

Lansdowne Oil & Gas plc

Interim Results for the six months to 30 June 2009

Lansdowne Oil & Gas, (“Lansdowne” or “the Company” or “the Group”) is pleased to announce its interim results for the six months to 30 June 2009.

Financial highlights

- Loss after tax for period of £714,000 (6 months to June 2008 loss £483,000).
- Extension of existing loans from shareholders and provision of new loan facility

Operational highlights

- In April 2009 Petronas Star Energy completed the purchase of the Kinsale area gas production assets from Marathon.
- Lansdowne is prioritising the low risk Cretaceous gas opportunities in our portfolio, which have the greatest potential synergy with the Kinsale production facilities
- Following the acquisition of new 2D seismic in 2008, a farm-out campaign commenced at the beginning of the year and is ongoing
- New Licensing Option 09/1 “Lee” awarded 100% to Lansdowne in March 2009 – additional acreage along Jurassic oil play fairway

John Greenall, Chairman of Lansdowne commented,

“The last eighteen months have been an extremely testing time for junior oil and gas companies, with the combined effects of the global recession, credit crunch and collapse in oil and gas prices. I would like to thank our shareholders for their continued support through these turbulent times. The overall business environment is showing some signs of improving and we continue towards our objective of getting wells drilled on our prospects in the Celtic Sea, with the prime focus being upon the low risk Cretaceous gas opportunities. The completion of the acquisition of the gas production infrastructure in the Celtic Sea by Petronas Star Energy is an important development which will, I believe, lead to a new phase of activity. Lansdowne plans to play its part in any opportunities arising from this acquisition or further developments in the Celtic Sea”.

Contacts

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Lansdowne Oil & Gas plc

Chairman's Statement

In April 2009 Petronas Star Energy completed the acquisition of the gas production infrastructure in the Celtic Sea from Marathon Oil. Lansdowne sees this as an important development which will, I believe, lead to a new phase of activity. Petronas Star Energy brings expertise in gas storage operations to Ireland and there is a pressing need for additional gas storage capacity, over and above the existing SW Kinsale facility.

Lansdowne is prioritising the Cretaceous gas opportunities within our portfolio. In addition to seeking partners for the gas satellite prospects (Midleton, Rosscarbery and East Kinsale), re-evaluation of the existing gas discoveries on our acreage, Galley Head and Carrigaline, is underway to reassess the threshold for commercial development.

Following acquisition, processing and interpretation of new 2D seismic data in 2008, discussions with potential farm-in partners have taken place through the first half of the year and are continuing.

In March 2009 a new Licensing Option 09/1 "Lee" was awarded 100% to Lansdowne. This new acreage lies along the northern margin of the Celtic Sea basin and the primary exploration target is for oil in Jurassic aged sandstone reservoirs. The initial work programme will focus upon reprocessing the existing seismic data to improve the imaging.

Financial results

The Group recorded a loss after tax of £714,000 for the first six months of 2009 compared to a loss of £483,000 for the first six months of 2008.

Group operating expenses for the first half of 2009 were £617,000 compared to operating expenses of £470,000 for the first six months of 2008. The increase arose mainly from foreign exchange translation differences and increased professional fees.

Net finance expense was £96,000 for the current period and £10,000 for the prior period. This reflects the interest on loans from shareholders, amortisation of the fair value of warrants and reduced interest income from lower cash balances.

Cash balances at 30 June 2009 were £8,000 (30 June 2008 £1.1 million). The Company made further draw down of £0.5 million under shareholder loan agreements during the period.

Total equity attributable to the equity holders of the Company has decreased from £7.3 million as at 30 June 2008 to £6.2 million as at 30 June 2009. The decrease arises primarily from losses incurred.

Outlook

The last eighteen months have been an extremely testing time for junior oil and gas companies, with the combined effects of the global recession, credit crunch and collapse in oil and gas

prices. I would like to thank our shareholders for their continued support through these turbulent times. The overall business environment is showing some signs of improving and we continue towards our objective of getting wells drilled on our prospects in the Celtic Sea, with the prime focus being upon the low risk Cretaceous gas opportunities.

John Greenall
Chairman

Consolidated Interim Income Statement

	Note	Half-year ended 30 June	
		2009 (unaudited) £'000	2008 (unaudited) £'000
Gross loss		(1)	(3)
Operating expenses		(617)	(470)
Operating loss		(618)	(473)
Finance income		-	10
Finance expense		(96)	(20)
Loss before taxation		(714)	(483)
Taxation		-	-
Loss for the financial period		(714)	(483)
Loss per share			
Basic and diluted	3	(2.06)p	(1.59)p

Consolidated Statement of Comprehensive Income

	Half-year ended 30 June	
	2009	2008
	(unaudited)	(unaudited)
	£'000	£'000
Loss for the period	(714)	(483)
Other comprehensive income net of tax		
Currency translation differences	(60)	28
Total comprehensive income for the period	(774)	(455)

Consolidated Interim Balance Sheet

	Note	30 June 2009 (unaudited) £'000	31 December 2008 (audited) £'000	30 June 2008 (unaudited) £'000
Assets				
Non-current assets				
Goodwill and other intangible assets	4	9,553	9,665	8,930
Property, plant & equipment		4	5	5
		9,557	9,670	8,935
Current assets				
Trade and other receivables		31	58	235
Cash and cash equivalents		8	34	1,104
		39	92	1,339
Liabilities				
Current liabilities				
Trade and other payables		(510)	(482)	(548)
Loans and borrowings	5	(1,500)	(944)	(1,000)
Net current liabilities		(1,971)	(1,334)	(209)
Non-current liabilities				
Deferred income tax liabilities		(1,421)	(1,421)	(1,413)
Net assets		6,165	6,915	7,313
Equity				
Share capital		1,756	1,636	1,636
Shares to be issued	7	-	1,150	1,120
Share premium		7,153	6,123	6,123
Other reserves		71	131	27
Retained earnings – deficit		(2,815)	(2,125)	(1,593)
Total equity		6,165	6,915	7,313

Consolidated Interim Statement of Cash Flows

		Half-year ended 30 June	
		2009	2008
		(unaudited)	(unaudited)
	Note	£'000	£'000
Cash flows from operating activities:			
Continuing operations	6	(555)	(542)
Net finance expense		96	10
Net cash used in operating activities		<u>(459)</u>	<u>(532)</u>
Cash flows from investing activities:			
Interest received		-	4
Acquisition of intangible exploration assets		(67)	(600)
Acquisition of property, plant and equipment		-	(1)
Net cash used in investing activities		<u>(67)</u>	<u>(597)</u>
Cash flows from financing activities:			
Issue of share capital in Company		-	892
Proceeds from borrowings		500	1,000
Net cash from financing activities		<u>500</u>	<u>1,892</u>
Net (decrease)/increase in cash and cash equivalents		(26)	763
Cash and cash equivalents at start of period		34	343
Effect of exchange rate fluctuations on cash held		-	(2)
Cash and cash equivalents at end of period		<u>8</u>	<u>1,104</u>

Consolidated Statement of Changes in Equity

	Share Capital £'000	Shares to be Issued £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
At 1 January 2008	1,487	1,120	5,380	(1)	(1,143)	6,843
Loss for the year	-	-	-	-	(1,049)	(1,049)
Share based payments charge	-	-	-	-	67	67
Issue of new shares – gross consideration	149	30	743	-	-	922
Currency translation differences	-	-	-	132	-	132
At 31 December 2008	1,636	1,150	6,123	131	(2,125)	6,915
At 1 January 2009	1,636	1,150	6,123	131	(2,125)	6,915
Loss for the period	-	-	-	-	(714)	(714)
Share based payments charge	-	-	-	-	24	24
Currency translation differences	-	-	-	(60)	-	(60)
Issue of new shares	120	(1,150)	1,030	-	-	-
At 30 June 2009	1,756	-	7,153	71	(2,815)	6,165
At 1 January 2008	1,487	1,120	5,380	(1)	(1,143)	6,843
Loss for the period	-	-	-	-	(483)	(483)
Share based payments charge	-	-	-	-	33	33
Currency translation differences	-	-	-	28	-	28
21 May 2008 – Placing of new shares	149	-	743	-	-	892
At 30 June 2008	1,636	1,120	6,123	27	(1,593)	7,313

Notes to the Interim Statement

1. Basis of Presentation

Accounting Policies

The interim financial information for the six months ended 30 June 2009 has been prepared on the basis of the accounting policies which will be adopted in the 2009 Annual Report and Accounts, and IAS 34, “Interim Financial Reporting”.

IAS 1 (revised), “Presentation of financial statements is a mandatory statement which has been applied for the first time. The revised standard requires “non-owner” changes in equity to be shown in a Statement of Comprehensive Income. The Company has chosen to present two statements, the Income Statement and the Statement of Comprehensive Income. The interim financial statements have been prepared under the revised disclosure requirements.

The interim financial information does not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. The results for the six months to 30 June 2009 and the comparative results for six months to 30 June 2008 are unaudited. The comparative figures for the year ended 31 December 2008 do not constitute the statutory financial statements for that year. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with IFRSs as adopted by the European Union. Those financial statements have been delivered to the Registrar of Companies and include the auditor's report which was unqualified and did not contain a statement either under Section 237(2) or Section 237(3) of the Companies Act 1985. It did, however, contain an emphasis of matter over the going concern basis of preparation for the Group. Therefore, this interim statement should be read with due regard to the uncertainties described within note 1 of the financial statements for the year ended 31 December 2008.

Going Concern

This interim financial information has 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 balance sheet, as at 30 June 2009, shows net current liabilities of £2.0 million. However, the Directors consider that it is appropriate to adopt a going concern assumption in preparing this financial information for the following reasons:

- The repayment date for loan facilities, totalling £1.0 million provided by major shareholders has been extended from March 2009 to March 2010 (or such other date as the Company and the lenders may agree).
- A further new loan facility of £0.5 million, expiring March 2010 (or such later date as the Company and the lender may agree) has been provided by LC Capital Master Fund Limited, a significant shareholder.
- The three principal shareholders have undertaken to provide or procure sufficient funds as and where necessary to allow the Company to continue operations and pay its liabilities as they fall due until at least June 2010.
- Updated Competent Person's Report published showing enhanced resources.
- A number of potential partners are in discussions with a view to entering into farm-in arrangements to fund future exploration activities.
- Permission was granted at the AGM for authority to issue up to 10% of the existing share capital, on a non pre-emptive basis.

If for any reason the uncertainties described above cannot be successfully resolved, the going concern basis may no longer be applicable and adjustments to the Group profit and loss account and Group balance sheet would be required to record additional liabilities and write down assets to their recoverable amounts.

2. Segmental Reporting

The Group has only one reportable business segment, which is the exploration for oil and gas reserves in Ireland. All operations are classified as continuing.

3. Loss per Share

The loss for the period was wholly from continuing operations.

	Half year ended 30 June (pence per share)	
	2008	2007
Loss per share for loss from continuing operations attributable to the equity holders of the Company - basic and diluted	(2.06)	(1.59)

The calculations were based on the following information.

	£'000	£'000
Loss attributable to equity holders of the Company	(714)	(483)
Weighted average number of shares in issue - basic and diluted	34,656,870	30,390,633

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 dilutive potential ordinary shares; share options and share warrants. As a loss was recorded for both periods the issue of new shares would have been anti-dilutive.

4. Goodwill and Other Intangible Assets

	Other Intangible Assets £'000	Goodwill £'000	Total £'000
Six months ended 30 June 2008			
Opening net book amount at 1 January 2008	6,699	1,413	8,112
Additions	818	-	818
Closing net book amount at 30 June 2008	7,517	1,413	8,930
Year ended 31 December 2008			
Opening net book amount at 1 January 2008	6,699	1,413	8,112
Acquisition of subsidiary (note 7)	30	8	38
Additions	1,515	-	1,515
Closing net book amount at 31 December 2008	8,244	1,421	9,665
Six months ended 30 June 2009			
Opening net book amount at 1 January 2009	8,244	1,421	9,665
Additions	67	-	67

Exchange differences	(179)	-	(179)
Closing net book amount at 30 June 2009	8,132	1,421	9,553

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 30 June 2009, intangible fixed assets totalled £8.1 million (30 June 2008 £7.5 million), all of which relate to Ireland.

5. Loan Facilities

2007 Loan facilities

The Company drew down a total of £1 million during the financial year 2008 under Loan agreements dated 29 November 2007 between the Company and K Anderson, and LC Capital Master Fund Limited. Interest is payable at the rate of LIBOR plus one per cent. and is 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 (or such other date as the Company and the Existing Lenders may agree, but not earlier than the repayment date for the New Facility described below). Repayment of the 2007 facilities shall be subordinated to repayment of the new facility. The terms of the 2007 facilities remain the same in all other respects.

New facility

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 “New Facility”). Interest shall accrue at the rate of LIBOR plus one per cent. per annum and shall be paid at the same time as repayment of the loan. Repayment in full, in cash, together with all accrued interest shall be effected on 12 March 2010 (or such later date as the Company and LC may agree).

By way of security for the New Facility the Company has 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.

6. Reconciliation of Loss for the Period to Net Cash Used in Operating Activities

	Six months ended 30 June	
	2009	2008
	£’000	£’000
Loss for period	(714)	(483)
Adjustments for:		
Depreciation of property, plant and equipment	1	1
Equity settled share-based payment transactions	24	33
Unrealised foreign exchange losses	119	27
Operating cash flows before movements in working capital	(570)	(422)

Change in trade and other receivables	27	(13)
Change in trade and other payables	(12)	(107)
Net cash used in operating activities	(555)	(542)

7. Business Combination

Milesian Oil & Gas Limited

On 29 November 2007 the Group acquired the entire issued share capital of Milesian Oil & Gas Limited for a consideration of £5.4 million. Acquisition accounting was used. In February 2009 the fair value of the assets acquired was finalised.

Details of net assets acquired and goodwill are as follows:

	Initial Fair Value Accounting £,000	Adjustment To Deferred Consideration £,000	Final Fair Value £'000
Purchase consideration:			
Shares issued	4,282	-	4,282
Deferred consideration (shares to be issued)	1,120	30	1,150
Total purchase consideration	<u>5,402</u>	<u>30</u>	<u>5,432</u>
Fair value of assets acquired	<u>3,989</u>	<u>22</u>	<u>4,011</u>
Goodwill (note 4)	<u>1,413</u>	<u>8</u>	<u>1,421</u>

The assets and liabilities acquired are set out below:

	Book value £'000	Initial Fair value accounting £'000	Adjustment To Deferred Consideration £,000	Final Fair Value £'000
Intangible assets	340	5,046	30	5,416
Property, plant and equipment	5	-	-	5
Cash	16	-	-	16
Trade and other payables	(5)	-	-	(5)
Deferred income tax liabilities	-	(1,413)	(8)	(1,421)
	<u>356</u>	<u>3,633</u>	<u>22</u>	<u>4,011</u>

The goodwill is attributable to the deferred taxation arising on the difference between the fair values attributed to the net assets acquired and the taxation base of the net assets acquired.

The fair value of the shares issued was based on the published share price (28 November 2007).

Two elements of deferred consideration were payable as follows:

(i) £1.1 million relating to 2,333,419 ordinary shares to be issued in the event of provision of an updated Independent Technical Report which shows that there are at least 63 MMBOE best case potentially recoverable prospective resources from the area covered by Standard Exploration Licence 5/08 (the successor authorisation to licensing option 05/2).

(ii) a further 62,790 ordinary shares for every additional 1 MMBOE best case potentially recoverable prospective resources from the area covered by Standard Exploration Licence 5/08

(over the 63 MMBOE referred to above) reported in the updated report, up to a maximum of 5,776,680 ordinary shares.

The Directors believed that it was probable that the first element of deferred consideration would be payable and as the fair value can be measured reliably, included this element in the total purchase consideration. The Directors did not believe that the second element was probable and were not able to reliably estimate this element of consideration. It was therefore initially excluded from the total purchase consideration.

The Independent Technical Report was completed in February 2009. This confirmed that there were 64.4 MMBOE best case potentially recoverable prospective resources in the relevant area. Total deferred consideration payable was therefore 2,396,209 ordinary shares. Of this amount 2,333,419 had been provided in the 2007 Financial Statements as shares to be issued. The balance of 62,790 shares has been treated as an adjusting post balance sheet event and was included in shares to be issued at 31 December 2008. The adjustment to deferred consideration was allocated to intangible assets and deferred tax was provided accordingly.

On 3 February 2009 2,396,209 new shares were issued in satisfaction of the deferred consideration.

8. Related Party Transactions

(a) Transactions with Ramco Energy plc

Until December 2007, the ultimate controlling party of the Group was Ramco Energy plc ("Ramco"). Following the issue of new shares to the shareholders of Milesian Oil & Gas Limited in December 2007 Ramco's holding was reduced to 42.6 %, and subsequently to 36.3%. It is no longer the controlling party, but retains significant influence. The Company entered into a services agreement with Ramco on 10 April 2006, pursuant to which Ramco undertook to provide the Company with (a) certain management, accounting, IT support, insurance and administrative services required by the Company in connection with its business in consideration of a fee of £10,500 per month and (b) certain commercial and technical services as the Company may require from time to time, such services being charged at an hourly rate of £100 per hour. This agreement can be terminated by Ramco 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 30 June 2009 the Group owed Ramco £31,500 (30 June 2008: £Nil).

There has been no turnover during the period between the Lansdowne and Ramco Groups. As at 30 June 2009 the Group had historical outstanding amounts owed to Ramco Energy plc of £272,000 (30 June 2008: £155,000). Amounts due to Ramco are unsecured and non-interest bearing and have no fixed repayment terms.

(b) Loans from Directors

In December 2007 the Company entered loan agreements with each of Kevin Anderson, father of 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 is on the same terms, pursuant to which each Lender has 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 two instalments in March and May

2008. Interest shall accrue at the rate of LIBOR plus one per cent. per annum and shall be paid at the same time as repayment of any outstanding loan monies. Repayment in full and in cash together with all accrued interest shall be effected on the date 364 days after the date of first drawdown (or such other date as the Company and the Lenders may agree). In February 2009 the loans were extended to March 2010.

In February 2009 the Company entered into a new loan agreement with LC Capital Master Fund, Ltd (“LC”), pursuant to which LC has agreed to provide Lansdowne with a loan facility of up to £0.5 million (the “New Facility”). Interest shall accrue at the rate of LIBOR plus one per cent. per annum and shall be paid at the same time as repayment of the loan. Repayment in full, in cash, together with all accrued interest shall be effected on 12 March 2010 (or such later date as the Company and LC may agree). By way of security for the New Facility the Company has 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.

9. Copies of the Interim Report

Copies of the interim report can be obtained from the Company Secretary, Lansdowne Oil & Gas plc, Britannia House, Endeavour Drive, Arnhall Business Park, Westhill, Aberdeenshire AB32 6UF and from the Company's website www.lansdowneoilandgas.com.