

Mediterranean Oil & Gas Plc

Acquisition of Oil Interest in the Aquitaine Basin, south-west France

6 January 2006

The Board of Mediterranean Oil & Gas Plc ("the Company") announces today that the Company's wholly-owned subsidiary Malta Oil Ltd ("MO") has agreed to acquire from Eagle Energy Limited ("Eagle"), an 11.154% interest in an oil and gas exploration and exploitation licence known as the St. Laurent Petroleum Licence (the "Licence") in south-west France.

MO's rights under the Licence will enable it to participate in revenues derived from the exploitation of oil and gas reserves in the Licence area. The Licence covers an area of c. 650 km² of an onshore area located in the Aquitaine Basin in south-west France, a basin thought to contain some of Europe's largest onshore oil and gas fields. In particular, the Licence area includes the unexploited Grenade heavy oil field whose productivity was proven by Elf in the 1980's. The Board believes that the acquisition represents a relatively low cost entry to a sizeable oil and gas basin which presents a valuable opportunity to participate in the appraisal and development of proven oil reserves with potential in excess of 200 mmbbl.

The Licence was awarded by the French Authorities to the licence group ("Licensing Group") comprising Egdon Resources, Sterling Resources, Masefield AG ("Masefield") and Eagle on 7th August 2002 for an initial period of 3 years (subsequently renewed for a further 3 years and due, therefore, to expire on 7 August 2008). Following MO's acquisition, the respective interest of each member of the Licensing Group is as follows:

Egdon Resources	33.423% (operator)
Sterling Resources	33.423%
Nautical Petroleum Plc*	22.00%
Malta Oil Ltd	11.154%

*Nautical Petroleum Plc ("Nautical") is a partly-owned subsidiary of Masefield. Masefield is progressing with the formalities of assigning its interest to Nautical.

Under the terms of the agreement governing MO's acquisition of its interest in the Licence, MOG will fund 11.154% of all future costs associated with the exploitation and exploration activities carried out by the Licensing Group under the Licence and will pay Eagle a net profit royalty of 1% of all profit derived by the Licensing Group from its exploitation of any oil or gas reserves under the Licence. MO will also pay to Eagle on completion of the acquisition a one-off fee of seventy-five thousand pounds (£75,000 GBP). The agreement is subject to formal ratification by the relevant French Authority.

Grenade Oil Field

As mentioned, the Licence area covers the Grenade oil field, which is an undeveloped heavy oil accumulation originally discovered by Elf in 1975 and which currently has best-estimate oil reserves in place of 221 mmbbls and a range of 68 to 485 mmbbls (as recently determined by independent consultants RPS Troy Ikoda).

The Grenade field will form the initial focus of exploration and exploitation activities carried out under the Licence. Its attractions are:

- Potentially large oil volumes;
- Extraction using newly-developed technologies not available when the well was originally tested;
- Proximity to market and infrastructure; and
- Stable country with good fiscal terms and positive policy to indigenous energy

The discovery well, Grenade -1, drilled by Elf in 1975, penetrated a 97m column of 10 API oil in highly porous and permeable limestone reservoir. The 1985 well was flowed on long term test at some 40 BOPD. It was subsequently shut down in the mid-1980's due to the oil price collapse around that time. Given the current economic climate and conditions prevailing in the oil market, it is anticipated that the exploitation of those oil reserves will present a much more viable proposition. Production increments of 10-15 times per well could be expected by applying recently-developed horizontal drilling techniques.

The Grenade oil field is located in a flat-lying, agricultural area with a good road network, as well as rail lines in the vicinity. A major gas pipeline crosses the Licence area near to the Grenade field whilst an oil export line, serving the nearly-depleted Pecorade field, lies some 20 km to the south.

The Licence offers exploration opportunities which range from conceptual leads to old wells which have been tested with good gas flows, but whose volumetric potential has yet to be established.

Masefield, a member of the original Licensing Group, is currently progressing with the formalities of assigning its interest to Nautical, a partly-owned subsidiary. Masefield is a company with heavy oil production and marketing expertise that has devised a number of engineering options to commercialise the potentially substantial oil accumulation. Its proposals are for pilot development with horizontal wells with a range of possible enhanced recovery methods, including CO injection and sequestration.

Work Plan

The Company's work plan for the Licence is to process and interpret results of ongoing 3D and 2D seismic delineation surveys in order to locate an appraisal well in 2006, with a pilot development in 2007. Full field development is expected to follow thereafter.

Operations leading to the phased development of the Grenade field will be substantially funded from the Company's operating cash flow.

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