial position of the Group and present their findings to the Audit Committee.

The Audit Committee reviews the independence and objectivity of the External Auditors. The Committee reviews the nature and amount of non-audit work undertaken by Ernst & Young LLP each year to satisfy itself that there is no effect on their independence. Details of this year's fees are given in note 16 on page 36. The Committee is satisfied that Ernst & Young LLP are independent.

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

Remuneration Committee

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

The Remuneration Report is presented on pages 13 to 15 and contains a statement of remuneration policy and details of the remuneration of each Director.

Risk Management and Internal Control

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

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

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

Investor Relations

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

The Group has a website, www.lansdowneoilandgas.com, which is regularly updated and contains a wide range of information about the Group including the AIM admission document and press releases. The Board views the AGM as an opportunity to communicate with private investors and encourages them to attend. The Board aims to ensure that the Chairmen of the Audit and Remuneration Committees are available to answer questions. Shareholders are invited to ask questions and are given the opportunity to meet the Directors informally following the meeting. The Company complies with best practice in ensuring that the Notice of the AGM is dispatched to shareholders at least 20 working days ahead of the meeting.

Directors' Responsibilities

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

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

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

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

The maintenance and integrity of the Lansdowne Oil & Gas plc website is the responsibility of the Directors. The work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

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

Going Concern

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

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

Remuneration Report

Introduction

This report has been prepared in accordance with the provisions of Schedule 8 of the Large and Medium Sized Companies and Group (Accounts and Reports) Regulations 2008, except for the non-inclusion of a performance graph and provision of details of how remuneration packages have been benchmarked. Lansdowne, as an AIM Company, is not required to comply with these requirements but it is committed to the highest standards of Corporate Governance. This report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration.

Remuneration committee

The members of the Remuneration Committee (The Committee) are John Greenall, Steven Lampe and Viscount Torrington (Chairman), all of whom are Non-Executive Directors of the Company. The Committee has followed the provisions set out in Schedules A and B of The Code in preparing this report. The Committee believes that Lansdowne's reward structure is in accordance with those recommendations.

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

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

Remuneration policy

Lansdowne operates in the international oil and gas industry and aims to attract, reward, motivate and retain top executives in a manner appropriate to that industry and with the objective of long term accumulation of value for shareholders. The remuneration packages currently being offered are intended to be competitive and comprise a mix of performance related and non-performance related remuneration designed to incentivise Directors, but not to detract from the goals of Corporate Governance. The packages are in line with industry norms.

Directors' service contracts

S A R Boldy and E Brown have service contracts with the Company with a rolling notice period of one year. The other Directors do not have service contracts with the Company.

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

Remuneration package

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

S A R Boldy and E Brown are each entitled to annual bonuses equal to 2 per cent. of the consolidated audited after tax profits of the Company and its subsidiaries subject to a cap equal to their annual salaries during the relevant financial year. They are also entitled to bonus payments on the entering into of binding agreements with third parties in respect of any 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.

C G Moar receives no salary in relation to his appointment. He remains an employee of SeaEnergy PLC, a major shareholder, which is responsible for remunerating him in connection with his appointment as Finance Director of the Company.

Remuneration Report continued

Directors' detailed emoluments

| | Salary and fees £'000 | Performance related bonus £'000 | Benefits £'000 | Aggregate emoluments £'000 | 2010 Pension contributions £'000 | 2009 Pension contributions £'000 | 2010 Total £'000 | 2009 Total £'000 |
|----------------------------|--------------------------|------------------------------------|-------------------|-------------------------------|-------------------------------------|-------------------------------------|---------------------|---------------------|
| Executive Directors | | | | | | | | |
| S A R Boldy | 195 | – | 3 | 198 | 29 | 32 | 227 | 236 |
| E Brown | 195 | – | 3 | 198 | 29 | 29 | 227 | 234 |
| C G Moar | – | – | – | – | – | – | – | – |
| Non-Executive Directors | | | | | | | | |
| J Greenall | 15 | – | – | 15 | – | – | 15 | 15 |
| T Torrington | 15 | – | – | 15 | – | – | 15 | 15 |
| S R Bertram ⁽¹⁾ | – | – | – | – | – | – | – | – |
| S Lampe ⁽²⁾ | – | – | – | – | – | – | – | – |
| T Anderson ⁽⁴⁾ | – | – | – | – | – | – | – | – |
| R Pollock ⁽³⁾ | – | – | – | – | – | – | – | 1 |
| 2010 | 420 | – | 6 | 426 | 58 | | 484 | |
| 2009 | 435 | – | 5 | 440 | | 61 | | 501 |

(1) Waived fees from 1 January 2009 onwards.

(2) All fees are paid to Lampe Conway & Co LLC. S Lampe is Managing member of Lampe Conway & Co LLC. S Lampe waived fees from 1 October 2008 onwards.

(3) R Pollock resigned 31 January 2009.

(4) T Anderson resigned 9 November 2010. Waived fees from 1 January 2009 onwards.

S A R Boldy and E Brown each agreed to defer remuneration totalling £31,000 which is included in the emoluments above. The deferred remuneration was paid following the completion of a Placing of new shares in March 2011.

In addition to the above cash based emoluments, the expense/(credit) in the year for share options awarded to S A R Boldy was £30,000 (2009: (£39,000)), E Brown £30,000 (2009: £30,000) and C G Moar £8,000 (2009: £8,000).

Interests in share options

| | Exercise price | At 31 Dec 2009 | At 31 Dec 2010 | Normal exercise dates |
|-------------|----------------|----------------|----------------|-------------------------------|
| S A R Boldy | 31.5p | 400,000 | 400,000 | 7 June 2011 to 6 June 2018 |
| E Brown | 31.5p | 400,000 | 400,000 | 7 June 2011 to 6 June 2018 |
| C G Moar | 31.5p | 100,000 | 100,000 | 7 June 2011 to 6 June 2018 |
| | | 900,000 | 900,000 | |

Details of the performance criterion, conditional upon which the options are exercisable, is set out in note 18 to the accounts. During 2010 the share price ranged between a high of 14.75p and a low of 3.61p. The quarterly highest and lowest closing share prices are detailed in note 13.

Interests in shares

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

| | At 31 Dec 2009 or *date of resignation | At 31 Dec 2010 or *date of resignation | At 16 May 2011 |
|----------------------|--|--|----------------------|
| S A R Boldy | 32,660 | 32,660 | 52,660 |
| S R Bertram | 141,314 | 141,314 | 141,314 |
| C G Moar | – | – | – |
| J Greenall | 85,380 | 85,380 | 85,380 |
| T Torrington | 5,880 | 5,880 | 105,580 |
| S Lampe ¹ | – | – | – |
| T Anderson | 4,368,283 | 11,868,283* | – |
| E Brown | 3,743,768 | 3,743,768 | 3,743,768 |
| R Pollock | 102,569* | – | – |
| | 8,479,854 | 15,877,285 | 4,128,702 |

¹ S Lampe has a non-beneficial interest in 23,330,236 shares in Lansdowne held by LC Capital Master Fund Limited (23,134,158 shares) and Lampe Conway and Co. LLC (196,078 shares). S Lampe is managing member of Lampe Conway & Co. LLC, the investment manager of LC Capital Master Fund Limited.

Pensions

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

Retirement benefits were accruing to two Executive Directors under the Group's defined contribution scheme where the Company contributes at a rate of 15 per cent. of salary.

T Torrington

Chairman, Remuneration Committee

16 May 2011

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

We have audited the financial statements of Lansdowne Oil & Gas plc for the year ended 31 December 2010 which comprise the Consolidated and Company Balance Sheets, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2010 and of the Group's loss for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going Concern

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Kevin Weston (Senior statutory auditor)

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

Aberdeen

16 May 2011

Consolidated and Company Balance Sheets

As at 31 December 2010

| | Note | Group | | Company | |
|--------------------------------------|------|----------------|---------------|----------------|---------------|
| | | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| Assets | | | | | |
| Non-Current Assets | | | | | |
| Goodwill and other intangible assets | 4 | 10,194 | 9,639 | – | – |
| Property, plant and equipment | 5 | – | 4 | – | 1 |
| Investment in subsidiaries | 6 | – | – | 5,432 | 5,432 |
| | | 10,194 | 9,643 | 5,432 | 5,433 |
| Current Assets | | | | | |
| Trade and other receivables | 7 | 22 | 11 | 22 | 11 |
| Cash at bank and on hand | 8 | 26 | 26 | 26 | 24 |
| | | 48 | 37 | 48 | 35 |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Trade and other payables | 9 | (1,365) | (786) | (1,013) | (769) |
| Borrowings | 10 | (1,391) | (1,770) | (1,391) | (1,770) |
| Net Current Liabilities | | (2,708) | (2,519) | (2,356) | (2,504) |
| Non-Current Liabilities | | | | | |
| Deferred income tax liabilities | 11 | (1,421) | (1,421) | – | – |
| Net Assets | | 6,065 | 5,703 | 3,076 | 2,929 |
| Shareholders' Equity | | | | | |
| Share capital | 13 | 2,685 | 1,756 | 2,685 | 1,756 |
| Share premium | 13 | 7,672 | 7,153 | 7,672 | 7,153 |
| Other reserves | 14 | 70 | 85 | – | – |
| Accumulated deficit | 15 | (4,362) | (3,291) | (7,281) | (5,980) |
| Total Equity | | 6,065 | 5,703 | 3,076 | 2,929 |

The notes on pages 23 to 41 form part of these financial statements.

These financial statements were approved by the Board of Directors on 16 May 2011.

C G Moar

Finance Director

S R Bertram

Director

Consolidated Income Statement

For the year ended 31 December 2010

| | Note | 2010 £'000 | 2009 £'000 |
|-------------------------------|------|----------------|---------------|
| Administrative expenses | | (1,002) | (1,023) |
| Operating Loss | 16 | (1,002) | (1,023) |
| Finance costs | 19 | (137) | (165) |
| Loss Before Income Tax | | (1,139) | (1,188) |
| Income tax expense | 20 | – | (2) |
| Loss For The Year | | (1,139) | (1,190) |
| Loss Per Share | | | |
| Basic and diluted | 3 | (2.9p) | (3.4p) |

All activities relate to continuing operations.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

| | 2010 £'000 | 2009 £'000 |
|--|----------------|---------------|
| Loss for the year | (1,139) | (1,190) |
| Currency translation differences | (15) | (46) |
| Total comprehensive loss for the year | (1,154) | (1,236) |

The notes on pages 23 to 41 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

| Group | Share capital £'000 | Shares to be issued £'000 | Share premium £'000 | Other reserves £'000 | Accumulated deficit £'000 | Total equity £'000 |
|--|------------------------|------------------------------|------------------------|-------------------------|------------------------------|-----------------------|
| Year ended 31 December 2009 | | | | | | |
| At 1 January 2009 | 1,636 | 1,150 | 6,123 | 131 | (2,125) | 6,915 |
| Loss for the financial year | – | – | – | – | (1,190) | (1,190) |
| Currency translation difference (note 14) | – | – | – | (46) | – | (46) |
| Total comprehensive income for the year | – | – | – | (46) | (1,190) | (1,236) |
| Share based payments charge (note 18) | – | – | – | – | 24 | 24 |
| Issues of new shares – gross consideration (note 13) | 120 | (1,150) | 1,030 | – | – | – |
| At 31 December 2009 | 1,756 | – | 7,153 | 85 | (3,291) | 5,703 |
| Year ended 31 December 2010 | | | | | | |
| At 1 January 2010 | 1,756 | – | 7,153 | 85 | (3,291) | 5,703 |
| Loss for the financial year | – | – | – | – | (1,139) | (1,139) |
| Currency translation difference (note 14) | – | – | – | (15) | – | (15) |
| Total comprehensive income for the year | – | – | – | (15) | (1,139) | (1,154) |
| Share based payments charge (note 18) | – | – | – | – | 68 | 68 |
| Issues of new shares – gross consideration (note 13) | 176 | – | 35 | – | – | 211 |
| Issue of new shares – debt conversion (note 13) | 753 | – | 484 | – | – | 1,237 |
| At 31 December 2010 | 2,685 | – | 7,672 | 70 | (4,362) | 6,065 |

The notes on pages 23 to 41 form part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2010

| Company | Share capital £'000 | Shares to be issued £'000 | Share premium £'000 | Accumulated deficit £'000 | Total equity £'000 |
|--|------------------------|------------------------------|------------------------|------------------------------|-----------------------|
| Year ended 31 December 2009 | | | | | |
| At 1 January 2009 | 1,636 | 1,150 | 6,123 | (4,786) | 4,123 |
| Loss for the financial year | – | – | – | (1,218) | (1,218) |
| Share based payments charge (note 18) | – | – | – | 24 | 24 |
| Issues of new shares – gross consideration (note 13) | 120 | (1,150) | 1,030 | – | – |
| At 31 December 2009 | 1,756 | – | 7,153 | (5,980) | 2,929 |
| Year ended 31 December 2010 | | | | | |
| At 1 January 2010 | 1,756 | – | 7,153 | (5,980) | 2,929 |
| Loss for the financial year | – | – | – | (1,369) | (1,369) |
| Share based payments charge (note 18) | – | – | – | 68 | 68 |
| Issues of new shares – gross consideration (note 13) | 929 | – | 519 | – | 1,448 |
| At 31 December 2010 | 2,685 | – | 7,672 | (7,281) | 3,076 |

The notes on pages 23 to 41 form part of these financial statements.

Consolidated and Company Cash Flow Statements

For the year ended 31 December 2010

| | Note | Group | | Company | |
|--|------|---------------|---------------|---------------|---------------|
| | | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| Cash flows from operating activities | | | | | |
| Cash used in operations | 21 | (112) | (839) | (716) | (932) |
| Income taxes paid | | – | (2) | – | – |
| Net finance expense | | 137 | 165 | 137 | 165 |
| Net cash used in operating activities | | 25 | (676) | (579) | (767) |
| Cash flows from investing activities | | | | | |
| Acquisition of intangible exploration assets | 4 | (606) | (102) | – | – |
| Net cash used in investing activities | | (606) | (102) | – | – |
| Cash flows from financing activities | | | | | |
| Proceeds from issuance of ordinary shares | 13 | 211 | – | 211 | – |
| Proceeds from borrowings | 10 | 963 | 770 | 963 | 770 |
| Repayment of borrowings | | (500) | – | (500) | – |
| Interest paid | | (90) | – | (90) | – |
| Net cash generated by financing activities | | 584 | 770 | 584 | 770 |
| Effect of exchange rate fluctuations on cash held | | (3) | – | (3) | – |
| Net (decrease)/increase in cash and cash equivalents | | – | (8) | 2 | 3 |
| Opening cash and cash equivalents | | 26 | 34 | 24 | 21 |
| Closing cash and cash equivalents | 8 | 26 | 26 | 26 | 24 |

The notes on pages 23 to 41 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2010

1. Presentation of accounts and accounting policies

General information

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

The Company is a public limited company, incorporated and domiciled in the UK. The address of its registered office is 5 Old Bailey, London EC4M 7BA.

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

Basis of preparation

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

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

The Group and Company have been successful in raising funds of £4.5 million (net) through a Placing of 20,000,000 new ordinary shares and at the same time converting shareholder loans to equity, in order to progress the development of the exploration licences held, and to meet commitments and overheads for planned activities over the next 12 months. This additional funding will allow the Company to conduct further appraisal and 3D seismic surveys in order to enhance the drilling prospects and value of the interests held.

The Directors consider that 3D seismic surveys over the prospects in the licences held will assist the development on the Company's portfolio of licences by reducing the risk currently assigned to these prospects and assisting in identifying drilling targets. Following the completion of the planned 3D seismic studies, the Company intends to progress the development of the licences held and will need to raise additional funding at this time. The Directors believe that the Company has a number of available funding options; the Company could carry out a farm out campaign with a view to attracting industry partners to drill wells, or the Company has the option of issuing new equity. The Company retains the financial support of its main shareholders, if required, in order to allow the Company time to evaluate these future requirements in the best interest of the Company and its shareholders.

The Directors believe that at the date of these financial statements there exists a material uncertainty regarding whether or not the Company will be able to raise the required future funding to progress the development of the licences held, which may cast significant doubt upon the ability of the Company to continue as a going concern and therefore to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making inquiries and considering all the relevant factors, the Directors are of the opinion that the results from the 3D seismic surveys will be positive and that longer term funding options are achievable based on recent discussions with a number of interested parties.

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

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

Accounting policies

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

Change in accounting policies

New and amended standards and interpretations adopted by the Group

The following new and amended IFRS and IFRIC interpretations are effective as of 1 January 2010:

- IAS 27 Amendments - Consolidated and Separate Financial Statements
- 2009 Improvements to IFRSs

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2010

1. Presentation of accounts and accounting policies continued

For each of the new or amended IFRS and IFRIC interpretations adopted in the period the impact on the financial statements or performance of the Group is described below:

IAS 27 Amendments - Consolidated and Separate Financial Statements

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010. The changes introduced by these Standards have no significant impact on the Group.

Improvements to IFRSs

In April 2009, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments did not have any impact on accounting policies, the financial position or performance of the Group.

Other April 2009 amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 8 Operating Segments: The amendment clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- IAS 36 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.
- IAS 38 (amendment) Intangible Assets. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's financial statements.
- IFRS 2 Share-based Payment
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 17 Leases
- IAS 18 Revenue
- IAS 34 Interim Financial Reporting
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

Standards, amendments and interpretations effective in 2010 but not relevant

The following standards, amendments and interpretations to published standards are effective for accounting periods beginning on or after 1 January 2010 but they are not relevant to the Group's operations:

- Amendments to IFRS 2- Group Cash-settled Share-based Payment Transactions
- IFRS 3 Business Combinations
- IAS 39 Amendments - Eligible Hedged Items
- IFRIC 17 Distributions of Non-Cash Assets to Owners

1. Presentation of accounts and accounting policies continued

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations have been published and are effective after the date of these financial statements or later periods, but the Group has not early adopted them:

IAS 24 Related Party Disclosure

The amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and de-recognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods commencing on or after either 1 July 2010 or 1 January 2011. The amendments listed below, are considered to have a reasonably possible impact on the Group:

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Presentation of Financial Statements
- IAS 27 Consolidated and Separate Financial Statements
- IFRIC 13 Customer Loyalty Programmes

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

Standards, amendments and interpretations that are not yet effective and not relevant for the Group's operations

The following standards, amendments and interpretations to published standards are effective after the date of these financial statements or later period, but they are not relevant to the Group's operations:

- IAS 32 Amendments - Classification of Rights Issues
- IFRIC 14 Amendments - Prepayments of a Minimum Funding Requirement

Basis of accounting

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

Basis of consolidation

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

The subsidiaries are those companies controlled, directly or indirectly, by Lansdowne Oil & Gas plc, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. This control is normally evidenced when Lansdowne Oil & Gas plc owns, either directly or indirectly, more than 50 per cent. of the voting rights or potential voting rights of a company's share capital. Companies acquired during the year are consolidated from the date on which control is transferred to the Group, and subsidiaries to be divested are included up to the date on which control passes from the Group. Inter-company balances, transactions and resulting unrealised income are eliminated in full.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2010

1. Presentation of accounts and accounting policies continued

Joint ventures

The Group participates in several unincorporated Joint Ventures which involve the joint control of assets used in the Group's oil and gas exploration activities. The Group accounts for its proportionate share of assets, liabilities, income and expenditure of Joint Ventures in which the Group holds an interest, classified in the appropriate balance sheet and income statement headings.

Oil and gas intangible exploration/appraisal assets and property, plant & equipment – development/producing assets

All expenditure relating to oil and gas activities is capitalised in accordance with the "successful efforts" method of accounting, as described in the Oil and Gas SORP. The Group's policy for oil and gas assets is also compliant with IFRS 6 "Exploration for and Evaluation of Mineral Resources". Under this standard the Group's exploration and appraisal activities are capitalised as intangible assets and its development and production activities are capitalised as part of the "Property, plant and equipment" asset category.

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

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

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

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

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

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

Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted future net cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Separately recognised goodwill is assessed upon acquisition, and annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

1. Presentation of accounts and accounting policies continued

Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is an indication that the asset may be impaired.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversed in a subsequent period.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Property, plant and equipment – other

Property, plant and equipment is stated at historical cost or deemed cost less accumulated depreciation and any impairment in value. Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of the items of property, plant and equipment. The depreciable amount is the cost less residual value based on prices prevailing at the balance sheet date. The depreciation charge is spread equally over the expected useful economic lives of the assets as follows:

| | |
|-------------------------------|-----------|
| Plant, fixtures and equipment | 4–5 years |
|-------------------------------|-----------|

Expected useful lives and residual values are reviewed each year and adjusted if appropriate.

Profits and losses on disposal of property, plant and equipment are calculated as the difference between the net sales proceeds and the carrying amount of the asset at the date of disposal.

Investments

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

Leases as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases and are charged to the income statement on a straight-line basis over the term of the lease.

Cash and cash equivalents

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

Equity

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

Taxation

Corporation tax is provided on taxable profits at the current rate of taxation.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Temporary differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary difference can be deducted. Deferred tax is measured on a non-discounted basis.

Defined contribution pension schemes

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2010

1. Presentation of accounts and accounting policies continued

Share based payments

The Group incentivises its employees and Directors with access to equity-settled share option schemes, details of which are given in the Directors' Remuneration Report and note 18 of these financial statements.

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

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

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

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

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

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

Revenue and other income

Revenue from operating activities represents the Group's share of oil, gas and condensate production, and is recognised on the basis of the Group's net working interest in the project or joint venture.

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

Foreign currency

The functional currency of the Group is Sterling. The assessment of functional currency has been based on the currency of the economic environment in which the Group operates and in which its revenue and costs arise. These accounts have been presented in Sterling, which is the functional currency of most companies within the Group. The financial statements of overseas subsidiaries and associated undertakings are maintained in their functional currency. Where the functional currency differs from the Group's presentational currency, they are translated into Sterling at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to a cumulative translational reserve.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All exchange gains and losses are taken to the income statement. Gains and losses on trading assets and liabilities are presented within "Operating expenses", and gain and losses on cash and cash equivalents are presented within "Finance income" or "Finance expense".

Financial instruments and risk management

The Group's current and anticipated operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, interest rates and commodity prices. The Board approves the use of financial products to manage the Group's exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Further details of the Group's accounting policy for financial instruments and risk management are given in note 12.

Significant estimations and key assumptions

The Group has used 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 noted below.

1. Presentation of accounts and accounting policies continued

- Going concern (note 1)
- Amortisation
- Impairment testing
- Share based payments (note 18)
- Deferred tax (note 11)

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

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in interest income and interest expense.

2. Segmental reporting

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

The Chief Operating Decision Maker monitors the operating results of its operating segments separately 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.

3. Loss per ordinary share

The loss for the year was wholly from continuing operations.

| | Year ended 31 December (pence per share) | |
|---|---|--------------|
| | 2010 | 2009 |
| Loss per share arising from continuing operations attributable to the equity holders of the Company – basic and diluted | (2.9) | (3.4) |
| The calculations were based on the following information. | | |
| Loss attributable to equity holders of the Company | (£1,139,000) | (£1,190,000) |
| Weighted average number of shares in issue – basic and diluted | 38,930,669 | 34,883,718 |

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two classes of potential ordinary shares; share options and share warrants. As a loss was recorded for both 2010 and 2009 the issue of new shares would have been antidilutive.

4. Goodwill and other intangible assets

| Group | Exploration/ appraisal assets £'000 | Goodwill £'000 | Total £'000 |
|--|--|-------------------|----------------|
| Year ended 31 December 2009 | | | |
| Opening net book amount at 1 January 2009 | 8,244 | 1,421 | 9,665 |
| Additions | 102 | – | 102 |
| Exchange differences | (128) | – | (128) |
| Closing net book amount at 31 December 2009 | 8,218 | 1,421 | 9,639 |
| Year ended 31 December 2010 | | | |
| Opening net book amount at 1 January 2010 | 8,218 | 1,421 | 9,639 |
| Additions | 606 | – | 606 |
| Exchange differences | (51) | – | (51) |
| Closing net book amount at 31 December 2010 | 8,773 | 1,421 | 10,194 |

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2010

4. Goodwill and other intangible assets continued

Oil and gas project expenditures, including geological, geophysical and seismic costs, are accumulated as intangible fixed assets prior to the determination of commercial reserves. At 31 December 2010, intangible fixed assets totalled £8.8 million (2009: £8.2 million), all of which relate to Ireland.

An annual impairment review is carried out in respect of goodwill. The Group commissioned an update of its Competent Person Report which was completed in February 2011. The Directors are satisfied that no impairment adjustment is required.

5. Property, plant and equipment

| Furniture, fittings & equipment | Group £'000 | Company £'000 |
|---------------------------------|----------------|------------------|
| Cost | | |
| At 1 January 2009 | 9 | 3 |
| Exchange differences | (1) | – |
| At 31 December 2009 | 8 | 3 |
| Accumulated depreciation | | |
| At 1 January 2009 | 4 | 1 |
| Charge for the year | 1 | 1 |
| Exchange differences | (1) | – |
| At 31 December 2009 | 4 | 2 |
| Net book amount | | |
| At 31 December 2009 | 4 | 1 |
| Cost | | |
| At 1 January 2010 | 8 | 3 |
| Disposals | (4) | – |
| At 31 December 2010 | 4 | 3 |
| Accumulated depreciation | | |
| At 1 January 2010 | 4 | 2 |
| Charge for the year | 4 | 1 |
| Disposals | (4) | – |
| At 31 December 2010 | 4 | 3 |
| Net book amount | | |
| At 31 December 2010 | – | – |

6. Investments in subsidiaries

Company
£'000

Cost

At 1 January 2009, 31 December 2009 and 31 December 2010 5,432

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

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

Donegal Exploration Limited is the subject of an application for striking off the register.

7. Trade and other receivables

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| Amounts falling due within one year: | | | | |
| Value added tax and other taxes | 12 | 5 | 12 | 5 |
| Prepayments | 10 | 6 | 10 | 6 |
| | 22 | 11 | 22 | 11 |

* All trading balances related to jointly operated assets.

8. Cash and cash equivalents

| | Group | | Company | |
|--------------------------|---------------|---------------|---------------|---------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| Cash at bank and on hand | 26 | 26 | 26 | 24 |
| | 26 | 26 | 26 | 24 |

9. Trade and other payables

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| Amounts falling due within one year: | | | | |
| Trade payables | 471 | 43 | 132 | 37 |
| Amounts due to shareholder (note 25) | 580 | 524 | 360 | 524 |
| Other taxes and social security | 30 | 21 | 30 | 21 |
| Other creditors | 131 | – | 129 | – |
| Accruals | 153 | 198 | 362 | 187 |
| | 1,365 | 786 | 1,013 | 769 |

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2010

10. Borrowings

| | Group | | Company | |
|-------------------------|---------------|---------------|---------------|---------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| Loans from shareholders | 1,391 | 1,770 | 1,391 | 1,770 |
| | 1,391 | 1,770 | 1,391 | 1,770 |

2007 Loan facilities

The Company drew down a total of £1 million during 2008 under Loan agreements dated 29 November 2007 between the Company and K Anderson, and LC Capital Master Fund Limited. Interest was payable at the rate of LIBOR plus one per cent. and was payable at the same time as any outstanding loan balances. The terms of the 2007 Loan Agreements provided for repayment of the loans in full and in cash together with all accrued interest by not later than 12 March 2009 (or such other date as the Company and the Existing Lenders may agree). In February 2009, the Company agreed with each of the existing lenders to extend the terms of the 2007 facilities to 12 March 2010 and subsequently until 13 September 2010.

All amounts due to LC Capital Master Fund Limited under this facility were settled by the issue of shares on 16 December 2010 (note 13). All amounts due to K Anderson under this facility were settled in cash on 22 December 2010.

2009 Loan facilities

In February 2009 the Company entered into a new loan agreement with one of its principal shareholders, LC Capital Master Fund, Ltd ("LC"), pursuant to which LC agreed to provide Lansdowne with a loan facility of up to £0.5 million (the "2009 Facility"). Interest initially accrued at the rate of LIBOR plus 2 per cent. per annum and was due to be paid at the same time as repayment of the loan. Repayment in full, in cash, together with all accrued interest was due to be effected on 12 March 2010 and was subsequently extended until 13 September 2010. By way of security for this Facility the Company granted legal charges in favour of LC over the Company's shareholdings in its wholly owned subsidiaries, Lansdowne Celtic Sea Limited and Milesian Oil & Gas Limited.

The Company drew down this facility in full during 2009 and in addition LC advanced a further £270,000 to the Company ("LC Additional Funding").

Repayment of the 2007 and 2009 facilities was due on 12 March 2010. The Lenders agreed to further extend the repayment date for each of the facilities until 12 April 2010.

In consideration for the extension to the repayment date for the 2009 Facility, the Company agreed:

- (i) to include the LC Additional Funding of £270,000 within the terms of the 2009 Facility; and
- (ii) to grant new security in favour of LC in relation to the LC Additional Funding, such security to be on the same terms, and to rank equally with, the existing security granted by the Company to LC in relation to the 2009 Facility.

The Company agreed with each of Kevin Anderson and LC to extend further the repayment date for the 2007 and 2009 loan facilities until 13 October 2010. Interest on amounts drawn under the facility after this date is payable at the rate of LIBOR plus 4 per cent. per annum.

On 16 December 2010 the Company allotted and issued new ordinary shares in the share capital of the Company to LC at a subscription price of 9 pence per share to satisfy the repayment of £111,715 due by the Company pursuant to the 2009 loan facility (note 13).

LC also agreed to extend the facility to an amount of £1.6 million to provide for repayment of the K Anderson 2007 facility and to provide additional short term working capital.

On 7 March 2011 the Company conditionally agreed to convert part of the amount outstanding in respect of the facility by the issue of 5,131,909 new Ordinary Shares.

The conversion became unconditional following a General Meeting of shareholders on 23 March 2011.

The remainder of the facility, amounting to £248,000 at that date including accrued interest, will remain outstanding and LC Capital has agreed to extend the date of maturity of the LC Capital Loan to 8 July 2011.

10. Borrowings continued

2010 Convertible Loan Facility

On 26 April 2010 the Company entered into a convertible loan agreement with shareholder Thomas Anderson ("Convertible Loan Agreement") for £238,800. Under the terms of the Convertible Loan Agreement, the full amount of the facility was capable of immediate draw down by the Company and was also capable of conversion (together with all accrued interest) into Ordinary Shares at the price of 6 pence per Ordinary Share (the "Conversion Right"), subject to the Company receiving the requisite shareholder authorities (the "Shareholder Authorities") at its 2010 Annual General Meeting ("AGM") and compliance with the AIM Rules.

The Shareholder Authorities were received at the AGM and the Conversion Right became exercisable by Mr Anderson. Following the publication of the Group's 2010 Interim Results Mr Anderson exercised his conversion rights and accordingly the Company allotted and issued 3,980,000 new ordinary shares of 5p each on 6 October 2010 in settlement of the Convertible Loan Agreement.

11. Deferred income tax liabilities

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

The movement on the deferred tax provision is shown below:

| | Group | | Company | |
|-----------------------------------|---------------|---------------|---------------|---------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| At 1 January and 31 December 2010 | 1,421 | 1,421 | – | – |

The unprovided asset for deferred taxation is as follows:

| | Group | | Company | |
|-------------------|---------------|---------------|---------------|---------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| Unrelieved losses | 920 | 701 | 920 | 701 |

12. Financial risk management

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

(a) Market risk

Foreign exchange risk

Although the Group reports in Sterling, elements of its business are conducted in Euros. The current exposure to foreign currency risk is minimal due to the low value of expenses transacted in Euros.

If Sterling had strengthened by 10 per cent. against the Euro with all other variables held constant, post tax loss for the year would have been £47,000 lower mainly as a result of differences of translation of Euro denominated expenditure at higher rates.

If Sterling had weakened by 10 per cent. against the Euro with all other variables held constant, post tax loss for the year would have been £52,000 higher mainly as a result of differences of translation of Euro denominated expenditure at lower rates.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2010

Interest rate risk

The Group's interest rate risk arises from short term borrowings and cash deposits. Short term borrowings are fixed rate in nature. The Board does not consider the use of hedging instruments to be necessary given the relatively small amounts borrowed and the short term of the loans concerned.

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

Price risk

The Group is not exposed to commodity price risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks. The Group's policy is to deposit cash with banks with an 'A' rating or better where possible. 100 per cent. of cash held on deposit at 31 December 2010 was held with such banks.

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

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

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

(c) Liquidity risk

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

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

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

There is no difference between the carrying value and the contractually undiscounted cash flows for financial liabilities.

At 31 December 2010, and 31 December 2009, all trade and other payables were due within one year.

There are no derivative financial instruments held by the Group.

Fair value of non-derivative financial assets and financial liabilities

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

Capital management

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

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

The Group's 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.

13. Share capital and premium

| Group and company | Number of shares (thousands) | Ordinary shares £'000 | Shares to be issued £'000 | Share premium £'000 | Total £'000 |
|----------------------------|------------------------------|-----------------------|---------------------------|---------------------|---------------|
| At 1 January 2009 | 32,711 | 1,636 | 1,150 | 6,123 | 8,909 |
| 3 February 2009 | 2,396 | 120 | (1,150) | 1,030 | – |
| At 31 December 2009 | 35,107 | 1,756 | – | 7,153 | 8,909 |
| 23 April 2010 | 3,520 | 176 | – | 35 | 211 |
| 6 October 2010 | 3,980 | 199 | – | 40 | 239 |
| 16 December 2010 | 11,088 | 554 | – | 444 | 998 |
| At 31 December 2010 | 53,695 | 2,685 | – | 7,672 | 10,357 |

13. Share capital and premium continued

The Shareholders passed a Special Resolution on 23 July 2010 amending the Articles of Association by deleting the amount of Authorised Share Capital and removing the maximum number of Ordinary Shares that may be allotted. All Ordinary Shares have a fair value of 5 pence per share. All issued shares are fully paid.

On 3 February 2009 the Company allotted and issued 2,396,209 new ordinary shares of 5p each as the final deferred consideration in respect of the acquisition of Milesian Oil & Gas Limited.

On 23 April 2010 Thomas Anderson, Non-Executive Director and shareholder, agreed to: (i) subscribe £211,200 for 3,520,000 new ordinary shares in the Company ("Ordinary Shares") at a price of 6 pence per Ordinary Share (the "Initial Subscription"); and (ii) enter into a convertible loan agreement with the Company ("Convertible Loan Agreement") for £238,800. Under the terms of the Convertible Loan Agreement, the full amount of the facility (£238,800) was capable of conversion (together with all accrued interest) into Ordinary Shares at the price of 6 pence per Ordinary Share (the "Conversion Right"), subject to the Company receiving the requisite shareholder authorities (the "Shareholder Authorities") at its 2010 Annual General Meeting ("AGM") and compliance with the AIM Rules.

The Shareholder Authorities were received at the AGM and the Conversion Right became exercisable by Mr Anderson. Following the publication of the Group's 2010 Interim Results Mr Anderson exercised his conversion rights and accordingly the Company allotted and issued 3,980,000 new ordinary shares of 5 pence each on 6 October 2010 in settlement of the Convertible Loan Agreement.

On 16 December 2010 the Company allotted and issued 7,710,890 new ordinary shares in the share capital of the Company to Lampe Conway Capital Master Fund Limited ("LC") at a subscription price of 9 pence per share to satisfy: (i) the repayment in full of £591,009 being the principal and interest due by the Company pursuant to the loan facility provided to the Company by LC on 29 November 2007 ("the 2007 Facility"), and (ii) the repayment of £102,971 due by the Company pursuant to the loan facility provided to the Company by LC on 6 February 2009 ("the 2009 Facility"). The Company also allotted and issued of 3,377,367 new ordinary shares in the capital of the Company to Ramco Hibernia Limited ("RHL") at a subscription price of 9 pence per share, to satisfy the repayment of £304,000 of loan amounts due by the Company pursuant to the loan facility provided to the Company by RHL's parent SeaEnergy PLC ("the RHL Facility").

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

| | 2010 | | 2009 | |
|----------------|-----------------|------|-----------------|------|
| | Pence per share | | Pence per share | |
| | High | Low | High | Low |
| First quarter | 7.97 | 4.88 | 18.50 | 3.25 |
| Second quarter | 6.65 | 3.61 | 8.50 | 6.50 |
| Third quarter | 8.25 | 4.63 | 8.50 | 6.25 |
| Fourth quarter | 14.75 | 9.25 | 7.88 | 5.12 |

14. Other reserves

| Group | Currency translation reserve £'000 |
|------------------------------------|---------------------------------------|
| Balance at 31 December 2008 | 131 |
| Currency translation differences | (46) |
| Balance at 31 December 2009 | 85 |
| Currency translation differences | (15) |
| Balance at 31 December 2010 | 70 |

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2010

15. Accumulated deficit

| | Group £'000 | Company £'000 |
|---------------------------------------|----------------|------------------|
| Year ended 31 December 2009 | | |
| At 1 January 2009 | (2,125) | (4,786) |
| Loss for the financial year | (1,190) | (1,218) |
| Share based payments charge (note 18) | 24 | 24 |
| At 31 December 2009 | (3,291) | (5,980) |
| Year ended 31 December 2010 | | |
| At 1 January 2010 | (3,291) | (5,980) |
| Loss for the financial year | (1,139) | (1,369) |
| Share based payments charge (note 18) | 68 | 68 |
| At 31 December 2010 | (4,362) | (7,281) |

16. Group operating loss

| | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|
| This is stated after charging: | | |
| Operating lease rentals – land and buildings | 23 | 24 |
| Loss on exchange | 30 | 77 |

| | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|
| During the year the Group obtained the following services from the Group auditors at costs detailed below: | | |
| Audit services: | | |
| – fees payable to Group's auditor for the audit of parent Company and consolidated accounts | 26 | 24 |
| – fees payable to the Group's auditor for the audit of Company's subsidiaries pursuant to legislation | 6 | 10 |

17. Employees and directors

| | 2010 Number | 2009 Number |
|---|-----------------------|-----------------------|
| The average number of employees, including Executive Directors, during the year: | | |
| Oil and gas exploration | 2 | 2 |
| | 2010 £'000 | 2009 £'000 |
| Staff costs during the year amounted to: | | |
| Wages and salaries | 488 | 434 |
| Social security costs | 48 | 50 |
| Pension costs (note 22) | 58 | 61 |
| | 594 | 545 |

Remuneration of the Directors is discussed within the Remuneration Report on pages 13 to 15.

2009 includes a credit in respect of the fair value of lapsed share options of £69,000.

18. Share based payments

(a) Share options

The Company has granted options to Directors under an Employee Share Option Scheme. Details of the grants are shown in the Remuneration Report on pages 13 to 15. As at 31 December 2010, the following options were outstanding:

| Option price | 2010 | 2009 | Exercisable at 31 Dec 2010 | Exercisable at 31 Dec 2009 | Remaining contractual life | Remaining contractual life | Normal exercise dates | Target variable | Target |
|--------------|---------|---------|----------------------------|----------------------------|----------------------------|----------------------------|------------------------|-----------------|--------|
| 31.5p | 900,000 | 900,000 | – | – | 7.4 years | 8.4 years | 7/06/2011 to 6/06/2018 | TSR | (1) |
| | 900,000 | 900,000 | – | – | | | | | |

(1) Before these share options can be exercised the Group must meet the performance criterion of being in the top two thirds of the table of growth on Total Shareholder Return ("TSR") of the companies in the FTSE all share index between the grant date and the earliest exercise date.

The number of further options available for grant under the scheme rules is 7,248,698.

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

| Fair value of share options and assumptions | |
|---|-----------|
| Grant date | 6/06/08 |
| Fair value at grant date | 22.8p |
| Share price at grant date | 31.0p |
| Exercise price | 31.5p |
| Expected volatility | 64.78% |
| Expected option life | 3.5 years |
| Risk-free interest rate (based on government bonds) | 4.92% |
| Expected dividend yield | 0% |

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

| | 2010 £'000 | 2009 £'000 |
|--|---------------|---------------|
| Credit for share options granted in 2006 | – | (69) |
| Expense for share options granted in 2008 | 68 | 68 |
| Total expense/(credit) as employee costs in the year | 68 | (1) |

The share based payment reserve movement for 2009 also includes the fair value of the February 2009 Warrants as detailed in note 18 (b) (iii) below.

(b) Warrants

(i) April 2006 Warrants

On 10 April 2006 the Company granted warrants over 312,239 shares (exercisable from 10 April 2006 until 9 April 2011) for services rendered in connection with the brokerage of the Lansdowne IPO. The Company has rebutted the presumption that the fair value of equity-settled transactions with parties other than employees can be measured reliably at the fair value of the services received because there is no active market for brokerage services settled in this manner. Hence, the fair value of the warrant instruments themselves was used as an estimate of the value of the services received. The Company considers that the fair value of the warrant instruments can be reliably estimated using a Black Scholes valuation model. The valuation given by this method for the warrants granted was £136,000. There were no performance conditions attached to the warrants, so they vest immediately. Therefore, the full charge was expensed in 2006. As the services provided were for transaction costs of the share issue, the expense was deducted from the share premium account.

(ii) November 2007 Warrants

Warrants over 3,500,000 ordinary shares were issued to the providers of the Loan Facility at an exercise price of 50 pence. The Company considers that the fair value of the warrant instruments can be reliably estimated using a Black Scholes valuation model. The valuation given by this method for the warrants granted was £175,000. There were no performance conditions attached to the warrants, so they vest immediately.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2010

18. Share based payments continued

Fair value of warrants and assumptions

| | |
|---|-------|
| Fair value at grant date | 5.0p |
| Share price at grant date | 48p |
| Exercise price | 50p |
| Expected volatility | 41.8% |
| Risk-free interest rate (based on government bonds) | 5.25% |
| Expected dividend yield | 0% |

The fair value of the warrants was fully amortised over the initial period of the Loan Facility. The amortisation of £nil (2009: £56,000) for the year ended 31 December 2010 is included in Finance Costs (note 19). The warrants lapsed without being exercised on 31 May 2009.

(iii) February 2009 Warrants

None of the 2007 Warrants had been exercised at 31 December 2008. On 9 February 2009, the Company executed a new warrant instrument, pursuant to which the Company granted warrants to subscribe for up to 1,750,000 new ordinary shares of 5 pence each in the capital of the Company to LC Capital Master Fund Limited ("LC") at an exercise price of 10 pence per share (the "New LC Warrants") in exchange for LC cancelling the same number of 2007 Warrants held by it. The New LC Warrants were exercisable in whole or in part on or prior to 12 March 2010. The fair value of £25,000 was expensed during 2009 and is included in Finance Costs (note 19). The February 2009 warrants lapsed without being exercised.

Fair value of warrants and assumptions

| | |
|---|-------|
| Fair value at grant date | 1.43p |
| Share price at grant date | 7.25p |
| Exercise price | 10p |
| Expected volatility | 104% |
| Risk-free interest rate (based on government bonds) | 1.01% |
| Expected dividend yield | 0% |

19. Finance costs

| | 2010 £'000 | 2009 £'000 |
|------------------------------------|---------------|---------------|
| Loan Interest | 134 | 84 |
| Amortisation of warrants (note 18) | – | 81 |
| Other | 3 | – |
| Finance costs | 137 | 165 |

20. Income tax expense

The total tax charge for the year is £nil (2009: £2,000).

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (28%) (2009: 28%).

The differences are explained below:

| Factors affecting tax charge for period | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| Loss before income tax | (1,139) | (1,188) |
| Loss before income tax multiplied by standard rate of tax 28% (2009: 28%) | (319) | (333) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 152 | 68 |
| Temporary differences | – | 267 |
| Deferred tax not recognised | 245 | – |
| Rate adjustment for deferral tax | 9 | – |
| Income not taxable | (87) | – |
| Total current tax charge | – | 2 |

A number of changes to the UK corporation tax system were announced in the June 2010 and March 2011 budget statements. It is proposed from 1 April 2011 that the standard rate of corporation tax will reduce from 28% to 26%. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014.

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

| | Group | | Company | |
|---|----------------|---------------|----------------|---------------|
| | 2010 £'000 | 2009 £'000 | 2010 £'000 | 2009 £'000 |
| Loss before income tax | (1,139) | (1,188) | (1,369) | (1,218) |
| Adjustments for: | | | | |
| Depreciation of property, plant & equipment (note 5) | 4 | 1 | 1 | 1 |
| Equity settled share-based payment transactions (note 18) | 68 | (1) | 68 | (1) |
| Unrealised foreign exchange gains | 36 | 82 | – | – |
| Operating cash flows before movements in working capital | (1,031) | (1,106) | (1,300) | (1,218) |
| Change in trade and other receivables | (11) | 47 | (11) | 25 |
| Change in trade and other payables | 930 | 220 | 595 | 261 |
| Cash used in operations | (112) | (839) | (716) | (932) |

22. Pension commitments

The Group contributes to a defined contribution pension scheme. The assets of this scheme are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £58,000 (2009: £61,000). Contributions totalling £35,000 (2009: £10,000) were payable to the funds at the year end.

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

Details of the Directors' pension contributions are given in the Remuneration Report on pages 13 to 15.

23. Capital commitments

The Group has no unprovided contractual commitments for capital expenditure.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2010

24. Operating lease commitments – minimum lease payments

| | Land and buildings | |
|-----------------------------------|--------------------|---------------|
| | 2010 £'000 | 2009 £'000 |
| Group and Company | | |
| Future minimum lease payments due | | |
| No later than 1 year | 6 | 6 |

The licence of land and buildings is renewed annually. Rental expenses are disclosed at note 16.

25. Related party transactions

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

Until December 2007, the ultimate controlling party of the Group was SeaEnergy PLC ("SeaEnergy"). Following the issue of new shares to the shareholders of Milesian Oil & Gas Limited in December 2007 SeaEnergy's holding was reduced to 42.6 per cent. and subsequently to 23.03 per cent. It is no longer the controlling party, but retains significant influence. The Company entered into a services agreement with SeaEnergy on 10 April 2006, pursuant to which SeaEnergy undertook to provide the Group with (a) certain management, accounting, IT support, insurance and administrative services required by the Group in connection with its business in consideration of a fee of £10,500 per month and (b) certain commercial and technical services as the Group may require from time to time, such services being charged at an hourly rate of £100 per hour. This agreement can be terminated by SeaEnergy on giving 12 months' notice and by the Company on giving 90 days' notice. The Directors consider the service agreement to be based at fair value on an arm's length basis. As at 31 December 2010 the Group owed SeaEnergy £220,000 (2009: £94,000) under the agreement.

There has been no turnover during the period between the Lansdowne and SeaEnergy Groups. As at 31 December 2010 the Group had other outstanding amounts owed to SeaEnergy PLC of £360,000 (2009: £429,000). Amounts due to SeaEnergy are unsecured. Interest is payable at 4 per cent. plus LIBOR.

On 16 December 2010 the Company allotted and issued 3,377,367 new ordinary shares to Ramco Hibernia Limited, a wholly owned subsidiary of SeaEnergy PLC, at a subscription price of 9 pence per share, to satisfy the repayment of £304,000 of loan amounts due by the Company pursuant to the loan facility provided to the Company by RHL's parent SeaEnergy PLC ("the RHL Facility").

On 23 March 2011 the Company allotted and issued a further 2,659,834 new ordinary shares to Ramco Hibernia Limited, a wholly owned subsidiary of SeaEnergy PLC, pursuant to a Loan Conversion Agreement which converted in full all principal and interest amounts owed to SeaEnergy PLC.

(b) Loans from directors

2007 loan facilities

In December 2007 the Company entered loan agreements with each of Kevin Anderson, father of then Non-Executive Director, Thomas Anderson, and LC Capital Master Fund Limited ("LC") (Mr Anderson and LC being the "Lenders"). S Lampe, a Non-Executive Director of the Company, is a managing member of LC Capital Advisors LLC, a limited liability company organised in the state of Delaware. LC Capital Advisors LLC is the general partner of LC. Each loan agreement was on the same terms, pursuant to which each Lender agreed to provide the Company with a loan facility of up to £500,000 (total facility of up to £1 million). The Company drew down the full amount of the facility in 2008. Interest accrued at the rate of LIBOR plus 1 per cent. per annum and was paid at the same time as repayment of the loan monies.

On 17 December 2010 the Company allotted and issued 6,566,767 new ordinary shares in the share capital of the Company to LC at a subscription price of 9 pence per share to satisfy the repayment in full of £591,009 being the principal and interest due by the Company.

On 22 December 2010 the Company repaid £589,611 being the principal and interest due to Kevin Anderson under the facility provided by him.

2009 loan facility

In February 2009 the Company entered into a new loan agreement with LC Capital Master Fund Limited. Details are given in note 10. In February 2009 the loans were extended to March 2010 and subsequently until 13 September 2010 (note 10).

On 17 December 2010 the Company allotted and issued 1,144,123 new ordinary shares in the share capital of the Company to LC at a subscription price of 9 pence per share to satisfy the repayment of £102,971 due by the Company pursuant to the loan facility.

LC also agreed to extend the 2009 facility to an amount of £1.6 million to provide for repayment of the K Anderson Facility and to provide additional short term working capital. The repayment date was extended until 28 February 2011.

25. Related party transactions continued

On 23 March 2011 the Company allotted and issued a further 5,131,909 new ordinary shares to LC, pursuant to a Loan Conversion Agreement. The balance remaining after this conversion was £248,396 and the repayment date has been further extended until 8 July 2011.

(c) Amounts due by subsidiaries

At 31 December 2010 amounts owed to Lansdowne Oil & Gas plc by its subsidiaries totalled £3.2 million (2009: £3.2 million). These amounts have been provided in full in the parent Company's accounts as there is no immediate prospect of repayment. Amounts due to the parent are unsecured, non-interest bearing and have no fixed repayment terms.

(d) Deferred remuneration

S A R Boldy and E Brown agreed to defer contractual salary and pension payments totalling £62,000 at 31 December 2010. No guarantees were given by the Company and no interest was charged on the outstanding balances. The deferred remuneration was paid following the completion of a Placing of new shares in March 2011.

(e) Compensation of key management personnel

| | 2010 £'000 | 2009 £'000 |
|------------------------------|---------------|---------------|
| Short-term employee benefits | 396 | 409 |
| Post employment benefits | 58 | 61 |
| Share-based payment | 60 | (9) |
| | 454 | 461 |

26. Post balance sheet events

On 7 March 2011 the Company announced that it had conditionally raised £5 million before expenses, by the placing (the "Placing") for cash of 20,000,000 new ordinary shares of £0.05 each ("Ordinary Shares") (the "Placing Shares") at 25 pence per Ordinary Share (the "Issue Price").

Certain of the Company's directors and their connected persons participated in the Placing. Stephen Boldy subscribed for 20,000 Placing Shares and is interested in 52,660 Ordinary Shares. Viscount Torrington subscribed for 100,000 Placing Shares and is interested in 105,880 shares.

In addition, LC Capital Master Fund, Ltd ("LC Capital") subscribed for 2,092,652 Placing Shares in the Placing. Steven Lampe has a non beneficial interest in 23,330,236 Ordinary Shares, representing 28.63 per cent. of the Company's enlarged issued share capital, held by LC Capital and Lampe Conway and Co. LLC. Steven Lampe is a managing member of Lampe Conway and Co. LLC, which is the investment manager of LC Capital.

The Company and its lenders agreed to convert (i) part of the amount outstanding in respect of a loan provided to the Company by LC Capital (the "LC Capital Loan"); and (ii) the full amount of borrowings due by the Company to SeaEnergy PLC, by the issue of 7,791,743 new Ordinary Shares (such shares, together with the Placing Shares, being the "New Ordinary Shares") at the Issue Price (the "Loan Conversion").

The remainder of the LC Capital Loan, amounting to £248,396, including accrued interest, remains outstanding and LC Capital has agreed to extend the date of maturity of the LC Capital Loan to 8 July 2011.

The Placing and Loan Conversion became unconditional after shareholder approval was obtained at a General Meeting of the Company held on 23 March 2011 and Admission to listing of the New Ordinary Shares on AIM was effected on 24 March 2011.

Notice of Annual General Meeting

Notice is hereby given that the 5th Annual General Meeting of the members of Lansdowne Oil & Gas plc ("the Company") will be held at the offices of finnCap, 60 New Broad Street, London EC2M 5JJ, on 14 June 2011 at 12 noon to conduct the following business:

- 1 To receive the Report of the Directors, the financial statement for the period ended 31 December 2010 and the Auditors' Report thereon.
- 2 To consider the re-election of S R Bertram who retires by rotation and being eligible offers himself for re-election as a Director.
- 3 To consider the re-election of S A R Boldy, who retires by rotation and being eligible offers himself for re-election as a Director.
- 4 To consider the re-election of C G Moar who retires by rotation and being eligible offers himself for re-election as a Director.
- 5 To consider the re-election of S G Lampe who retires by rotation and being eligible offers himself for re-election as a Director.
- 6 That Ernst & Young LLP be appointed Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.
- 7 To consider the following Resolution as an Ordinary Resolution:

THAT in accordance with Article 2.9 of the Company's current articles of association ("the Current Articles"), the Directors be and they are hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 ("the Act") to allot relevant securities (as defined in section 560 of the Act), in addition to any existing authorities, up to an aggregate nominal amount equal to £2,406,500 such authority to expire at the conclusion of the next Annual General Meeting of the Company (save that the Company may, before such expiry, make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired).

- 8 To consider the following Resolution as a Special Resolution:

THAT, subject to and conditional upon the passing of Resolution 7 above, in accordance with Article 2.10 of the Current Articles, the Directors be and they are hereby empowered pursuant to and in accordance with section 570 of the Act, in addition to any existing authorities, to allot equity securities (as defined in section 560 of the Act) for cash as if sub-section 561(1) of the Act did not apply to the allotment of such equity securities pursuant to the provision of that Article, provided that this power shall be limited to:

- 8.1 the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record date as the Directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on any such record date, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and

- 8.2 the allotment (otherwise than pursuant to paragraph 8.1 above) to any person or persons of equity securities up to an aggregate nominal amount of £1,020,000;

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

- 9 To consider the following Resolution as a Special Resolution:

THAT, subject to and conditional upon the passing of Resolution 7 above and Resolution 11 below, in accordance with Article 2.10 of the Current Articles, the Directors be and they are hereby empowered pursuant to and in accordance with section 570 of the Act, in addition to any existing authorities, to allot equity securities (as defined in section 560 of the Act) for cash as if sub-section 561(1) of the Act did not apply to the allotment of such equity securities pursuant to the provisions of that Article, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal value of £27,500 to certain of the Company's non-executive Directors pursuant to the exercise of share options granted to them pursuant to the Company's unapproved share option plan at an exercise price of 25 pence per share:

10 To consider the following Resolution as a Special Resolution:

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

- 10.1 the maximum number of ordinary shares hereby authorised to be acquired is 8,150,000 ordinary shares of 5 pence each, being approximately 10 per cent. of the Company's existing issued share capital;
- 10.2 the maximum price which may be paid for such shares is an amount equal to 105 per cent. of the average of the middle market quotations for an ordinary share in the Company derived from the Daily Official List of The London Stock Exchange for the five dealing days immediately preceding the date of purchase, and the minimum price is 5 pence per share being the nominal value thereof, in both cases exclusive of expenses;
- 10.3 the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company; and
- 10.4 the Company may before the expiry of the authority hereby conferred make a contract to purchase its ordinary shares under such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its ordinary shares in pursuance of any such contract.

11 To consider the following Resolution as an Ordinary Resolution:

THAT, the Rules of The Lansdowne Oil & Gas Plc 2006 Non HM Revenue & Customs Approved Company Share Option Plan ("the Plan") adopted by the Company in July 2006 be amended to: (i) permit the Company's non-executive Directors from time to time to be granted options pursuant to the Plan; and (ii) amend the limit on the number of ordinary shares over which options may be granted to bona fide employees of the Company or any of its subsidiaries from the existing limit whereby the aggregate market value of options granted to an employee in any 12 month period cannot exceed 100% of that employee's annual remuneration to an increased limit whereby the aggregate market value of options granted to an employee in any 12 month period cannot exceed 110 per cent. of that employee's annual remuneration.

By order of the Board

C G Moar
Company Secretary
5 Old Bailey
London EC4M 7BA

Notes

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

Only persons entered on the registrar of members of the Company at 6.00pm on 12 June 2011 shall be entitled to attend and vote at the Annual General Meeting or adjourned meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after that time will be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the Annual General Meeting or adjourned meeting.

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

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's registrars, Capita Registrars (CREST participant ID: RA10), not later than 48 hours before the time fixed for the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita is able to retrieve the message by enquiry to CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages and normal system timings and limitations will apply in relation to the input of a CREST Proxy Instruction. It is the responsibility of the Crest member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001.

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