

Mediterranean Oil & Gas Plc
(‘the Company’ or together with its subsidiaries ‘the Group’)
(AIM : MOG)

Final Results for the year ending 31 December 2009 and Notice of AGM

The Directors of Mediterranean Oil & Gas Plc are pleased to present the Company's final results and financial statements for the year ending 31 December 2009.

A copy of the Company's annual report and the notice convening the Annual General Meeting will be posted to shareholders today and are available on the Company's website at www.medoilgas.com. The Company's Annual General Meeting will be held at 11am on 28 June 2010 at 44 Southampton Buildings, London WC2A 1AP.

HIGHLIGHTS

For the twelve months ended 31 December 2009

Operational Highlights within the Reported Period

Ombrina Mare Oil & Gas field (Central Adriatic):

- technical approval of the Field Development Plan by the Italian Ministry of Economic Development
- completion of Environmental Impact Assessment Study
- commencement of the environmental approval process by submission of the Environmental Impact Assessment Study to the Italian Ministry of Environment
- completion of key technical studies with the aim of reassessing 2P oil reserves and issuing a new independent certification

Guendalina Gas field (Northern Adriatic):

- environmental approval of the Field Development Plan by the Italian Ministry of Environment
- award of the production concession AC 35 AG by the Italian Ministry of Economic Development

Italian onshore Gas fields:

- gas production commences at Vigna Nocelli gas field
- development works commence at Anzano gas field

Offshore Malta (Area 4):

- technical assessment progressed on schedule

Financial Highlights within the Reported Period

- gas production of 14.0 Mscm (0.5 Bcf)
- revenues from gas sales of €3.67 million (6 months to December 2008: €3.38 million); influenced by economic conditions and weaker hydrocarbon prices
- loss before tax of €4.97 million (6 months to December 2008: loss of €1.94 million)

Post Period Operational Highlights

Ombrina Mare Oil & Gas field:

- 2P oil reserves doubled to 40 MM bbls and proven oil reserves (P1) increased to 12 MM bbls, following completion of key technical studies and issuance of SIM Independent Reserve Engineers certification, in February 2010

Guendalina Gas field:

- commencement of field development activities in April 2010
- net cost share of Guendalina development confirmed at up to approximately €14.5 million

Italian onshore Gas fields:

- gas production commences at Anzano gas field, at 7,700 scm/d (270,000 scf/d) Gross (Net to Group: 3,080 scm/d (106,000 scf/d))

Post Period Financial Highlights

- extension of repayment date under €18 million HBOS credit facility from September 2010 to September 2011, together with variation in terms for interest payment on drawn and non-utilised funds
- receipt of preliminary advice from BNP Paribas S.A. regarding debt financing capacity for Ombrina Mare project and recommended further analysis to confirm project financing capacity

Outlook

- continued focus on development of the Group's two key development projects, Ombrina Mare and Guendalina, together representing 43 mmboe of 2P reserves
- active discussions to address the Group's on-going financial and strategic requirements
- review and rationalization of the Group's asset base, identifying opportunities to crystallize value
- further on-shore gas projects planned to come on stream during next 12 months
- first gas at Guendalina expected September 2011
- first oil at Ombrina Mare expected H1, 2013

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CHAIRMAN'S STATEMENT

Dear Shareholder,

I am pleased to report that your Group has made significant progress in advancing its key projects over the course of the year.

We secured the technical approval for the field development plan for the Ombrina Mare permit (100% – owned by the Group) while undertaking key technical studies to increase our understanding of the reservoir. This work resulted, in early 2010, in a doubling of the permit's certified proven and probable oil reserves to 40 million barrels, of which 12 million barrels is in the proven category. This is a material asset in Italy and one to which we remain committed to taking through to commercial execution.

As set out in the Chief Executive Officer's report, BNP Paribas S.A. ("BNPP") has reported to the Group the conclusions of its preliminary technical and economic assessment in relation to the Ombrina Mare project. While BNPP has advised that the project may be capable of supporting project financing debt, further technical, costs, as well as legal and tax analysis is required before the final level of achievable project financing can be confirmed. We have identified a further technical and confirmatory work plan over the coming six to nine months that we are confident will provide the comfort required for the project to move forward to the next stage of financing and development. As more fully described in the Chief Executive Officers report, subject to the outcome of this work plan, we remain focussed on achieving first oil in H1, 2013.

The Guendalina gas field, our second-largest development project (20% – owned by the Group), secured environmental approval of the field development plan by the Ministry of the Environment and was awarded the production concession by the Italian Ministry of Economic Development. ENI S.p.A., the operator of the Guendalina gas field, expects first gas to be achieved in September 2011 and development activities have commenced accordingly. Once fully commissioned, the Guendalina field is expected to produce approximately 400,000 scm/d (14.0 million scf/d) Gross (Net to Group: 82,000 scm/d (2.9 million scf/d)) which would represent approximately a three-fold increase in the Group's current daily production rate and an equally material increase in the Group's revenues.

In response to a natural depletion in production from our existing natural gas production concessions and lower gas sales prices mainly due to the decline in oil prices, the Group continued to pursue a determined effort to reduce costs and maintain balance sheet flexibility. The Group's issue of convertible loan notes in June 2009 contributed to meeting this objective.

The increase in the oil price from its lows in early 2009 is resulting in a significant increase in gas prices, the benefits of which the Group is experiencing in early 2010 due to the time lag inherent in the gas pricing formulas agreed with clients. The weakening of the US Dollar relative to the Euro during the course of 2009 also contributed to the decline in our gas sales prices. However, this has been partly reversed by a strengthening of the US Dollar relative to the Euro, in the first months of 2010.

In October, the Group's founder, Mr. Anthony Trevisan, resigned from the Board of Directors. He was instrumental in the formation and development of the Group. We thank him for his strong dedication and very significant contribution to the Group since its inception.

The Group has invested significant time, effort and funds in building an extensive, diverse and potentially highly valuable portfolio of oil and gas exploration, development and production assets. Looking forward, the Group will continue its focus on the development and financing of its key development projects, Ombrina Mare and Guendalina. The Board of Directors will also remain focused on realising the inherent value of this portfolio through proactive financing and strategic arrangements. We will continue to manage proactively our cost base and are reviewing options to augment the Group's revenues by bringing new gas projects on stream during the year. We look forward to an exciting future with confidence.

I take this opportunity to thank our shareholders and employees for their continued support and dedication to the Group.

Michael Bonte-Friedheim
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

I have much pleasure in providing this Chief Executive Officer's report to the Group's shareholders covering 2009 and also the Group's material achievements to date in 2010. 2009 was a difficult year in many territories and the Group was not spared from the adverse effects of the testing economic backdrop. However, I am pleased to report that the Group has retained a clear focus on delivering value from its extensive and diverse asset base.

At Ombrina Mare, the Group's key development asset, since the year end we have reported a material upgrade in 2P reserves, as independently verified by SIM, to 40 mmbbls, of which 12 mmbbls are in the proven category. Following a review of potential debt financing solutions at Ombrina Mare, our financial adviser BNP Paribas S.A. ("BNPP"), has concluded that while the Ombrina Mare project may be capable of supporting development finance, further technical analysis is required in order to confirm reservoir dynamics. In addition, further costs, taxation and legal analysis will be undertaken to determine the optimal fiscal structure. In turn, the results of this work will determine readiness to proceed with project finance and if so, the level of project financing capacity which may be achieved. We believe that the significant value that Ombrina Mare represents remains unrecognized, and the Board of Directors remains committed to pursuing a range of financial and strategic solutions to unlock this value. We are optimistic that in the year ahead we will be able to achieve this goal.

ENI, operator of the 22 Bcf Guendalina Gas Field in the northern Adriatic, has also confirmed that first gas is expected at Guendalina in September 2011 and development activities have commenced accordingly. The Group's average daily gas production during 2009 was approximately 40,000 scm/d (1.4 million scf/d) which we expect to increase materially to approximately 120,000 scm/d (4.2 million scf/d) following full commissioning of the Guendalina gas field, with a corresponding impact on Group revenues.

Financial Results:

The financial results of the year have been strongly influenced by the adverse economic climate and weaker hydrocarbon prices. The Group therefore needed to reduce operational activity and investments in the period. Group turnover was approximately €3.67 million and loss before taxes, was approximately €4.97 million.

Group revenues declined in 2009, relative to 2008, as a result of the challenging economic conditions and due to the natural depletion of the Group's producing gas fields. The adverse global economic climate significantly influenced the Italian gas market, and consequently the performance of the Group in 2009, despite the Italian market remaining one of the largest consumer markets in Europe. This was primarily attributable to a decline in demand, a fall in the oil price and in the Euro/US Dollar exchange rate, both being significant factors in determining the price at which the Group sells its gas into the Italian market. However, in the final quarter of the year the situation began to improve with the oil price, and in turn the Italian gas price, gradually increasing.

Looking forward, forecast oil prices and gas prices indicate a positive trend, which should enable the Group to remain focussed on short and medium term E&P targets, progress with the two main development projects at Ombrina Mare and Guendalina, grow revenues, further rationalise its costs and existing exploration portfolio and progress its development projects and exploration targets. Further, the Euro/US Dollar exchange rate has moved in the first months of 2010 to partly offset the adverse effects of 2009.

The Company has on 1 June 2010 entered into an amendment agreement with Bank of Scotland Plc ("BoS") ("the Amendment Agreement"), in relation to the €18,000,000 credit facility agreement previously entered into between the Company, Medoiligas Italia S.p.A. as Guarantor, and BoS, on 3 March, 2008 ("the Credit Facility"). Under the Amendment Agreement, the required date for repayment of the principal amount owing by the Company under the Credit Facility has been extended from 2 September 2010 to 2 September 2011 ("Final Maturity Date").

The additional liquidity provided by the extension of the Credit Facility allows the Group to retain access to undrawn funds of approximately €9,417,000 presently remaining within the €10,000,000 Tranche A of the Credit Facility, and in turn, to fund expected capital expenditure commitments for the

next 12 months, in relation to the Group's 20% interest in the Guendalina project (ENI operator). Further, the Credit Facility provides the Group with additional flexibility, given that the operator has rescheduled the expected timing for first gas to September 2011.

In light of an increase in estimated capital expenditure to fund the Group's interest in the Guendalina project from €10.0 million to approximately €14.5 million, and further, the requirement for a VAT funding facility of approximately €3.0m, the Group is actively considering a range of potential funding options, in order to secure a longer term financing solution for its interest in the Guendalina project.

Gas Production and Prices:

In 2009, gas production was approximately 14.0 Mscm (0.5 Bcf), which represented a 21.7% decline relative to the prior 12 month period. This was largely due to the natural decline of existing fields, which was only partially offset by new gas production brought on stream in 2009.

The gas price on the main sales contract in January 2009 was 0.317 €/scm. During the year, however, this progressively declined to a minimum price of 0.186 €/scm in October. At the end of 2009, the gas price had recovered to 0.209 €/scm, which was equivalent to USD 8.30/Mcf.

In 2009, as a consequence, the average gas price which the Group achieved by way of sales declined approximately 45%, compared to the December 2008 gas price of 0.347 €/scm. Since October 2009, gas demand in the Italian market has partly recovered, with gas prices rising to approximately 0.244 €/scm in March 2010. Management expects gas prices to trend back to approximately 0.29 – 0.30 €/scm, by the end of 2010, based on the present forward curve for Brent oil prices (Source: Bloomberg).

Key Operational Highlights

Ombrina Mare Oil & Gas Field in Central Adriatic:

- technical approval issued by the Italian Ministry of Economic Development of the Ombrina Mare Production Concession in the Central Adriatic and of the Ombrina Mare Field Development Plan;
- commencement of the environmental approval process by submission of Environmental Impact Assessment Study (EIAS) to the Italian Ministry of the Environment; and
- completion of key technical studies with the objective of re-assessing the 2P oil reserves and issuing a new independent certification.

Guendalina Gas Field in Northern Adriatic:

- environmental approval of the Field Development Plan by the Italian Ministry of Environment; and
- award of the production concession AC 35 AG by the Italian Ministry of Economic Development.

Italian onshore Gas Fields:

- commencement of gas production at the Vigna Nocelli gas field (net Group reserves 0.7 bcf), in the Torrente Celone Concession;
- completion of gas storage feasibility study performed on the Cupoloni gas field, together with the re-commencement of gas production;
- finalisation of the Field Development Plans of two new onshore gas development projects;
 - Civita (net Group reserves 1 .1 bcf), in the Aglavizza Concession;
 - Traetta (net Group reserves 0.2 bcf), in the Masseria Grottavecchia Concession;and
- commencement of development works on the Anzano gas field (net Group reserves 0.7 bcf), in the Santa Andrea Concession.

Offshore Malta (Area 4):

- technical assessment progressed on schedule.

Operational Overview

In Italy, the development of the Ombrina Mare oil and gas field and the Guendalina gas field remain the

prime projects for the Group. In this context, 2009 was an important year for both projects.

Ombrina Mare

The Group continued to progress the permitting process on schedule, which underlined its technical and operational abilities. Technical approval of the Ombrina Mare Field Development Plan was issued in June 2009. The Group submitted the Environmental Impact Assessment Study (EIAS) in December, initiating the environmental approval process with the objective of securing all required permits by the end of 2010. This should in turn enable commencement of the development phase in 2011, subject to financing, as explained more fully below.

Following completion of key technical field studies, and an independent review by SIM, the reservoir engineers, the Group released revised certification in February 2010, doubling the 2P oil reserves at the Ombrina Mare field to 40 MM bbls, and increasing proven (P1) oil reserves to just over 12 MM bbls. The new oil reserve numbers establish the Ombrina Mare field as a significant European oil project and further confirm the Group's technical ability to operate and progress this important project.

The new certification of the Ombrina Mare oil reserves incorporates the results of detailed technical studies that have been conducted by the Group in 2008-2009, in conjunction with qualified contractors, universities and research institutes. A major component of the revised certification is the further development of a detailed 3D geological model, which represents the current "geological most likely case" and incorporates detailed technical analysis of all available data.

Following the independent reassessment of the Ombrina Mare oil reserves, the current discovered and potential hydrocarbon assessment of the Ombrina Mare area is as set out in the table below.

	Reserves		Reserves		Resources	
	P1	P2	2P (P1+P2)	P3	Contingent (best to high case)	Prospective (best to high case)
Ombrina Mare – Oil (MMbbls)	12.220**	28.018**	40.240**		11 to 18**	
Ombrina Mare – Gas (Bcf)			6.5**	2.9**	2.8 to 3.43*	
Other prospects – Oil (MMbbls)						10 to 20**
Other Prospects – Gas (Bcf)						4.0 to 8.0*

** Independent Certification by SIM

* Company calculation

** Company calculation, currently under review and re-assessment

The revised 2P oil reserves certification will not impact the Field Development Plan ("FDP") for which approval has been sought, since the facilities proposed for the project have already been designed to support higher production rates. Further, the production platform has been designed with additional flexibility to host a larger number of development wells than are currently assumed in the FDP.

In order to achieve the higher expected production identified by the doubling of 2P oil reserves and to optimize oil recovery from the reservoir, the Group intends to drill 4 additional wells approximately 2 years following commencement of production. This additional drilling campaign can be conducted from the production platform then in place and will not require the construction of any additional offshore facility.

Further to our announcement of 12 February 2010 that we had appointed BNP Paribas S.A. ("BNPP") as financial adviser regarding debt financing, we are pleased to announce that BNPP has concluded its preliminary technical and economic assessment in relation to the Ombrina Mare project. BNPP has acknowledged the considerable geological and technical work carried out to date by the Group. In particular, BNPP has highlighted that the Group's understanding of the Apula Carbonate platform is a key asset and that this instils confidence in the Group's ability to forecast regional trends and hence, explain the development of Cretaceous and Oligo-Miocene reservoirs on the reef of the platform.

Whilst BNPP has provided the Group with a preliminary opinion as to the potential debt capacity of the

Ombrina Mare project, further technical, costs, legal and fiscal analysis is required to confirm that the project is ready for project financing and to confirm the maximum level of debt capacity which may be achieved.

In 2010, the Group intends to progress the Ombrina Mare project by: (1) conducting further analysis in order to better understand variations in the net-to-gross thickness of the reservoir across the platform (particularly to the north) and to increase the confidence of the P2 (probable) reserves; (2) a review of project costs through re-confirmation of capital expenditure costs with contractors; and, (3) identification of the optimal fiscal and legal structure for the proposed debt financing. The Group intends to carry out this further work over the next six to nine months in order to be in a position to revisit the debt capacity of the Ombrina Mare project prior to the end of the first quarter of 2011.

On the basis that the Ombrina Mare production concession is awarded, and the Group is able to proceed with project financing not later than June 2011, we envisage the development phase commencing by Q3 2011, with all construction, procurement, installation and drilling taking place in time to achieve first oil by mid 2013.

Guendalina

Following the grant of the concession award in December 2009, construction and installation of the production platform should be resumed in 2010 and completed in 2011. The drilling of two development wells is planned in the first half of 2011, with gas production and associated revenues expected to commence in September 2011.

The Group has a 20% interest in the Guendalina gas field which has independently certified 2P gas reserves of 22 Bcf (100% basis). Based on studies performed by ENI, the aggregate gas production from the field, once fully commissioned, is expected to be approximately 400,000 scm/d (14.0 million scf/d) Gross (Net to Group: 82,000 scm/d (2.9 million scf/d)).

ENI, as operator of the Guendalina gas field, has informed its partners that the total capital expenditure required for the project has increased above previous estimates to approximately €72.5 million, including contingencies. As such the Group's share of this expenditure is approximately €14.5 million.

Other North Adriatic Discoveries

The Guendalina project is part of one of the most important gas exploration and production areas in Italy and is situated 70 kms south of four other undeveloped gas fields where the Group has a 15% interest (ENI, Operator). These four gas discoveries amount to between 19 to 48 Bcf net contingent gas resources to the Group. Their reclassification to 2P reserves is expected to take place following authorisation of the development plans for the fields.

Development authority for these fields has been frozen since 2001, pending the resolution of certain environmental issues. The Italian Government has recently indicated that it favours the resolution of these issues in this area of the Northern Adriatic.

Other Italian Exploration Opportunities

In the Southern Apennines, the Monte Grosso 2 exploration drilling project presently remains on hold, pending resolution of residual permitting issues. The Group presently believes that it is near to a positive resolution which should result in the project recommencing by the end of 2010. Once the permitting phase is completed, exploration drilling is expected to start mid 2011, subject to rig availability. The Monte Grosso project is a near field exploration opportunity close to the largest onshore oil producing area in western Europe where the Val d'Agri field is producing approximately 100,000 bbls/d. Moreover, the Tempa Rossa field, currently under development, is expected to produce approximately 50,000 bbls/d.

The Monte Grosso 2 well is targetting 280 mmbbls of unrisks prospective resources (64 mmbbls net to the Group).

The Group also has a number of on-shore gas exploration prospects, some within existing production concessions, which have the potential to unlock approximately 8 to 10 Bcf net unrisks prospective

resources to the Group and achieve new near mid-term gas production.

Outside Italy

In 2009, the Group was primarily active in continuing the technical assessment of Area 4 – Offshore Malta. The Production Sharing Contract, signed with the Maltese Government in July 2008 (“PSC”), includes a commitment to drill an exploration well within three years, that is, prior to July 2011. No well has previously been drilled in the current Area 4 acreage. This acreage can be defined as a high potential frontier exploration environment. In the 1990’s there was an exploration play that was tested twice in adjacent Libyan waters, where two exploration wells were drilled and had oil shows.

In Area 4 – Offshore Malta, the Group has already identified 9 prospects for a total of 1,500 Mbbls of unrisks prospective oil resources. In 2010, the Group is planning, subject to budgetary constraints, to complete the technical assessment of the area and, if the technical indications are confirmed as attractive, decide the best strategy to assure the necessary resources to drill an exploration well.

Oil & Gas Reserves and Resources

A revision to the Group’s reserves and resources is performed at six month intervals by way of independent certification (2P Reserves), and in the case of contingent and prospective resources, by the Group. The most recent revision, performed on 31 December 2009 for gas, and on 9 February 2010 for oil, resulted in a significant increase in oil reserves.

Net Oil Reserves & Resources in MMbbls

	Reserves Proven Plus Probable (2P) MMbbls	Best Estimate Contingent Resources MMbbls	High Estimate Contingent Resources MMbbls	Prospective Resources (unrisks) Best Estimate Mmbbls	Prospective Resources (unrisks) High Estimate Mmbbls
1 July 2006	0 ¹	29 ²	70 ²	1,577 ³	4,447 ³
30 June 2007	0 ¹	29 ²	70 ²	1,291 ⁴	3,614 ⁴
30 June 2008	20 ¹	12 ²	19 ²	1,419 ⁴	3,951 ⁴
31 December 2008	20 ¹	12 ²	19 ²	1,419 ⁴	3,951 ⁴
30 June 2009	20 ¹	12 ²	19 ²	1,419 ⁴	3,951 ⁴
9 February 2010	40 ¹	12 ²	19 ²	1,419 ⁴	3,951 ⁴

Source:

1: independent certification by SIM.

2: Company assessment

3: RPS assessment

4: RPS assessment except for Company assessment of Monte Ardone and Monte Grosso with total of 74 MMbbls Best Case and 109 MMbbls High Case

Net Gas Reserves & Resources in Bcf

	Reserves Proven Plus Probable (2P) (Bcf)	Contingent Resources Best Estimate (Bcf)	Contingent Resources High Estimate	Prospective Resources (unrisks) Best Estimate (Bcf)	Prospective Resources (unrisks) High Estimate (Bcf)
1 July 2006	12 ¹	21 ²	50 ²	20 ²	44 ²
30 June 2007	11 ¹	25 ²	61 ²	70 ²	138 ²
30 June 2008	10 ¹	25 ²	55 ²	93 ²	158 ²
31 December 2008	17 ¹	25 ²	55 ²	93 ²	158 ²
30 June 2009	16.7 ¹	25 ²	55 ²	93 ²	158 ²
31 December 2009	16.5 ¹	25 ²	55 ²	93 ²	158 ²

Source: 1: independent certification by SIM 2: Company assessment

Health and Safety

The Group continues to be committed to maintaining the highest standards in health, safety and environmental management. No injuries have been reported in 2009.

Outlook

Our main priority is to focus management and financial resources on the highest return projects, these being the commercial execution of the Ombrina Mare and Guendalina development projects, together representing 42 mmbbl of 2P reserves. These projects contain material value for shareholders which management believes is, as yet, substantially unrecognised. At the same time, we intend to pursue opportunities to unlock value from exploration drilling activities within existing on-shore production concessions which, if successful, could yield near term production uplift.

The Group is actively engaged in discussion to address the Group's on-going financial and strategic requirements, particularly in relation to the development of Ombrina Mare, and we anticipate concluding key steps in this respect in the coming year. We will continue to review and rationalise the existing portfolio and cost base, while seizing opportunities to crystallise early value as they arise.

2010 is promising to be a year when we implement some of the key milestones, as we look to progress the Group's flagship projects. We are confident of delivering these and look forward to an exciting future for the Group.

Sergio Morandi

Chief Executive Officer

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 eight 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

Bbls/day	Stock tank barrels of oil per day
BBbbls	Billion stock tank barrels of oil
Bcf	Billion cubic feet of gas
Contingent oil/gas resources	Has the meaning ascribed by the SPE/WPC Standard
FPSO	Floating production, storage and offloading
Mcf	Thousand cubic feet of gas
MMcf	Million cubic feet of gas
MMbbls	Million stock tank barrels of oil
MMscm	Million standard cubic metre
OBM2 DIR	Horizontal appraisal well drilled on the Ombrina Mare Oil & Gas Field and completed as an oil producer in June 2008
P1 & P2 Reserves	Proven plus probable reserves as defined in the

Prospective oil/gas resources	SPE/WPC Standard Has the meaning ascribed by the SPE/WPC Standard
Scm	Standard cubic metre
SPE/WPC	Society of Petroleum Engineers/World Petroleum Congress

SPE/WPC Standard

Definitions and methodology for certifying hydrocarbon reserves and resources adopted by the SPE/WPC from time to time which presently requires the application of the 2007 Petroleum Resources Management System standards.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 €000	Six months ended 31 December 2008 €000
Revenues		3,666	3,380
Cost of sales		(2,512)	(1,243)
Gross Profit		1,154	2,137
Other income		241	42
Administrative expenses			
Depreciation, depletion and amortization		(1,164)	(930)
Impairment		(1,583)	(1,874)
Other administrative expenses		(2,370)	(2,505)
Total administrative expenses		(5,117)	(5,309)
Loss from operations		(3,722)	(3,130)
Finance costs			
Unwinding of discount on provisions		(464)	(507)
Other finance expense		(1,010)	(148)
Foreign exchange		(195)	–
Total finance expense		(1,669)	(655)
Finance income		34	198
Gain on changes in terms of convertible bonds		–	520
Fair value gain on derivative		387	–
Foreign exchange income		–	1,127
Total finance income		421	1,845
Loss before tax		(4,970)	(1,940)
Tax expense		(52)	(94)
Loss for the year and total comprehensive income attributable to the equity holders of the parent		(5,022)	(2,034)
Loss per share attributable to the equity holders of the parent	2		
– Basic and diluted		€(0.13)	€(0.05)

All amounts relate to continuing activities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share Capital €000	Share Premium Reserve €000	Warrant and Share Option Reserve €000	Convertible Debt Option Reserve €000	Retained Losses €000	Total €000
Group						
At 1 July 2008	11,260	19,952	795	68	(6,299)	25,776
Total comprehensive income for the period	–	–	–	–	(2,034)	(2,034)
Shares issued	25	101	–	–	–	126
Share-based payments	–	–	231	–	182	413
At 31 December 2008	11,285	20,053	1,026	68	(8,151)	24,281
At 1 January 2009	11,285	20,053	1,026	68	(8,151)	24,281
Total comprehensive income for the period	–	–	–	–	(5,022)	(5,022)
Share-based payments	–	–	169	–	–	169
Lapse of options	–	–	(472)	–	(472)	–
As at 31 December 2009	11,285	20,053	723	68	(12,701)	19,428

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	Description and purpose
Share capital	Amount subscribed for ordinary share capital at nominal value
Share premium	Amount subscribed for share capital in excess of nominal value
Warrant and share option	Cumulative fair value of warrants and options, adjusted for transfers on exercise of share options and warrants.
Convertible debt option	Equity component of convertible bonds
Retained losses	Cumulative net gains and losses recognised in the consolidated income statement, adjusted for transfers on exercise of share options.

CONSOLIDATED BALANCE SHEET

At 31 December 2009

	Note	31 December 2009 €000	31 December 2008 €000
Assets			
Non-current assets			
Property, plant and equipment (PPE)		5,976	6,265
Exploration and evaluation assets	3	29,436	28,582
Available for sale investment		34	34
Other receivables		1,909	2,576
Total non-current assets		<u>37,355</u>	<u>37,457</u>
Current assets			
Inventories		2,635	2,764
Trade and other receivables		3,023	3,934
Cash and cash equivalents		5,907	5,703
		<u>11,565</u>	<u>12,401</u>
Total assets		<u>48,920</u>	<u>49,858</u>
Liabilities			
Current liabilities			
Trade and other payables		3,794	7,343
Other financial liabilities		478	5
Corporation tax liability		115	184
Total current liabilities		<u>4,387</u>	<u>7,532</u>
Non-current liabilities			
Financial liabilities		17,766	12,951
Provisions		7,339	5,094
Total non-current liabilities		<u>25,105</u>	<u>18,045</u>
Total liabilities		<u>29,492</u>	<u>25,577</u>
Net Assets		<u>19,428</u>	<u>24,281</u>
Capital and reserves attributable to equity holders of the company			
Share capital		11,285	11,285
Share premium reserve		20,053	20,053
Warrant and share option reserve		723	1,026
Convertible debt option reserve		68	68
Retained losses		(12,701)	(8,151)
Total Equity		<u>19,428</u>	<u>24,281</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Year ended 31 December 2009 €000	Six months ended 31 December 2008 €000
Cash flows from operating activities		
Loss for the year/period	(5,022)	(2,034)
Adjustments for:		
Depreciation, depletion and amortization	1,164	930
Impairment	1,583	1,874
Foreign exchange gains	-	250
Share-based payments expense	169	413
Loss on disposal of PPE	12	-
Finance income	(421)	(1,845)
Finance expense	1,010	148
Income tax expense	52	94
Finance impact on decommissioning actualization	464	507
Cashflows from operating activities before changes in working capital and provisions	(989)	337
Decrease/(Increase) in inventories	188	(849)
Decrease in trade and other receivables	1,578	2,011
Decrease in trade and other payables	(3,543)	(7,781)
(Decrease)/Increase in provisions	(128)	17
Net cash flows from operating activities	<u>(2,894)</u>	<u>(6,265)</u>
Investing activities		
Purchases of PPE & intangible assets	(1,379)	(7,751)
Interest received	34	198
Net cash used in investing activities	<u>(1,345)</u>	<u>(7,553)</u>
Financing activities		
Issue of ordinary shares	-	126
Interest paid	(348)	-
Loan draw down	-	8,235
Convertible loan draw down	4,896	-
Costs of financing	(96)	-
Net cash generated from financing activities	<u>4,452</u>	<u>8,361</u>
Net increase/(decrease) in cash and cash equivalents	<u>213</u>	<u>(5,457)</u>
Cash and cash equivalents at the beginning of the year	5,703	11,293
Foreign exchange losses on cash and cash equivalents	<u>(9)</u>	<u>(133)</u>
Cash and cash equivalents at the end of the year	<u>5,907</u>	<u>5,703</u>

Notes to the consolidated financial information
For the year ended 31 December 2009

1. Accounting Policies and Basis of preparation

Basis of Preparation

The financial statements of the Group for the twelve months ended 31 December 2009 have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by European Union.

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2009 or period ended 31 December 2008 but is derived from those accounts. Statutory accounts for 2008 have been delivered to the registrar of companies, and those for 2009 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, and (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237 (2) or (3) of the Companies Act 1985 in respect of the accounts for 2008 nor a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2009.

This announcement does not constitute the Group's annual report and statutory accounts

Going Concern

The directors consider that it is appropriate for the accounts to be prepared on a going concern basis. At 31 December 2009, the Group had net assets of €19.428 million and net current assets of €7.178 million. The Group has an €18 million bank facility in place with HBOS the repayment date of which has been extended by one year from 2 September 2010 to 2 September 2011. On this facility, draw downs at 31 December 2009 amount to €8.583 million (December 2008 €8.583 million). Management has prepared cash flow projections which indicate that the Group can continue to meet its liabilities as they fall due and meet minimum spend commitments on its licences for a period of not less than 12 months from the date of authorisation of the financial statements.

2. Loss per share

	<i>Year ended 31 December 2009</i>	<i>Six months ended 31 December 2008</i>
	<i>€'000</i>	<i>€'000</i>
Numerator		
<i>Loss for the year</i>	<i>(5,022)</i>	<i>(2,034)</i>
Denominator		
<i>Weighted average number of shares used in basic EPS</i>	<i><u>38,912,736</u></i>	<i><u>38,908,934</u></i>
<i>Potential ordinary shares are excluded on the grounds that they are non dilutive.</i>		
<i>Loss per share attributable to the equity holders of the parent</i>		
<i>– Basic and diluted</i>	<i>€(0.13)</i>	<i>€(0.05)</i>

3. Intangible Assets

	<i>Gas Storage Asset</i>	<i>Other oil and gas exploration and evaluation assets</i>	<i>Total Group oil and gas exploration and evaluation assets</i>
	€'000	€'000	€'000
<i>Cost</i>			
<i>At 1 July 2008</i>	2,525	26,004	28,529
<i>Additions</i>	–	2,455	2,455
<i>Impairment</i>	–	(1,874)	(1,874)
<i>Movement on decommissioning assets</i>	(84)	(184)	(268)
<i>At 31 December 2008</i>	<u>2,441</u>	<u>26,401</u>	<u>28,842</u>
<i>Depreciation</i>			
<i>At 1 July 2008</i>	(119)	(13)	(132)
<i>Charge for the period</i>	–	(128)	(128)
<i>At 31 December 2008</i>	<u>(119)</u>	<u>(141)</u>	<u>(260)</u>
<i>Net book value</i>			
<i>At 31 December 2008</i>	<u>2,322</u>	<u>26,260</u>	<u>28,582</u>
<i>At 30 June 2008</i>	<u>2,426</u>	<u>25,971</u>	<u>28,397</u>
<i>Cost</i>			
<i>At 1 January 2009</i>	2,441	26,401	28,842
<i>Additions</i>	–	1,219	1,219
<i>Transfers</i>	–	149	149
<i>Impairment</i>	(1,000)	(583)	(1,583)
<i>Movement on decommissioning assets</i>	1,068	44	1,112
<i>At 31 December 2009</i>	<u>2,509</u>	<u>27,230</u>	<u>29,739</u>
<i>Depreciation</i>			
<i>At 1 January 2009</i>	(119)	(141)	(260)
<i>Charge for the period</i>	–	(43)	(43)
<i>At 31 December 2009</i>	<u>(119)</u>	<u>(184)</u>	<u>(303)</u>
<i>Net book value</i>			
<i>At 31 December 2009</i>	<u>2,390</u>	<u>27,046</u>	<u>29,436</u>

4. Segmental analysis

In the opinion of the Directors, the operations of the Group companies comprise one single operating segment conducting exploration, development, production, and sale of hydrocarbons and related activities. The Group operates in one geographic area, Italy.

The Group has five customers, representing 98% of the Group's revenues.

The primary financial statements presented reflect all the activities of this single operating segment.

The Group's single operating segment:

	Year ended 31 December 2009 €000	Six months ended 31 December 2008 €000
Total Revenues	3,666	3,380
Profit before tax	(4,970)	(1,940)
Total Non Current Assets	37,355	37,457
Total Non Current Liabilities	25,105	18,045

The Group's oil and gas revenues are generated entirely in Italy and result from sales to European based customers.

Non-Current Assets comprises investment in oil and gas assets and other non-current receivables. Further information related to Non-Current Liabilities.

The Group's other segment, being exploration in Malta, did not meet the quantitative threshold required by IFRS 8.

Management have therefore concluded that no separate segment reporting is required. In future, as the segment meets the quantitative threshold, relevant disclosures will be provided.

5. Post balance sheet events

Ombrina Mare Oil & Gas Field:

- 2P oil reserves doubled to 40 MM bbls and proven oil reserves (P1) increased to 12 MM bbls (issuance of SIM Independent Reserve Engineers certification, February 2010)
- appointment of BNP Paribas S.A. as Financial Adviser to assist the Company in assessing debt financing options for the field development
- Guendalina Gas field:
 - commencement of field development activities
- Italian onshore Gas:
 - gas production starts on Anzano gas field
- Grant of options:
 - on 11 March 2010, 755,000 options were granted over ordinary shares of the Company. The options have an exercise price of £0.45 and are exercisable between the first and fifth anniversaries of the date on which the options were granted;
 - 400,000 options are for employees and 355,000 are for directors of the Company; and
 - the grant of options to directors was as follows:

	New options granted	Total number of options held at date of report
Michael Bonte-Friedheim	100,000	400,000
Sergio Morandi	165,000	1,015,000
Chris Kelsall	90,000	90,000

Extension of loan facility:

On 1 June 2010, the Group entered an agreement with the Bank of Scotland plc to extend the date for redemption ("Facility Extension Agreement") of the BoS Facility from 2 September 2010 to 2 September 2011. Under the Facility Extension Agreement, the Group is, among other things required to pay EURIBOR, plus a margin, which increases each 90 days following 2 September 2010.

6. Contingent liability

There are no contingent liabilities as at the date of this report.