

9 December 2011

Lochard Energy Group Plc

Re: Athena Project: FPSO and Installation Update

Lochard Energy Group Plc ("**Lochard**" or the "**Company**") (AIM: LHD, ASX: LHD) notes the announcement made on 9 December 2011 by Ithaca Energy Inc relating to the Athena project. Lochard has a net 10% interest in this field through its 100% ownership of Zeus Petroleum Limited.

"December 9, 2011

Ithaca Energy Inc.

Athena Project: FPSO and Installation Update

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Ithaca Energy Inc. (TSX:IAE)(AIM:IAE) announces progress on the BW Athena Floating Production, Storage and Offloading (FPSO) vessel.

The FPSO conversion scope, which is the responsibility of BW Offshore, has proved to be more extensive than was envisaged at the start of the project. In spite of the increase in the amount of work required, BW Offshore and Dubai Dry Docks have completed a fast track engineering project to deliver the vessel very close to the original schedule.

After very recent consultation on health and safety requirements, additional redundancy is being introduced in the vessel power and heading control systems in response to the North Sea incident in 2011 when the Gryphon FPSO suffered a mooring system failure. The additional work now being undertaken is aimed at ensuring that production startup is not delayed once the vessel has arrived at the Athena field.

Payments for the vessel by the Athena Joint Venture remain unchanged and will commence, by way of a day rate to BW Offshore, only once the FPSO is moored over the Athena field and produced oil is transferred into the vessel's storage tanks. Once the vessel leaves Dubai, it will sail to the North Sea and hook up to the pre-installed production buoy. In-field commissioning will be minimized by the comprehensive dockside commissioning being undertaken in Dubai. The journey to the UK and in-field pre-startup works will take approximately 5 weeks.

Accordingly, the FPSO will remain in Dubai docks to complete all commissioning work and some minor modifications to the vessel power and heading control systems. It is now anticipated that the vessel will sail from Dubai in early 2012.

The installation of subsea equipment at the Athena field location has progressed well and remains within schedule. The submerged buoy mooring system and all flowlines have been laid and connection is in progress. Installation of the power and control umbilicals and the connection of flexible risers to the riser base and submerged buoy is ongoing and will be complete well before the FPSO arrives in the field.

Meanwhile, all Athena development wells are now ready for production and the Sedco 704 drilling unit is off contract.

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Iain McKendrick, CEO, commented:

"This short term delay is clearly disappointing but it does not change the fundamental value of the project. Athena is a highly valuable development that will more than double net production and further diversify the Company's production portfolio. Both Ithaca and BW Offshore want to ensure and maintain the highest standards of vessel integrity upon arrival in the field to maximize production uptime and value to the project."

Joint Venture partners in the Athena field are: Ithaca, operator (22.5%), Dyas UK Limited (47.5%), EWE Aktiengesellschaft (20%) and Zeus Petroleum Limited (10%)."

– Ends –

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