

21 July 2008

**MEDITERRANEAN OIL & GAS PLC**  
**(the “Company” or “MOG”)**

**Malta Area 4 – Production Sharing Contract Signed**

The Board of Mediterranean Oil & Gas Plc (AIM: MOG) is pleased to announce that on 18 July 2008 its wholly owned subsidiary, Malta Oil Pty Ltd, signed a Production Sharing Contract (“PSC”) as Contractor and operator with the Government of Malta to drill a well on Area 4, Blocks 4,5,6 and 7 offshore Malta (“PSC Area”).

MOG exercised its right to enter into the PSC with the Maltese Government following a very encouraging geological and geophysical assessment of the PSC Area undertaken by the Company and its consultants during the 36 month Exploration Study Agreement (ESA) phase. The exploration study concluded that the PSC Area covers a number of structures with total most likely case prospective recoverable oil resources of 1.475 billion barrels of oil.

**Production Sharing Contract**

The PSC grants the exclusive right to explore for and exploit oil and gas from a 5,700 square kilometre area which extends south from Maltese waters to the agreed and internationally recognised border with Libya.

The PSC is for a term of 30 years and is divided into exploration and production periods. The 6 year exploration period is divided into 3 stages with an initial 3 year stage in which the Contractor is obliged to undertake a 2,500 metre well. Following the current stage the Contractor can extend the exploration phase for two additional exploration periods of 18 months each by undertaking a further one well commitment for each extension. If there is a discovery during an exploration period then the exploration phase may be extended by up to another 3 years to enable the Contractor to appraise the discovery and establish its commerciality.

If there are one or more commercial oil or gas discoveries then the PSC enters the production period for the remainder of the 30 year term.

The Contractor will pay a signature bonus of USD500,000 and annual rent, education and administration fees initially totalling USD270,000 per year.

**Exploration Studies**

Malta is surrounded by large proven petroleum systems, in the offshore parts of Libya, Tunisia and Sicily. A study commissioned by the Company established that the geology within the PSC Area has potential for petroleum systems related to the Tunisian and Libyan hydrocarbon plays and fields. These systems provide encouraging analogues for Area 4. The studies commissioned by the Company during the term of the ESA suggest

source, reservoir and seal rocks, similar in age and character to those developed in both Tunisia and Libya, are present in the PSC Area.

The two main exploration plays in the area are the:

- **Upper Cretaceous Play** – this play derives from the original interpretation of the Cretaceous stratigraphic and structural architecture of the Melita-Medina graben. The Upper Cretaceous is made up by Upper Cretaceous shelf margin carbonates reservoirs (equivalent to Isis and Miskar reservoirs) sealed by Maastrichtian-Paleogene shales and marls (El Haria Fm equivalent), and charged during the Miocene-Pliocene from Albian (Lower Fahdene Fm) and Cenomanian-Turonian (Bahloul Fm) source rocks.
- **Eocene Play** – this play has been recognised since the 1990s and consists of Lower Eocene bioclastic accumulations and/or isolated patch reefs deposited in a carbonate ramp setting (El Garia Fm), possibly sealed by Middle-Upper Eocene shales drape (Souar Fm). The combination of erosion and Early Eocene tectonic inversion has provided a favourable early trap configuration. Charging is believed to have taken place during Miocene-Pleistocene from Albian (Lower Fahdene Fm) and Cenomanian-Turonian (Bahloul Fm) source rocks.

The PSC Area is covered by various vintages of 2D seismic data and by a 3D survey over the western part of the block 7. In 2007 the Company, as operator of the ESA, conducted a programme involving a new 2D seismic campaign (which acquired an additional 1012 km of seismic), processing the newly acquired seismic and reprocessing the existing 3D dataset. Based on the results of this programme the Company has been able to produce a revised interpretation of the PSC Area geology.

Four prospects and five leads on the PSC Area have been delineated. The new assessment of prospective resources and potential hydrocarbon volumes in place substantially confirm the previous assessment undertaken for the Company by RPS. The total most likely hydrocarbon potential of the PSC Area is estimated at 5 billion barrels of oil in place with resultant total most likely case prospective recoverable oil resources of 1,475 MMbbls. The three most mature prospects are located in Block 7 along the ramp setting of the Melita – Medina Graben close to the Libya pelagic basin.

### **Joint Venture with Leni Gas & Oil plc (“LGO”)**

The Company has agreed with LGO, subject to receiving the necessary consents from the Government of Malta, to vary the terms of the original joint venture with LGO relating to LGO’s farm-in to the Maltese acreage. It has been agreed that LGO will contribute a total of USD2.5 million (including sums LGO has already sole funded) to the costs the Company has expended on exploring the PSC Area and will earn a 10% working interest in the PSC. Upon completion of the amended farm-in the Company will have a 90% interest in the PSC.

**The Company's CEO, Sergio Morandi, said:** *"Mediterranean Oil & Gas plc is very pleased to be able to work with the Maltese Government and our partners to develop the undoubted potential of the Maltese offshore area for world class oil and gas deposits.*

*This is an excellent opportunity for our Company to explore the area adjoining successful Libyan and Tunisian oil and gas provinces where our studies indicate that there is analogous geological potential for giant fields. We do so in a European Union member country with a stable political climate and favorable fiscal terms. The Maltese government is very welcoming of serious oil and gas explorers and has established an attractive framework that provides certainty and encourages us to work with them in developing Malta's oil and gas resources.*

*In signing the Production Sharing Contract with the Maltese Government the Company has consolidated its exploration portfolio in the central Mediterranean area. The operational expertise and experience of our technical staff in relation to the central Mediterranean area gives the Company a distinct advantage in this area. We have identified most likely prospective resources of 1.5 billion barrels of oil in a series of large leads and prospects in the PSC Area. This giant potential upside provided by the PSC balances well with and adds high impact exploration to our portfolio of oil and gas assets in the central Mediterranean. Our asset portfolio in the region already includes existing Italian gas production, our development of the 20 MMbbl (2P oil reserves) at Ombrina Mare and the pending exploration well at Monte Grosso."*

#### **QUALIFIED PERSON**

Sergio Morandi (a director of the Company) holds a first class honours degree in geology from La Sapienza University (Rome) and has over twenty seven years E & P experience spent in oil and gas exploration and operations management and seismic data acquisition, processing and interpretation with ENI, Coparex, ELF, Enterprise Oil, Shell Italia E&P and Shell International E&P. Mr Morandi's last position held was as International Geophysical and Business Advisor with Shell International E&P at EPTS - Centre of Expertise in The Netherlands. His earlier roles include Head of Exploration for Shell Italia E&P and as Head of Exploration and Chief Geophysicist for Enterprise Oil Italiana. Mr Morandi has been a lecturer in Applied Seismology at the Basilicata University in Italy, is a board member of Associazione Mineraria Italiana, is a current member of the European Association of Geoscientists and Engineers, registered member number 563 of the Lazio Geologists' Order and is a registered geological adviser to the Rome and Viterbo Tribunals in Italy. He has compiled, read and approved the technical disclosure in this regulatory announcement. The technical disclosure in this announcement complies with the SPE/WPC standard.

#### **GLOSSARY**

2P	means proven and probable oil reserves are defined in the SPE/WPC definitions
BBbbls	billion stock tank barrels of oil
MMbbls	million stock tank barrels of oil
SPE/WPC	Society of Petroleum Engineers/World Petroleum Congress

**ENQUIRIES:**

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