Lansdowne Oil & Gas plc

Preliminary Results for the year ended 31 December 2006

Chairman's Statement

Strategy

Lansdowne Oil & Gas plc 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), relatively low cost opportunities and these factors, combined with the current good fiscal terms, have the potential to deliver high value reserves.

Summary of key events

In January 2006, the Company acquired the entire issued share capital of Ramco Donegal Limited from Ramco Eastern Europe Limited, a fellow subsidiary of Ramco Energy plc, the Company's parent. The purchase consideration was satisfied by the issue of 5,713,043 ordinary shares in the share capital of the Company. Ramco Donegal Limited subsequently changed its name to Donegal Exploration Limited.

In February 2006, the Company raised £750,000 from institutional investors to finance completion of the work programmes on its existing assets and to build Lansdowne's prospect inventory. The Company also acquired interests in the East Kinsale, Midleton, Rosscarbery and Seven Heads Oil Licensing options (the Celtic Sea Licensing options) from Ramco Oil and Gas Limited, a fellow subsidiary of Ramco Energy plc. The purchase consideration was satisfied by the issue of 12,286,957 ordinary shares.

The interests which the Company acquired were 100 per cent of the Midleton and East Kinsale licensing options, 77 per cent of the Rosscarbery Licensing option and 74 per cent of the Seven Heads Oil licensing Option. Under a farm-in agreement Island Oil and Gas plc ("Island"), act as technical manager in respect of the Seven Heads Oil Licensing Option and fund the Company's share of the work programme. In return, Island has the option to farm-in to 60 per cent of the Company's interest in any successor authorisations covering all or part of the same area. In order to exercise this option, Island is required to fully fund the Company's share of drilling and testing an appraisal well on the Seven Heads Oil prospect. If the Island option is exercised, the Company's interest in Seven Heads Oil would reduce from 74 per cent to 29.6 per cent.

On 21 April 2006, the issued share capital of the Company was admitted to trading on the AIM Market in conjunction with a placing of 1,882,353 shares at an issue price of 85p per share, which raised £1.6 million before expenses.

The Company participated in the Inishbeg exploration well which was drilled in August 2006. This frontier exploration well, operated by Lundin Exploration B.V. (a subsidiary of Lundin Petroleum), was located offshore Ireland in Block 13/12 off the northwest coast of County Donegal. It was designed to target a large but shallow Triassic gas prospect. Under the terms of a farm-out agreement, the Company was carried through all the costs associated with the drilling and testing of the well by two of its partners in the licence. The well was plugged and abandoned in August 2006. Although the Company considered that the negative results of the 13/12-1 well did not give sufficient confidence in the prospectivity remaining to allow a commitment to be given to drilling a second well, they did indicate the possibility that there could be a viable hydrocarbon play on the acreage.

The Company has therefore requested an extension of the first phase of the frontier exploration licence for a further 18 months to allow additional technical work to be carried out, in advance of a decision on whether to drill a further well. A response to that request is awaited.

Chairman's Statement (continued)

During the financial year, the Company successfully completed the work programmes associated with the Celtic Sea licensing options by reprocessing existing 2D seismic data, acquiring and integrating further 2D seismic data, conducting geophysical processing studies, reservoir development studies, reservoir engineering studies and conceptual development studies. Comprehensive reports detailing the findings were presented to the Department of Communications, Marine and Natural Resources of the Irish Government.

In December 2006, the Company filed applications for Standard Exploration Licences over parts of the areas held under the Midleton, Rosscarbery and East Kinsale Licensing Options. In addition, an application has been filed to convert the Seven Heads Oil Licensing Option to a Lease Undertaking, to allow the Company and its partners to continue to evaluate development options.

However, during the financial year, the Irish Government announced a review of Licensing and Fiscal terms applicable to the exploration and production of hydrocarbons. It is possible that the existing terms will change as a result of this review and the Company has been informed that any new licences granted are likely to fall under the new regime. Accordingly, the applications submitted are all conditional on the new fiscal terms being acceptable to the applicants.

Outlook

In August 2006, Island announced that its 49/23-1 Celtic Sea exploration well on the Old Head prospect had successfully discovered gas. Following further technical review of results, Island announced in March 2007 a P50 reserve estimate of 55bcf. Island further announced this month that an appraisal well is expected to commence in May 2007, the results of which will have a bearing on our contiguous interest in the East Kinsale area.

Following completion of the additional technical work in 2006, we asked RPS Scott Pickford to review all of our Celtic Sea projects in the light of the substantial increase in costs related to exploration and development of oil and gas projects. I am pleased to say that their conclusion was that all the projects outlined in our AIM Admission document remained robust based on the same price assumptions, which were $35 per bbl for oil and a 30p per therm gas price, and the current fiscal terms.

Judging from the number of discussions we have had with potential farm-in partners, it is clear that there is much industry interest in the Celtic Sea. A number of companies continue to consider their involvement in our acreage and a response to our Licence applications, which we expect to receive in the near future, will allow us to progress this issue. With regard to the review of fiscal terms, we expect that any amendments will be announced in the next couple of months.

Clarification of these issues would enable us to plan the next stage in the Company's development.

John Greenall
Chairman

Lansdowne Oil & Gas plc
Consolidated Profit and Loss Account
For the year ended 31 December 2006

	Note	Year to 31 December 2006 £'000
Cost of sales		**(10)**
Gross loss		**(10)**
Administrative expenses		**(409)**
Loss on exchange		**(25)**
Operating loss		**(444)**
Interest receivable		**43**
Loss on ordinary activities before taxation		**(401)**
Tax charge on loss on ordinary activities		**-**
Loss for the financial year	7	**(401)**
Loss per ordinary share - basic and fully diluted		
On loss for the financial year	3	**(2.2p)**

All activities relate to continuing operations. There is no material difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents.

There are no recognised gains or losses other than the Group loss for the period and, therefore, no Statement of Total Recognised Gains and Losses has been presented.

This is the first period in which the Group has presented its financial statements. Consequently, there are no corresponding amounts for earlier periods.

Lansdowne Oil & Gas plc
Consolidated Balance Sheet
As at 31 December 2006

	Note	31 December 2006 £'000
Fixed assets		
Intangible assets	4	**1,645**
Current Assets		
Debtors: amounts falling due within one year		**102**
Cash at bank and in hand		**968**
		1,070
Creditors: amounts falling due within one year		**(215)**
Net current assets		**855**
Net assets		**2,500**
Capital and reserves		
Called up share capital	6	**1,041**
Share premium account	7	**1,712**
Profit and loss account	7	**(253)**
Equity shareholders' funds	8	**2,500**

Lansdowne Oil & Gas plc
Consolidated Statement of Cash Flows
For the year ended 31 December 2006

	Year to 31 December 2006 £'000
Operating activities	
Loss for the period	**(401)**
Adjustments for:	
Net finance income	**(43)**
Equity settled share-based payment transactions	**12**
Change in debtors	**(23)**
Change in prepayments	**(17)**
Change in creditors	**81**
	(391)
Interest paid	**-**
Income tax paid	**-**
Net cash outflow from operating activities	**(391)**
Returns on investments and servicing of finance	
Interest received	**18**
Cash inflow from returns on investments and servicing of finance	**18**
Capital expenditure and financial investments	
Oil and gas expenditure - intangible assets	**(398)**
Cash outflow for capital expenditure and financial investments	**(398)**
Acquisitions and disposals	
Acquisition of subsidiary	**-**
Cash flow from acquisition	**-**
Financing	
Proceeds from issue of share capital	**2,350**
Payment of transaction costs	**(611)**
Net cash inflow from financing activities	**1,739**
Net increase in cash	**968**
Cash at 1 January 2006	**-**
Cash at 31 December 2006	**968**

Lansdowne Oil & Gas plc
Notes to the Financial Statements
For the year ended 31 December 2006

1. *Basis of presentation*

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. Particular attention is drawn to two areas of uncertainty as to whether or not the Group can be considered a going concern.

The first area of uncertainty is whether the Irish Government will renew the Group exploration licences, which expired in December 2006. In addition, as the Irish fiscal policy in respect of licences is currently being reviewed there is uncertainty regarding whether the terms of any such renewal will be agreeable to management. If the terms are unfavourable the Group will not renew the licences and therefore they have no potential source of future funding or revenue.

The second area of uncertainty surrounds the future funding of the Group's activities, should the licences be granted. The Directors have prepared cash flow forecasts for the Group for the period ending 12 months from the date of approval of these financial statements. These indicate that the Group will have adequate cash resources to meet its obligations as they fall due but do not include any expenditure in relation to the exploration licences. Therefore, on the assumption that the Group is awarded the licences, all work programme obligations would have to be financed either by a farm-out arrangement or from an issue of new shares or both. No sources of funding have yet been agreed due to the above issues surrounding the granting of the licences and as a result this represents a further uncertainty.

The Directors consider that it is appropriate to adopt a going concern assumption in preparing these financial statements as;

> they believe that there is no reason to suggest that the licences will not be granted or that the new licensing and fiscal terms will be unfavourable, and
>
> a number of potential partners have expressed an interest in entering into a farm-in arrangement to fund future exploration activities.

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.

The financial information set out in these financial statements does not constitute the Company's statutory accounts for the year ended 31 December 2006. The 2006 statutory accounts have not yet been delivered to the Registrar, nor have the auditors yet reported on them.

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Notes to the Financial Statements (continued)

For the year ended 31 December 2006

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 ordinary share

The basic loss per share of 2.2p was calculated on the loss for the financial year of £401,000 and 18,400,167 ordinary shares, being the weighted average number of ordinary shares in issue during the year. The loss for the year was wholly from continuing operations.

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. In July 2006 share options over 200,000 ordinary shares were granted at an exercise price of 85p. These share options are not exercisable until July 2009 and are, therefore, not potential ordinary shares for the current period. In April 2006 warrants over 312,239 ordinary shares were issued to the Group's brokers at an exercise price of 85p. Warrants are only considered dilutive if their exercise price is below the average market price of the shares for the period. On that basis the warrants are not considered dilutive for the current period.

4. Intangible Fixed Assets

	Exploration costs 2006 £'000
At 1 January 2006	
Acquisition (note 5)	**474**
Additions	**386**
Transfers from Ramco Group at fair value (note 6)	**785**
At 31 December 2006	**1,645**

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 2006, intangible fixed assets totalled £1.6 million, all of which relate to Ireland.

Notes to the Financial Statements (continued)

For the year ended 31 December 2006

5. Acquisitions

Acquisition accounting was used for the acquisitions made in the period, in which there was no purchased goodwill.

(a) Donegal Exploration Limited

On 5 January 2006 the Group acquired the entire issued share capital of Ramco Donegal Limited for an all-share consideration of £365,000, which was satisfied by the issue of 5,713,043 ordinary shares. On 18 January 2006, Ramco Donegal Limited changed its name to Donegal Exploration Limited.

The assets and liabilities acquired are set out below:

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Intangible fixed assets	**64**	**410**	**474**
Debtors	**18**	**-**	**18**
Creditors	**(127)**	**-**	**(127)**
	(45)	**410**	**365**
Satisfied by :			
Ordinary shares of Lansdowne Oil & Gas plc			**365**

The fair value adjustment is based on past costs incurred on the Donegal Basin licence (blocks 13/7, part of 13/11 (NE) and 13/12 (N)). The original licence was first acquired by Ramco Oil and Gas Limited (“ROGL”) on 1 March 2000. This licence was allowed to lapse on 28 February 2002 and costs incurred to date were written off. Ramco Donegal Limited (“RDL”) successfully applied for a new licence on the same acreage in January 2005. Costs incurred during 2005 were capitalised into ROGL and then transferred into RDL when the new licence was approved. The book value on acquisition plus the fair value uplift represents the full past costs incurred on the licence at the date of acquisition.

(b) Lansdowne Celtic Sea Limited

On 5 January 2006 the Group acquired the entire issued share capital of Lansdowne Celtic Sea Limited from a subsidiary of Ramco Energy plc for £100. The net assets acquired were £1.

(c) Celtic Sea assets

On 13 February 2006 the Company issued 12,286,957 ordinary shares to satisfy the £785,000 consideration for the acquisition by Lansdowne Celtic Sea Limited of certain assets and Ramco's interests in the East Kinsale, Midleton, Rosscarbery and Seven Heads Oil Licensing Options.

The contribution to the Group loss of £401,000 for the period was £45,000 by Donegal Exploration Limited and £40,000 by Lansdowne Celtic Sea Limited.

Notes to the Financial Statements (continued)
For the year ended 31 December 2006

6. Share Capital

	2006 £'000
Authorised:	
50,000,000 ordinary shares of 5p each	**2,500**
Allotted, called up and fully paid:	
20,815,953 ordinary shares of 5p each	**1,041**

The share capital comprises the following;

	£'000
Acquisition of Donegal Exploration Limited	**286**
Acquisition of assets from Ramco Oil and Gas Limited	**614**
Initial Public Offering	**141**
Total share capital	**1,041**

At 31 December 2005 the Company had allotted and issued two shares of 5p each; one each to its joint owners Ramco Oil and Gas Limited (ROGL) and Ramco Eastern Europe Limited (REEL).

On 5 January 2006 the Company allotted and issued 5,713,043 ordinary shares of 5p each to REEL to satisfy the £365,000 consideration for the entire issued share capital of RDL. On 18 January 2006, Ramco Donegal Limited changed its name to Donegal Exploration Limited.

On 13 February 2006 the Company allotted and issued 12,286,957 ordinary shares of 5p each to ROGL to satisfy the £785,000 consideration for the acquisition by Lansdowne Celtic Sea Limited, a wholly owned subsidiary of the Company, of certain assets and ROGL's interests in the East Kinsale, Midleton, Rosscarbery and Seven Heads Oil Licensing Options. The consideration reflected the fair value of the assets transferred, based on past costs incurred.

On 1 February 2006, the Company converted 6,000,000 authorised ordinary shares of 5p each into 1,200,000 preference shares of 25p each. On 16 February 2006, the Company obtained approximately £750,000 of funding from the issue of 900,267 preference shares to institutional investors. As part of the Initial Public Offering ("IPO") on 21 April 2006 these preference shares were converted to 933,598 ordinary shares of 5p each. A further 1,882,353 ordinary shares of 5p each were allotted and issued during the IPO, raising £1,600,000 before cash expenses of £611,000 and the share warrant expense of £136,000.

On 15 March 2007 ROGL and REEL transferred their shareholdings in the Company to Ramco Hibernia Limited (RHL) at a fair value consideration of 59.5p per share. RHL is a wholly owned subsidiary of Ramco Energy plc and is now the holder of 17,953,308 ordinary shares of 5p each, representing 86.25 percent of the issued share capital of the Company. The ultimate ownership of these shares remained unchanged by this transaction.

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.

	2006 Pence per share High	 Low
Second quarter	**106.0**	**70.0**
Third quarter	**82.5**	**59.5**
Fourth quarter	**63.5**	**60.0**

Notes to the Financial Statements (continued)

For the year ended 31 December 2006

7. Reserves

	Share Premium account £'000	Profit & loss account £'000
At 1 January 2006		
Loss for the financial year	**-**	**(401)**
Share based payments charge	**-**	**148**
Issues of new shares – gross consideration	**2,459**	**-**
Costs of issue	**(747)**	**-**
At 31 December 2006	**1,712**	**(253)**

It is Group policy to provide for amounts owed to the Company by subsidiaries if the subsidiary has net liabilities. At 31 December 2006 the amounts owed to the Company from its subsidiaries were £108,000 from Donegal Exploration Limited and £1,186,000 from Lansdowne Celtic Sea Limited. Both subsidiaries have net liabilities. Consequently, the loss for the financial year for the Company included a provision expense in this regard for £1,294,000.

8. Movement in Shareholders' Funds

	2006 £'000
Loss for the financial year	**(401)**
Issue of ordinary share capital	**2,753**
Share based payments charge	**148**
Net change in shareholders' funds	**2,500**
Shareholders' funds at 1 January 2006	**-**
Shareholders' funds at 31 December 2006	**2,500**

9. Post Balance Sheet Events

On 15 March 2007 Ramco Oil and Gas Limited (ROGL) and Ramco Eastern Europe Limited (REEL) transferred their shareholdings in the Company to Ramco Hibernia Limited (RHL) at a fair value consideration of 59.5p per share. RHL is a wholly owned subsidiary of Ramco Energy plc and is now the holder of 17,953,308 ordinary shares of 5p each, representing 86.25 percent of the issued share capital of the Company. The ultimate ownership of these shares remained unchanged by this transaction.

10. Accounts

Copies of the annual accounts for the year ended 31 December 2006 will be sent to shareholders shortly and will be available from the Company's office at Britannia House, Endeavour Drive, Arnhall Business Park, Westhill, Aberdeenshire.