

**21 April 2011**

**Mediterranean Oil and Gas Plc  
("the Company")**

**Fundraising, Debt Cancellation and Conversion of Convertible Bonds  
and Convertible Loan Notes**

Mediterranean Oil and Gas (AIM: MOG) is pleased to announce a proposed capital reorganisation featuring a fundraising of £20 million through the issuance of New Ordinary Shares at 6p each, settlement of its bank facility and conversion of its Convertible Bonds and Convertible Loan Notes.

As a result of this proposed reorganisation, the Company will have approximately 429 million outstanding shares and will have no financial debt. In addition, the Board of Directors of the Company will be strengthened to include seasoned professionals who will provide valuable guidance on implementing the Company's strategy.

The proposed reorganisation will give the Company the financial stability required to develop and progress its exploration, development and producing assets and the financial resources to cover on-going operational expenses, and with an experienced management and board team to implement the Company's strategy going forward.

**Background**

The Company announced on 4 October, 2010, that it was exploring strategic alternatives for its business. This was to address the combined effect of Legislative Decree no.128, which amends the Italian Environmental Code (decree no. 152/2006) ('the Decree') on the Company's Ombrina Mare field, and the adverse economic climate which was materially impairing the Company's ability to raise further funds required to develop and progress its exploration, development and producing assets, as well as to meet the Company's future working capital requirements.

Since 4 October the Company has executed a thorough and exhaustive review of strategic alternatives. The Company has concluded based on an evaluation of all alternatives available to it that a transaction that eliminates all of the Company's debt and provides new funding from a share subscription is the most attractive alternative available to the Company. Without the debt cancellation, conversion of Convertible Bonds and Convertible Loan Notes and the Subscription, the Company will not have adequate working capital to meet its obligations in the near term, forcing the Company to cease trading. In those circumstances, pursuant to UK law, the Company would be required to enter into administration.

The proposed debt reorganisation will eliminate all of the Company's financial debt, including the debt repayment obligation under its bank facility that matures in September 2011 and for its Convertible Bonds and Convertible

Loan Notes that mature in November 2011, and recapitalises the Company via the issuance of New Ordinary Shares pursuant to the Subscription.

The proposed transactions involve: i) subscription for 333,333,333 New Ordinary Shares providing gross proceeds of £20 million; ii) financial debt elimination, including the settlement of the Company's bank facility and the conversion of the Company's Convertible Bonds and Convertible Loan Notes into New Ordinary Shares leaving the Company debt free, and iii) the reorganisation of the Company's existing share capital to reduce the nominal value of the Company's ordinary shares to 1 penny per ordinary share, enabling the Subscription to take place at the subscription price of 6 pence per New Ordinary Share.

**Highlights of the reorganisation plan include:**

- The Company has agreed terms with its credit provider to settle outstanding principal and interest owed by the Company under its bank facility agreement (the “**Debt Cancellation**”). The Company will have no financial debt outstanding after the Debt Cancellation.
- £9.8 million of outstanding Convertible Bonds and Convertible Loan Notes will be converted into 40.9 million New Ordinary Shares (the “**Conversion**”) through the issuance of 40.9 million New Ordinary Shares to the holders of the Convertible Bonds and Convertible Loan Notes. No Convertible Bonds or Convertible Loan Notes will be outstanding after the Conversion.
- The Company has conditionally raised £20 million before expenses by the Subscription of 333,333,333 New Ordinary Shares at 6 pence each (the “**Subscription**”). The net proceeds from the Subscription will be used to fund the Debt Cancellation, provide the immediately required working capital to allow the company to continue operating and to fund the development of the Company's key assets.
- Application will be made to the London Stock Exchange for the admission of the Subscription shares and the Conversion shares to trading on AIM
- Under the proposed reorganisation of the Company's share capital, the par value of each existing ordinary share will be effectively reduced from 20 pence per share to 1 penny per share allowing for the Subscription of the New Ordinary Shares
- The proposed transactions are subject to approval by the Company's shareholders

Further information regarding the proposed reorganisation plan will be contained in an information circular which the Company will mail to its shareholders in connection with the General Meeting of shareholders to be held to approve the transactions. A copy of the circular will be available

shortly on the Company website at [www.medoilegas.com](http://www.medoilegas.com). The General Meeting of shareholders will be held at 9.00 am on 9 May, 2011 at the offices of Memery Crystal LLP of 44 Southampton Buildings, London WC2A 1AP.

### **Proposed Board and Management Changes**

As part of the Company's Reorganisation, and conditional on the completion of the capital reorganisation, Andrew Cochran will be appointed as Non-Executive Chairman of the Company and Miles Donnelly and Michael Seymour will join the Board of Directors as additional non-executive directors of the Company. The addition of the new non-executive directors will add significant expertise to the Company's Board.

Andrew Cochran is the Chief Executive Officer at Dominion Petroleum Ltd, an independent oil and gas exploration company operating in Africa and listed on AIM (AIM:DPL). Andrew holds a BA in Economics and Politics from Tulane University. He spent eight years with Western Geophysical as an area geophysicist for the Asia Pacific region and as an exploration geophysicist covering North Africa, the Middle East and Asia. From 2000 to 2001 he was managing director of Veritas DGC Indonesia and, from 2001 to 2003, he was New Ventures Adviser at Anadarko Petroleum, advising on Indonesia corporate entry strategy. He was subsequently a founder of Endeavour International Corporation, a US-listed exploration and production company. In 2005, he founded Salamander Energy plc, an Asia-focused independent exploration and production company listed on the London Stock Exchange, and was (until his resignation from the Board on 31 December 2008) the Executive Director responsible for business development.

Miles Donnelly founded Aurelian Oil & Gas Plc together with Michael Seymour as a private company in 2002, which was subsequently listed on AIM in 2006. Miles stepped down as a director of Aurelian Oil & Gas Plc in June 2010 and subsequently formed Trajan to explore in the Eastern Mediterranean. He has worked extensively in Africa and the Middle East.

Michael Seymour is a geologist with over 40 years of experience in the oil industry, starting with the Burmah Oil Company, Conoco and Kerr-McGee. Mr Seymour is a Non-Executive Director and Founder at Aurelian Oil & Gas Plc. He served as Managing Director of Aurelian Oil & Gas Plc until mid-2009. He is also a Founder at Medusa Oil & Gas Ltd and a Founder at Teredo Petroleum Plc. He is a former Chairman of both the Petroleum Exploration Society of Great Britain and the UK Onshore Operators Group. Currently, he is President of the Polish Exploration and Production Industry Organisation and a Director of Trajan Oil Limited.

It has also been agreed that, upon Admission, Michael Bonte-Friedheim, Non-Executive Chairman at the Company, will become Chief Executive Officer and Sergio Morandi, Chief Executive Officer of the Company, will assume the role of Chief Operating Officer. Peter Clutterbuck after long and distinguished

service with the Company has elected to retire from the Board of Directors upon Admission.

Michael Bonte-Friedheim, the Company's Non-Executive Chairman, stated:

"The proposed reorganisation will be a milestone in the financial and strategic repositioning of the Company. The fundraising will provide the Company with funds to complete the Guendalina gas field and cover other on-going operational costs. The Company's entire financial debt will be eliminated from the balance sheet and the new board will comprise highly-experienced professionals who will be key in implementing the strategy.

I am confident that the Company now has the management, strategic direction and operating and financial flexibility need to operate in this environment"

CIBC World Markets plc acted as Financial Adviser to the Company and Merlin Partners LLP acted as Placement Agent for the Reorganisation Plan.

## **Key Terms of the Capital Reorganisation**

### ***Details of the Subscription***

The Company has raised £20 million before expenses (approximately £19.1 million net of expenses) by the conditional Subscription for 333,333,333 New Ordinary Shares at 6 pence each.

The allotment of the Subscription Shares is conditional, amongst other things, on the Resolutions being passed at the General Meeting, on the Debt Cancellation, the conversion of the Convertible Bonds and Convertible Loan Notes into New Ordinary Shares becoming unconditional in accordance with their respective terms, the shareholders of the Company passing the necessary resolutions at the General Meeting and Admission occurring on or before 20 May 2011.

### ***Details of the Debt Cancellation and conversion of Convertible Bonds and Convertible Loan Notes***

#### **(a) Debt Cancellation**

Pursuant to a cancellation letter agreement dated 21 April 2011 between Bank of Scotland, the Company and Medoilgas Italia S.p.A. and documents ancillary thereto, the Company has agreed to pay a sum to settle all outstanding principal and interest owed by the Company to Bank of Scotland under its facility agreement.

Completion of the Debt Cancellation is conditional, amongst other things, on the Resolutions and other matters at the General Meeting and Admission occurring on or before 20 May 2011.

(b) Convertible Bonds and Convertible Loan Notes

The holder of all of the outstanding Convertible Bonds has agreed to convert the whole of the outstanding principal amount of its Convertible Bonds into 19,858,333 New Ordinary Shares at a price of 24 pence per New Ordinary Share. Completion of this Conversion is conditional, amongst other things, on the Resolutions being passed at the General Meeting and Admission occurring on or before 20 May 2011. No interest is payable or outstanding on the Convertible Bonds.

With the approval of an extraordinary resolution of the holders of the Convertible Loan Notes the Company has conditionally agreed to amend the deed poll constituting the Convertible Loan Notes to give the Company the right to convert the outstanding Convertible Loan Notes at its election into 21,061,225 Conversion Shares, assuming that Admission occurs on 10 May 2011, at a price of 24 pence per Conversion Share. The Company has today elected to Convert all of the outstanding Convertible Loan Notes conditional, amongst other things, on the Resolutions being passed at the General Meeting and Admission occurring on or before 20 May 2011.

The Debt Cancellation and the Conversion of Convertible Bonds and Convertible Loan Notes may create tax liabilities for the Company. The Company's tax advisors are undertaking an analysis of these liabilities. In due course the Company will make an appropriate announcement if results of this analysis are material.

The Subscription Shares and the New Ordinary Shares to be issued upon conversion of the Convertible Bonds and Convertible Loan Notes will be issued credited as fully paid, subject to the memorandum of association and the Company's articles of association and will rank *pari passu* in all respects with the New Ordinary Shares then in issue, including the right to receive any future dividends and other distributions.

Application will be made for all such New Ordinary Shares to be admitted to trading on AIM and subject to completion of the above proposals it is expected that Admission will occur at 8.00 a.m. on 10 May 2011.

In connection with the Subscription the Company has agreed to allot the Commission Shares to Merlin Partners LLP and certain persons connected with it, including Miles Donnelly and Michael Seymour.

***Details of Share Reorganisation***

The proposed Subscription Price of 6 pence is below the current nominal value of the Ordinary Shares of 20 pence. Company law prohibits the issue of shares at a price less than their nominal value, and so, in order to effect the

Subscription, a proposed reorganisation of the Company's share capital is proposed (the "Share Reorganisation") whereby each existing Ordinary Share will be subdivided into one New Ordinary Share with nominal value of 1 penny and one worthless deferred share with nominal value of 19 pence ("**Deferred Shares**").

Assuming that no new Ordinary Shares are issued on or before the record date for the Share Reorganisation, being 9 May 2011, the Share Reorganisation will result in 38,912,736 New Ordinary Shares and 38,912,736 Deferred Shares being in issue immediately following the Share Reorganisation but before the completion of the Subscription and the conversion of the Convertible Loan Notes and Convertible Bonds.

After the implementation of the Share Reorganisation the nominal value of each New Ordinary Share will be one twentieth of that of each existing Ordinary Share but subject to that, each New Ordinary Share will have the same rights (including voting and dividend rights and rights on a return of capital) as each existing Ordinary Share has at present.

### **Related Party Transactions**

Michael Bonte-Friedheim, a Director, holds 338,000 Ordinary Shares. Mr Bonte-Friedheim controls MBF Strategy Limited, which holds Convertible Notes which will upon Admission have outstanding principal (including capitalised interest) of £154,894 and which will upon Admission Convert into 645,391 New Ordinary Shares. MBF Strategy Limited also holds warrants over 325,000 Ordinary Shares exercisable at 45p per Ordinary Share. MBF Strategy Limited has agreed to subscribe £150,000 for Subscription Shares at the Subscription Price.

Chris Kelsall, a Director, has agreed to subscribe £20,000 for Subscription Shares at the Subscription Price.

Stark Select holds 6,132,353 Ordinary Shares, Convertible Loan Notes which will upon Admission have outstanding principal (including capitalised interest) of £1,548,938 and which will Convert upon Admission into 6,453,906 New Ordinary Shares and is the sole holder of the Convertible Bonds with outstanding principal of £4,766,000 which will Convert upon Admission into 19,858,333 New Ordinary Shares.

AAT Holdings Ltd holds 5,870,912 Ordinary Shares, Convertible Loan Notes which will upon Admission have outstanding principal (including capitalised interest) of £387,234 and which will Convert upon Admission into 1,613,477 New Ordinary Shares and warrants over 812,500 Ordinary Shares exercisable at 45p per Ordinary Share. AAT Holdings Limited has agreed to subscribe £500,000 for Subscription Shares at the Subscription Price. Transcontinental Investments Pty Limited holds 2,100,278 Ordinary Shares, Convertible Loan Notes which will upon Admission have outstanding principal (including capitalised interest) of £387,234 and which will Convert upon Admission into 1,613,477 New Ordinary Shares and warrants over 812,500

Ordinary Shares exercisable at 45p per Ordinary Share. Anthony Trevisan controls AAT Holdings Limited. Mr Trevisan is executive chairman of Transcontinental Investments Pty Limited and that company is ultimately owned and controlled by trusts for the benefit of Mr Trevisan's family.

The calculations of outstanding principal and capitalised interest above as at Admission assume that Admission occurs on 10 May 2011.

Under the AIM Rules for Companies, each of Michael Bonte-Friedheim, Chris Kelsall, Stark Select, Anthony Trevisan, AAT Holdings Ltd and Transcontinental Investments Pty Limited is treated as a related party of the Company. With the exception of Michael Bonte-Friedheim in respect of his own participation in the Conversion and the Subscription and Chris Kelsall in respect of his own participation in the Subscription, the Directors consider, having consulted with WH Ireland, the Company's nominated adviser, that the terms of the Conversion and the Subscription insofar as they relate to such related parties are fair and reasonable insofar as Shareholders are concerned.

Assuming that Admission occurs on 10 May 2011, immediately following Admission the Company will have in issue 429,117,710 New Ordinary Shares, assuming no further issues of Ordinary Shares by the Company prior to Admission other than the Subscription Shares, the Conversion Shares or the Commission Shares.

For further information please contact:

Mediterranean Oil & Gas Plc

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## Definitions

In this announcement, and in addition to the terms defined in the text, the following definitions have the following meanings, unless the context requires otherwise.

**“Admission”** the admission of the Subscription Shares and the Conversion Shares to trading on AIM.

**“Commission Shares”** the 15,952,083 New Ordinary Shares to be issued to Merlin Partners LLP and parties connected with it as commission in relation to the Subscription.

**“Conversion Shares”** the 19,858,333 New Ordinary Shares to be issued and allotted by the Company upon the conversion of the Convertible Bonds and the New Ordinary Shares to be issued and allotted by the Company to the holders of Convertible Notes upon the conversion of such Convertible Notes, which is expected to be 21,061,225 New Ordinary Shares assuming that Admission occurs on 10 May 2011.

**“Convertible Bonds”** all of the outstanding convertible bonds issued by the Company pursuant to a deed poll dated 4 May 2005, as amended, having an outstanding principal amount of £4,766,000.

**“Convertible Loan Notes”** all of the outstanding convertible loan notes issued by the Company pursuant to a deed poll dated 3 June 2009, as amended, having an aggregate outstanding principal amount of £4,250,000 plus capitalized interest of £804,694 (assuming Admission occurs on 10 May 2011).

**“General Meeting”** the General Meeting of the Company, convened for 9.00 a.m. on 9 May 2011 at the offices of Memery Crystal LLP, 44 Southampton Buildings, London WC2A 1AP.

**“New Ordinary Shares”** the new ordinary shares of 1 pence each in the capital of the Company to be created pursuant to the proposed reorganisation of the Company’s share capital.

**“Subscription Shares”** the 333,333,333 New Ordinary Shares to be issued by the Company pursuant to the Subscription.