

CHAIRMAN'S STATEMENT

Dear Shareholder,

The successful appraisal of Ombrina Mare was a giant stride forward in the Company's aspiration to become a medium size oil and gas producer in the central Mediterranean area. The subsequent certification of some 20 million barrels of proven and probable oil reserves and 6.5 Bcf of proven and probable gas reserves at the Ombrina Mare Oil and Gas Field makes this a watershed year for the Company and sets us firmly on track to achieve our strategic goals.

During the year and immediately subsequent to the balance sheet date, the Company invested heavily in the Ombrina Mare Field. With the well completed, substantial oil and gas reserves certified and the initial platform and underwater infrastructure in place, the process of extracting value from the field is continuing apace. Extensive engineering and environmental studies have been initiated to ensure we develop Ombrina Mare following the highest health, safety and environmental standards and in a manner which maximises value for our shareholders.

We ultimately undertook a more ambitious programme at Ombrina Mare than had been contemplated two years ago - with both vertical and horizontal wells, a longer horizontal drain and the construction of a significant platform and underwater engineering works. We carried out testing and logging to enable reserves certification and completed the well as an oil producer. These steps were taken to expedite the development of the field and, given their scarcity in the region, to take full advantage of the availability of the jackup rig. Our in-house operational team, in conjunction with expert consultants we have engaged, are preparing development options for the oil and gas reserves at Ombrina Mare and we anticipate lodging a development plan for approval by the end of this calendar year.

As the project development proceeds through feasibility and development optimisation through to production we will continue to appraise and explore the BR 269 Permit, which contains the Ombrina Mare Field, for further hydrocarbons. This will involve both appraising other parts of the main Ombrina Mare Field as well as exploring the satellite structures and gas leads we have identified in the permit.

Due to its size, the Ombrina Mare Field now dominates the Company's assets and focus. The Company will continue to advance its full portfolio of assets but our focus will necessarily be directed towards maximising the value from Ombrina Mare and progressing rapidly towards receipt of the production concession from the Italian Ministry for Natural Resources. We will prudently be re-assessing our capital expenditure going forward to redirect our investment to nearer-term development projects to enhance shareholder value.

During this period the Company also acquired Medoigas Civita (formerly JGX Italia Ltd) to augment our Italian-based gas reserves. Another important event was the execution of a Production Sharing Agreement with the Government of Malta covering our substantial exploration acreage offshore Malta.

Financial Position and Results

Despite the apparent challenges in the debt markets the Company was able to put in place an €18 million facility with the Bank of Scotland. The facility was partially drawn down after the balance sheet date and utilised for Ombrina Mare and for the acquisition of Medoigas Civita. From this facility, €10 million is earmarked for the development of the Guendalina gas field, of which we own 20%.

The Group turnover was €5.4 million an increase of 10% from the previous year. Gas production was similar to last year at 0.7 Bcf while the average price obtained on our major gas sales contract was up 17% for the year and at the time of writing the last price received for September was up a further 30% at a price equivalent to more than USD15/Mcf.

The consolidated loss of €2.9 million compares to last year's €2.5 million. The loss was impacted by the falling GBP/Euro exchange rate and a write down on one of the Group's lesser assets. The exchange rate loss of €1.4 million arose predominantly from the presentation of the Company's GBP holdings in the accounts' currency (Euros). The Company has in fact converted £7.3 million from its GBP holdings directly into US dollars both during the year and after the balance sheet date and expended the US dollars directly on capital expenditure contracts denominated in US dollars relating to our Ombrina Mare, Monte Grosso and Maltese projects. The average GBP/USD exchange rate achieved was 1.96 USD/GBP which compares very well against the USD1.63/GBP prevailing at the time of writing this report. The write-down related to the Company's 11% interest in the unsuccessful Grenade 1 well which had a net value of €505,000.

Positive net operational cash flow continues to be strong. Cash reserves at the end of the year were €11.3 million. Much of this was utilised following the balance sheet date on Ombrina Mare and Monte Grosso expenditures. As at 24 October 2008 the Company had in place cash and un-utilised debt facilities of €14 million.

Promotion

The Company's operational success has not been reflected in its share price. Your Company, in line with developments in the broader financial markets, has been affected by the international financial turmoil and depressed prices for equities across the board. The management continues to promote the Company actively. A number of brokers issued revised research on the Company following the Ombrina Mare result.

Strategy

Your Company's focus will change from here. The Ombrina Mare Field has become the Company's flagship and a very significant project for a Company of our size. We hope and expect it will underwrite substantial returns to our shareholders for years to come. Nonetheless, we will continue to seek opportunities to increase our on-shore production including taking on new near-term development projects. The Company continuously reassesses its substantial exploration portfolio to ensure it has maximum upside for the required capital commitment. This process may involve reducing our exposure in some areas and securing our financial position.

In conclusion, I would like to thank our shareholders for their continued support and our employees for their dedication over the past year.

Michael Bonte-Friedheim
Chairman

OPERATIONS REPORT

Permit BR269 and the Ombrina Mare Oil & Gas Field

The Company's success with the Ombrina Mare 2 vertical and horizontal appraisal wells enabled independent reserve engineers to certify very significant oil and gas reserves. We are currently preparing development options and undertaking the preliminary feasibility analysis to enable an application for a production concession and the field development plan to be lodged with the Italian authorities by the end of 2008. We have engaged independent engineers to assist in undertaking this work. Whilst it is difficult to anticipate the final conclusions before receiving the completed reports, management's current expectation based on the presently certified reserves is for oil production of between 5,000 to 8,000 bbls/d utilising 5 oil production wells and gas production between 3 and 5 MMcf/d utilising 2 gas production wells. On this basis the current reserves is estimated to provide a field life of 15 to 20 years.

The development of the existing certified Ombrina Mare oil and gas reserves is a major project for our Company however the Permit covers an area of 270 km² and is highly prospective for the discovery or appraisal of additional oil and gas. Approximately 50% of the main Ombrina Mare field as delineated on the seismic has now been appraised for oil. All of the reserves certified to date come from the Oligio-Miocene carbonate level. The larger Cretaceous carbonate layer underlying the Oligio-Miocene are also known to be oil bearing although it is not known whether the oil trapped in this area will be recoverable.

The Company has identified within the Permit further remaining contingent oil resources of 11 to 18 MMbbls (best to high case) and 3 Bcf of best case contingent gas resources.

The unappraised prospective oil resources are currently being re-assessed. There are also a number of gas leads and resources which were not fully appraised by the OM2 wells - which were directed towards appraising a significant portion of the oil field as could be achieved with a single horizontal well.

The BR 269 Permit is highly prospective for further oil and gas fields and there are two other potential oil bearing structures with prospective resources of 10 to 20 MMbbls (best case to high case) in what have been denominated the Ombrina Mare South and South East structures. With the development of the Ombrina Mare Field any additional reserves which are identified may be developed using the infrastructure created for the Ombrina Mare field at minimal additional capital expense thereby lowering the commerciality threshold for the additional reserves. Further exploration of the permit is therefore a very high priority for the Company.

Guendalina

ENI the operator of the Guendalina Gas Field, currently under development, has advised it expects to receive the production concession grant by the end of 2008. Capital works will then commence. The Company has a 20% interest in this field which currently has 2P gas reserves of 22 Bcf (100% basis).

Exploration Projects

The Company has a portfolio of exciting large scale exploration projects the most notable of which are our Maltese acreage, the Monte Grosso prospect in the Basilicata region of Italy and our interest in the Medjerda permit in Tunisia.

The Company completed its Exploration Study on Blocks 4, 5, 6 and 7 of Area 4 Malta offshore (MOG 90% and operator) and has been granted a 20 year production sharing contract by the Government of Malta over these Blocks. There are a number of very large targets which are well advanced and we will continue to study these in preparation for drilling. Malta is a frontier province and our acreage adjoins the well known and highly sought after Libyan acreage.

The Monte Grosso well is arguably the highest profile exploration project in Western Europe. Commencement of the exploration well has been postponed due to the unavailability of the specialist drilling rigs required to conduct the well. It is now anticipated that the well will be drilled in 2009 with Saipem's Emsco 3 rig.

The first exploration well drilled on the Medjerda Permit in Tunisia (MOG 25%), while disappointing in that it was not a discovery well, provided evidence of a functioning hydrocarbon system within the vicinity. The joint venture has suspended the well and is undertaking further seismic to ascertain whether there is potential for an updip location that may be hydrocarbon bearing. The joint venture has also committed to undertake seismic in the north of this large permit where the proximity to infrastructure and other hydrocarbon discoveries makes it an ideal location for further exploration.

In our three major exploration projects, Malta, Monte Grosso and Tunisia, the Company has substantial stakes in areas that may deliver potential giant finds. The Company also has 13 exploration permits and 9 pending applications in Italy. Overall our exploration portfolio provides, in the Company's estimate best case unrisks prospective resources of 1.4 billion barrels of oil and 93 Bcf of gas net to the Company.

Given the focus we are now applying to Ombrina Mare, the Company's exploration strategy will be to target areas near existing infrastructure which could, in the event of a discovery, be brought on stream quickly. It is also to limit ourselves to our 3 large projects and potential re-assessment of the size of the stake in those projects to balance them with our other commitments going forward. We have also commenced a full review to re-assess the exploration and development potential in our Italian gas production acreage. Any new gas reserves discovered inside existing production concessions can be brought into production rapidly without any significant additional production cost or regulatory hurdles. The first results of this ongoing assessment are encouraging and a drilling campaign is being prepared.

Oil & Gas Reserves and Resources

The independent certification of 20 million barrels of 2P oil reserves at Ombrina Mare established the Company as having material oil reserves for the first time. 6.5Bcf of 2P gas reserves were also confirmed by the OM2 Well before the balance sheet date and independently certified in October 2008. They increased the Group's 2P gas reserves by 55% from 1 July 2007.

Net Oil Reserves & Resources in MMbbls					
	Reserves Proven plus Probable (2P) MMbbls	Best Estimate Contingent Resources MMbbls	High Estimate Contingent Resources MMbbls	Prospective Resources (unrisked) Best Estimate MMbbls	Prospective Resources (unrisked) 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

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 (Bcf)	Prospective Resources (unrisked) Best Estimate (Bcf)	Prospective Resources (unrisked) 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	17 ¹	25 ²	55 ²	93 ²	158 ²

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

Onshore Italy Production and Prices

The Italian onshore business performed well during the period. Production was maintained and gas prices have risen to a high of USD15/Mcf in August and September 2008.

Demand for our gas in Italy remains very strong and the Company has received a number of enquiries from potential new customers in relation to the anticipated new production from Guendalina, Aglavizza and Ombrina Mare. Gas prices rose significantly during the year and when the next contracts come up for re-negotiation in 2009 we hope to improve the contracts' terms and the gas price formula.

Our current gas price contracts set a price linked to 6 month historical oil prices (in Euros). Consequently prices will continue to rise in the short term but the recent drop in the oil price may take effect later if the trend continues.

The market for gas in Italy remains very tight. Most gas is supplied from Russia and price rises achieved by Gazprom means the premium charged for local gas has reduced in recent times. Our main supply contracts come up for renegotiation next year and the Company anticipates a very favourable outcome in the context where the cost and security of available alternative suppliers have worsened considerably relative to our offering.

In Italy there has been growing demand for alternative uses for some of our depleted fields. The Company has been approached by prospective users of gas storage services and is undertaking feasibility studies on two such fields, with the Cupoloni Field earmarked for early development for gas storage.

The Company acquired Medoilgas Civita Ltd during the year which brought with it the Aglavizza and Civita concessions. The Company continues to invest in the incremental expansion of reserves. We have invested in the Masseria de Palma 1 exploration well in the Lucera concession and the successful Vigna Nocelli 1 workover - which will generate new gas production from the Vigna Nocelli field.

Health and Safety

The Company continues to be committed to maintaining the highest standard in health, safety and environment management. No injuries have been reported since our operating Italian subsidiary was acquired in May 2005. The Ombrina Mare 2 wells and platform construction, the first Italian offshore wells carried out by an independent in over 20 years, were completed without any health, safety or environmental incidents.

Sergio Morandi
Chief Executive Officer

Mediterranean Oil & Gas Plc
Consolidated income statement for the year ended 30 June 2008

	Year ended Unaudited 30-Jun-08 €'000	Year ended Audited 30-Jun-07 €'000
	Note	
Revenue	5,425	4,922
Cost of sales	(2,263)	(1,719)
Gross Profit	3,162	3,203
Other operating income	194	95
Administrative expenses		
Depreciation, depletion and amortisation	(1,834)	(1,618)
Impairment	(505)	(2,158)
Other administrative expenses	(2,783)	(2,357)
Total administrative expenses	(5,122)	(6,133)
Loss from operations	(1,766)	(2,835)
Finance costs		
Unwinding of discount on provisions	(342)	(438)
Other finance costs	(367)	(443)
Foreign exchange	(1,451)	-
Total finance costs	(2,160)	(881)
Finance income	779	1,495
Loss before tax	(3,147)	(2,221)
Tax credit/(expense)	198	(287)
Loss for the year attributable to the equity holders of the parent	(2,949)	(2,508)
Loss per share attributable to the equity holders of the parent		
- Basic and diluted	3 (0.08)	(0.07)

All amounts relate to continuing activities

Mediterranean Oil & Gas Plc
Unaudited Consolidated statement of changes in equity for the year ended 30 June 2008

	Share Capital	Share Premium Reserve	Foreign Exchange Reserve	Share Option Reserve	Convertible Debt Option Reserve	Retained Losses	Total
Group	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 1 July 2006	9,783	13,527	(11)	689	68	(1,363)	22,693
Exchange differences arising on translation of foreign operations	-	-	11	-	-	-	11
Net loss recognised directly in equity	-	-	11	-	-	-	11
Loss for the year	-	-	-	-	-	(2,508)	(2,508)
Total recognized income and expense in the year	-	-	11	-	-	(2,508)	(2,497)
Share-based payments	-	-	-	495	-	-	495
As at 30 June 2007	9,783	13,527	-	1,184	68	(3,871)	20,691
At 1 July 2007	9,783	13,527	-	1,184	68	(3,871)	20,691
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-
Net loss recognised directly in equity	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	-	(2,949)	(2,949)
Total recognized income and expense for the year	-	-	-	-	-	(2,949)	(2,949)
Shares issued	1,477	6,425	-	-	-	-	7,902
Share-based payments	-	-	-	(389)	-	521	132
As at 30 June 2008	11,260	19,952	-	795	68	(6,299)	25,776

Mediterranean Oil & Gas Plc
Consolidated balance sheet at 30 June 2008

	<u>Note</u>	2008 €'000 Unaudited	2007 €'000 Audited
Assets			
Non-current assets			
Property, plant and equipment (PPE)		6,559	9,304
Intangible assets	6	28,397	9,367
Financial assets		34	34
Deferred tax assets		-	80
Total non-current assets		<u>34,990</u>	<u>18,785</u>
Current assets			
Inventories		1,915	1,130
Trade and other receivables		8,521	3,298
Cash and cash equivalents		11,293	14,878
Total current assets		<u>21,729</u>	<u>19,306</u>
Total assets		<u>56,719</u>	<u>38,091</u>
Liabilities			
Current liabilities			
Trade and other payables		19,656	5,657
Other financial liabilities		5,761	84
Corporation tax liability		47	278
Total current liabilities		<u>25,464</u>	<u>6,019</u>
Non-current liabilities			
Financial liabilities		348	6,378
Provisions		5,131	5,003
Total non-current liabilities		<u>5,479</u>	<u>11,381</u>
Total Liabilities		<u>30,943</u>	<u>17,400</u>
NET ASSETS		<u>25,776</u>	<u>20,691</u>
Capital and reserves attributable to equity holders of the company			
Share capital		11,260	9,783
Share premium reserve		19,952	13,527
Share option reserve		795	1,184
Convertible debt option reserve		68	68
Foreign exchange reserve		-	-
Retained losses		(6,299)	(3,871)
TOTAL EQUITY		<u>25,776</u>	<u>20,691</u>

Mediterranean Oil & Gas Plc
Consolidated cash flow statement for the year ended 30 June 2008

	2008	2007
	€'000	€'000
	Unaudited	Audited
Operating activities		
Loss for the year	(2,949)	(2,508)
Adjustments for:		
Depreciation, depletion and amortisation	1,834	1,618
Impairment	505	2,158
Foreign exchange adjustments	1,451	(385)
Share-based payments	132	495
Finance income	(779)	(1,495)
Interest expense	367	443
Income tax/(credit) expense	(198)	287
Unwinding of discount on provisions	342	438
Cash flows from operating activities before changes in working capital and provisions	705	1,051
(Increase) in inventories	(785)	(693)
(Increase) in trade and other receivables	(4,875)	(837)
Increase in trade and other payables	6,246	3,249
Increase in provisions	17	(17)
Cash generated from operations	1,308	2,753
Income taxes paid	-	(262)
Net cash flows from operating activities	1,308	2,491
Investing activities		
Purchases of PPE & intangible assets	(11,140)	(4,141)
Interest received	779	783
	(10,361)	(3,358)
Financing activities		
Issue of ordinary shares (net of issue costs)	7,902	-
Interest paid	(12)	(322)
	7,890	(322)
Foreign exchange (losses)/gains in cash and cash equivalents	(2,422)	385
Decrease in cash and cash equivalents	(3,585)	(804)
Cash and cash equivalents at the beginning of the year	14,878	15,682
Cash and cash equivalents at the end of the year	11,293	14,878

Mediterranean Oil & Gas Plc
Notes to the consolidated financial information

1. Accounting Policies and Presentation of financial information

The financial information in this preliminary announcement has been prepared on the basis of the accounting policies as set out in the most recently published set of annual financial statements, and are consistent with those to be used in the forthcoming annual financial statements.

The financial information set out above does not constitute the Group's statutory accounts for the year ended 30 June 2008 and is unaudited. It has not been delivered to the Registrar of Companies. The financial information presented for the year ended 30 June 2007 does not constitute the Group's statutory accounts for the year ended 30 June 2007 but is derived from those accounts. Statutory accounts for 2007 have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their reports were unqualified and did not include references to any matters to which the auditors drew attention to by way of emphasis without qualifying their report.

2. Segmental analysis

The Group operates in one business segment, the exploration for and production of oil and gas. The Group has interests in three geographical segments:

	Mediterranean Region	United Kingdom [Corporate Headquarters]	Australia	Total
	2008	2008	2008	2008
	€'000	€'000	€'000	€'000
	Unaudited	Unaudited	Unaudited	Unaudited
Revenue	5,425	-	-	5,425
Other operating income	147	-	47	194
Profit/(Loss) before taxation	89	(2,643)	(593)	(3,147)
Assets	45,617	10,603	499	56,719
Liabilities	24,619	6,302	22	30,943
Capital expenditure	19,383	1	-	19,384
Depreciation, amortization and impairment	2,338	1	-	2,339
Share-based payments (non-cash)	-	133	-	133
Interest on convertible bonds (non-cash)	-	355	-	355

- 1 All turnover is sold to third parties in the segment of origin
- 2 Net assets exclude intra-Group financing

Mediterranean Oil & Gas Plc
Notes to the consolidated financial information

	Mediterranean Region	United Kingdom [Corporate Headquarters]	Australia	Total
	2007	2007	2007	2007
	€'000	€'000	€'000	€'000
	Audited	Audited	Audited	Audited
Revenue	4,922	-	-	4,922
Other operating income	-	-	95	95
Profit/(Loss) before taxation	(2,657)	476	(40)	(2,221)
Assets	24,088	13,838	165	38,091
Liabilities	10,597	6,643	160	17,400
Capital expenditure	4,141	-	-	4,141
Depreciation, amortisation and impairment	3,776	-	-	3,776
Share-based payments (non-cash)	-	495	-	495
Interest on convertible bonds (non-cash)	-	613	-	613

1. All turnover is sold to third parties in the segment of origin
2. Net assets exclude intra-Group financing.

3. Loss per share

	2008	2007
	€'000	€'000
	Unaudited	Audited
<i>Numerator</i>		
Loss for the year	(2,949)	(2,508)
<i>Denominator</i>		
Weighted average number of shares used in basic EPS	36,846,345	33,612,738

The effect of the potential ordinary shares is antidilutive.

4. Post balance sheet events

Execution of Production Sharing Contract over Area 4, Blocks 4,5,6 & 7 offshore Malta as per release dated 21 July 2008.

Gas reserves certification and resource of 6.5 Bcf of proven plus probable 2P gas reserves at Ombrina Mare oil and gas field as per release dated 6 October 2008.

Mediterranean Oil & Gas Plc
Notes to the consolidated financial information

5. Contingent liability

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

6. Intangible Assets

	Group Oil and Gas Exploration and Evaluation Assets	Company Oil and Gas Exploration and Evaluation Assets
	2007 €'000	2007 €'000
Cost		
At 1 July 2006	2,745	189
Additions	3,469	-
Disposals	(144)	-
Impairment	(2,158)	-
Transfer from/(to) tangible assets	5,512	-
At 30 June 2007	<u>9,424</u>	<u>189</u>
<i>Depreciation</i>		
At 1 July 2006	(19)	-
Charge for the year	(35)	-
Transfer from/(to) tangible assets	(3)	-
At 30 June 2007	<u>(57)</u>	<u>-</u>
<i>Net book value</i>		
At 30 June 2007	<u>9,367</u>	<u>189</u>
	2008 €'000	2008 €'000
Cost		
At 1 July 2007	9,424	189
Additions	19,610	-
Impairment	(505)	-
At 30 June 2008	<u>28,529</u>	<u>189</u>
Depreciation		
At 1 July 2007	(57)	-
Change for the year	(29)	-
Transfer from/(to) tangible assets	(46)	-
At 30 June 2008	<u>(132)</u>	<u>-</u>
Net book value		
At 30 June 2008	<u>28,397</u>	<u>189</u>
At 30 June 2007	9,367	189

6. Intangible Assets (continued)

The value of intangible assets includes an amount of €2,513,168 relating to a proposed gas storage project at the depleted Cupoloni gas field. The Company is in the process of preparing a full feasibility study which is anticipated to be available in 2009. If ultimately the feasibility study is not positive then it is likely that the sum of €2,513,168 currently included in intangible assets representing the value of the Cupoloni gas field will need to be written off.

7. Dividends

The directors do not recommend the payment of a dividend.