

## **Mediterranean Oil & Gas Plc (AIM : MOG)**

### **Preliminary Group Results for the year ending 31 December 2008**

The Directors of Mediterranean Oil & Gas Plc are pleased to present the Company's preliminary report and financial statements for the year ending 31 December 2008.

#### **Highlights within the reported period**

- Certification of 6.5 Bcf proved and probable gas reserves at Ombrina Mare.
- Execution of the production sharing agreement over blocks 4, 5, 6 & 7 of Area 4 Offshore Malta.
- Completion of platform and connecting pipes at the OM2 site.
- Completion of the Ombrina Mare Field Development Plan and application for a Production Concession over the field
- Award of the Aglavizza production concession

#### **Post Period Highlights**

- Italian Environment Ministry approves the Guendalina field development plan
- Gas production starts from Vigna Nocelli well
- Completion of Ombrina Mare oil and gas field preliminary feasibility study

Chairman Michael Bonte-Friedheim stated:

*"In these challenging times, the cash flow generated by our Italian production allows us more flexibility than many other independent E & P companies. The Company continues to progress its suite of development and exploration projects in a prudent fashion whilst being vigilant to actively manage our cost base and preserve the balance sheet. The development of the Guendalina gas field and progressing development of our 100% owned Ombrina Mare oil and gas discovery are the Company's priorities and continue to advance satisfactorily with significant milestones being achieved for both projects pre and post the year end."*

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## **CHAIRMAN'S STATEMENT**

Dear Shareholder,

On the occasion of our last General Meeting in January of this year the Board had advised the meeting that for good administrative reasons we will be changing our financial reporting year end from June to December. This procedure will necessitate another General Meeting in June of this year.

During the period since our General Meeting in January the Company has revised its works programme to bring its operations in line with the current adverse economic environment. In doing so, the Board has had to balance the two imperatives of firstly ensuring that our production and consequent revenues continue to be secure and secondly whilst significantly cutting back on our works programme we continue to progress albeit in a more modest manner our development plans for Ombrina Mare, Guendalina and other lesser assets awaiting development. Securing our revenues in a climate of falling fuel prices may only be achieved through higher efficiencies and higher production. We are pleased to report that the Company is well on the way to achieve that objective through streamlining of our operational system and bringing on new production as in the case of the recently announced new production at Vigna Nocelli.

In an ideal world we would be continuing to aggressively pursue the development of our 100% owned Ombrina Mare concession in a climate of falling construction and drilling costs, and ready the Company to derive the benefits of a material recovery in the oil price as it enters its production phase in 2011 and subsequent to that.

The current economic climate is clearly far from ideal. Whilst our revenues from sales continue to adequately cover our operational costs, those revenues do not provide for any material contribution towards progressing our development plans for Ombrina Mare.

In light of the above, the Board considered it prudent to seek further funding. As we face a particularly difficult environment for both debt and equity finance, the Board has decided to pursue a small raising to allow us to continue on our timetable for developing Ombrina Mare whilst maintaining a reasonable degree of headroom to our forecast capital requirements. We will of course still need full project finance for the Ombrina Mare construction cost but we will only require that in late 2010 when hopefully access to construction and development finance will have improved.

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

**Michael Bonte-Friedheim**  
Chairman

## **OPERATIONS REPORT**

The current adverse economic climate clearly calls for more prudent and selective management of the Company's assets and accordingly our priorities have changed to take into account the prevailing commercial realities.

In this context the Company continues to prioritise the development of its 100% owned Ombrina Mare oil & gas field and of the 20% owned Guendalina gas field. The Company is actively working to maximise the gas production potential from its existing portfolio of production concessions and the utilisation of the existing production wells, gas production plants and other infrastructure, to re-assess the potential of the existing exploration acreage and to reduce and rationalise costs and investments.

### **Financial Results**

The Company's financial year end was changed to bring it in line with the standard reporting timetable for our joint ventures in Italy. Consequently the period covered by this report is only the six months to 31 December 2008. Group turnover was €3,380,000 for the six month period compared to the €5,425,000 for the previous twelve months.

The gross profit for the period of €2.14 million also compared favourably with the €3.16 million for the full previous year.

The loss from operations was affected by the Board's decision to fully impair the value of its interest in the Medjerda permit in Tunisia.

### **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. During the second half of 2008, the main activity at Ombrina Mare focused on:

- completion of temporary platform and connecting pipes at OBM2dir site
- independent certification of 6.5 Bcf of 2P gas reserves
- submission of the Production Concession Application to the Italian authorities
- execution of the field development plan ("FDP") and feasibility study.

Following completion of the OBM2dir temporary platform and its certification by the responsible Italian authority, the Italian authorities formally recognised the hydrocarbon discovery and the main conclusions of the feasibility study for FDP prepared by Proger Engineers.

The Company has submitted, on schedule, the Production Concession Application to the Italian Ministry of Economic Development.

### **Italy oil producer well Ombrina Mare 2Dir – view of platform and well head**

The Company estimates that the technical and environmental approval process should be completed by Q2 2010 and that the production concession should be granted shortly afterwards.

The Ombrina Mare Production Concession Application (denominated d30 BC MD) covers an offshore area of approximately 150 sqkm inside the existing exploration permit BR 269 CG (270 sqkm).

The FDP was designed to produce the 20 MMbbls and 6.5 Bcf of certified 2P oil and gas reserves from the Ombrina Mare Oil and Gas Field. Oil and gas production from the main Ombrina Mare field should progressively reach 5,000 to 7,500 bbls/d of oil and 3.5 MMcf/d of gas. Production, in the current most likely case, is expected to start by 2011 once all of the development wells have been drilled and the production facilities are in place, and on this basis the current reserves are estimated to provide a field life of 15 to 20 years.

The FDP provides for a proposed development with:

- a single production platform at the OM2dir producer well location;
- 5 development wells (including the already completed and suspended oil producer OM2dir) two of which will have a double completion for oil and gas;
- 1 FPSO plant designed for a maximum oil production of 10,000 bbls/d and to store up to 50,000 tonnes of oil;
- a 12km submarine gas pipeline to connect directly offshore the produced gas from the Ombrina Mare area to an existing gas production plant.

Based on the pricing prevailing for oil services in early 2008 when the sector was enjoying boom conditions, capital expenditure to implement the FDP was estimated to be approximately 160 million euro. The oil services market is expected to become more competitive in 2009 and 2010, and the Company anticipates that it should be possible to achieve significant capex savings when it seeks tenders to perform the work.

An additional development plan has also been submitted for approval to appraise and explore the additional contingent and prospective oil and gas resources identified inside the production concession area once the main Ombrina Mare Oil and Gas Field is in full production.

In September 2008, independent reserve engineers certified P1 & P2 gas reserves of 6.5 Bcf and P3 of 2.9 Bcf in addition to the P1 & P2 oil reserves of 20 MMbbls of recoverable oil at Ombrina Mare they certified in June 2008.

The Company has completed a re-assessment of the hydrocarbon resource potential of the permit area.

	d30 BC MD Reserves (1)		d30 BC MD Resources (2)	
	P1 & P2	P3	Contingent (best to high case)	Prospective (best to high case)
Ombrina Mare - Oil	20 MMbbls		11 to 18 MMbbls	
Ombrina Mare – Gas	6.5 Bcf	2.9 Bcf	2.8 to 3.4 Bcf	
Other prospects – Oil				10 to 20 MMbbls
Other Prospects – Gas				4.0 to 8.0 Bcf

(1) Independent certification by SIM

(2) Company assessment

The reserves certification and the Company's reassessment of contingent and prospective resources confirmed that the permit and concession application areas are highly prospective for the discovery or appraisal of additional oil and gas.

Our reassessment has confirmed that there are several gas prospects and two other potential oil bearing structures with prospective resources of 10 to 20 MMbbls (best case to high case). With the development of the Ombrina Mare Field any additional reserves which are proven up from these resources 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.

## **Guendalina**

Following the environmental impact assessment approval from the Italian Ministry of the Environment the development of the gas field is planned on schedule. ENI, the operator of the Guendalina Gas Field, has advised it now expects to receive the production concession grant by the third quarter 2009. Capital works will then commence immediately and the first gas production is expected by late 2010. The Company has a 20% interest in this field which currently has 2P gas reserves of 22 Bcf (100% basis).

## **Northern Adriatic Gas Fields**

The Company has a 15% interest (ENI operated) in four gas discoveries and a mature exploration asset offshore Italy in the northern Adriatic. These fields represent net to the Company 19 to 48 Bcf (best to high case) contingent gas resources ready to move to P1 & P2 reserves when the development of these fields is authorised. Development authority for these fields had been frozen pending the resolution of certain environmental issues. The Italian Government has recently indicated it strongly favours the resolution of these issues and an expeditious completion of environmental evaluation to accelerate the decision to possibly lift the freeze on development in the relevant part of the northern Adriatic.

## **Exploration Projects**

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

## **Offshore Malta**

In July 2008 the Company was granted a 20 year Production Sharing Contract (PSC) by the Government of Malta over these Blocks. In this exploration acreage the Company has already identified 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.

### Italy- Monte Grosso

The Monte Grosso prospect is arguably the highest profile exploration project in Western Europe. MOG and its JV Partners (ENI and Total) have recently agreed to reschedule the drilling of the Monte Grosso 2 well to 2010 due to some residual permitting issues with the regional authorities and the current unavailability of a required specialist drilling rig to conduct the well.

### E&P Portfolio

The Company's Italian exploration portfolio comprises 13 exploration permits and 9 pending applications for exploration permits. Overall this exploration portfolio provides, in the Company's estimate (best case), prospective resources of 1.4 billion barrels of oil and 93 Bcf of gas net to the Company. In addition the Company has 17 production concessions in Italy (as well as three applications for production concession including one covering Ombrina Mare) many of which are prospective for further gas discoveries.

The Company has undertaken a full review to re-assess the exploration and development potential of the Italian gas production acreage to target areas near existing infrastructure which could, in the event of a discovery, be brought on stream quickly. Any new gas reserves discovered inside existing production concessions can be brought into production rapidly without significant additional production cost or regulatory hurdles. The first results of this ongoing assessment are encouraging and a drilling campaign is being prepared for the second half of year 2010.

### Oil & Gas Reserves and Resources

The Company increased its oil and gas reserves greatly in 2008. 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. The OM2 well also confirmed the gas field and 6.5Bcf of 2P gas reserves were independently certified in October 2008 increasing the Group's 2P gas reserves by 55%.

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 <sup>1</sup>	29 <sup>2</sup>	70 <sup>2</sup>	1,577 <sup>3</sup>	4,447 <sup>3</sup>
30 June 2007	0 <sup>1</sup>	29 <sup>2</sup>	70 <sup>2</sup>	1,291 <sup>4</sup>	3,614 <sup>4</sup>
30 June 2008	20 <sup>1</sup>	12 <sup>2</sup>	19 <sup>2</sup>	1,419 <sup>4</sup>	3,951 <sup>4</sup>
31 Dec 2008	20 <sup>1</sup>	12 <sup>2</sup>	19 <sup>2</sup>	1,419 <sup>4</sup>	3,951 <sup>4</sup>

**Source:** <sup>1</sup>: Independent certification by SIM.

<sup>2</sup>: Company assessment

<sup>3</sup>: RPS assessment

<sup>4</sup>: RPS assessment except for Company assessment of Monte Ardone and Monte Grosso with total of 74 MMbbls best case and 109 MMbbls high case

<b>Net Gas Reserves &amp; Resources in Bcf</b>					
	<b>Reserves Proven Plus Probable (2P) (Bcf)</b>	<b>Contingent Resources Best Estimate (Bcf)</b>	<b>Contingent Resources High Estimate (Bcf)</b>	<b>Prospective Resources (unrisked) Best Estimate (Bcf)</b>	<b>Prospective Resources (unrisked) High Estimate (Bcf)</b>
1 July 2006	12 <sup>1</sup>	21 <sup>2</sup>	50 <sup>2</sup>	20 <sup>2</sup>	44 <sup>2</sup>
30 June 2007	11 <sup>1</sup>	25 <sup>2</sup>	61 <sup>2</sup>	70 <sup>2</sup>	138 <sup>2</sup>
30 June 2008	10 <sup>1</sup>	25 <sup>2</sup>	55 <sup>2</sup>	93 <sup>2</sup>	158 <sup>2</sup>
31 Dec 2008	17 <sup>1</sup>	25 <sup>2</sup>	55 <sup>2</sup>	93 <sup>2</sup>	158 <sup>2</sup>

**Source:** <sup>1</sup>:Independent certification by SIM.  
<sup>2</sup>:Company assessment

### **Onshore Italy Production and Prices**

The Italian onshore gas business over the six month period to 31 December 2008 generally performed in line with the previous period. Gas production for the period was approximately 10 MMscm (0.35Bcf). Production was down approximately 13% mainly due to maintenance works on some of the production wells and related facilities.

The gas price on the main sales contract at the end of 2008 was €0.347/scm which was equivalent, as at 31 December 2008, to 13.86 USD per Mcf. This compared with a gas price of €0.333/scm as at 30 June 2008 on the same contract.

The market for gas in Italy remains very tight. Demand for our gas in Italy remains very strong and gas prices rose significantly in the second part of the year. Our current gas price contracts set a price linked to 6 month historical oil prices (in Euros). Consequently prices continued to rise to the end of the year, but the recent drop in the oil price is inevitably affecting the price in 2009.

### **New Gas Production**

As advised in the Company's recent trading update, the Company is progressing the development of additional gas assets which are waiting to come on stream. This is an ongoing process and may be summarised as follows:

- T. Celone Concession (MOG 50%) - Vigna Nocelli 1: Gas production started 1 April 2009.
- S. Andrea Concession ( MOG 40%) – Anzano 1: authorisations are progressing; first gas expected Q4 2009
- M. Grottavecchia Concession (MOG 20%) – Traetta 1: authorisations are progressing; first gas expected early 2010.
- Aglavizza Application for Concession (MOG 100%) – Civita 1: Award of the production concession expected Q4 2009 and first gas in 2010.
- S. Teodoro Concession (MOG 100%) - S.Teodoro 1 Work Over: commenced preparation of the technical program; works planned to commence in 2010.
- S.Basile Concession (MOG 100%) – S. Basile 1: a development feasibility study of the residual gas reserves is underway.
- Castel Di Lama Concession (MOG 26%) – F. Tronto 1: a development feasibility study has been started.

### **New Projects**

The Company is evaluating the possibility to developing gas storage facilities inside some of the depleted fields on the Company's production concession acreage.

A feasibility study undertaken for the Company by Politecnico Torino on the Cupoloni field is nearly complete and a review of the legal and authorisation process relating to this study is underway.

## **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.

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

## **Glossary**

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
MMcf	Million cubic feet
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 SPE/WPC Standard
Prospective oil/gas resources	Has the meaning ascribed by the SPE/WPC Standard
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.

## FINANCIAL STATEMENTS

## Consolidated income statement for the six months ended 31 December 2008

	<b>Unaudited</b>	<b>Audited</b>
	<b>Six months ended</b>	<b>Year ended</b>
	<b>31 December 2008</b>	<b>30 June 2008</b>
	<b>€'000</b>	<b>€'000</b>
<b>Revenue</b>	3,380	5,425
Cost of sales	(1,243)	(2,263)
<b>Gross Profit</b>	<u>2,137</u>	<u>3,162</u>
Other income	42	194
<b>Administrative expenses</b>		
Depreciation, depletion and amortisation	(930)	(1,834)
Impairment	(1,874)	(505)
Other administrative expenses	(2,505)	(2,783)
Total administrative expenses	<u>(5,309)</u>	<u>(5,122)</u>
<b>Loss from operations</b>	(3,130)	(1,766)
<b>Finance costs</b>		
Unwinding of discount on provisions	2 (507)	(342)
Other finance expense	2 (148)	(367)
Foreign exchange	2 -	(1,451)
Total finance expense	<u>(655)</u>	<u>(2,160)</u>
Finance income	2 198	779
Gain on changes in terms of convertible bonds	2 520	-
Foreign exchange income	2 1,127	-
Total finance income	<u>1,845</u>	<u>779</u>
<b>Loss before tax</b>	(1,940)	(3,147)
Tax credit /(expense)	(94)	198
<b>Loss for the year attributable to the equity holders of the parent</b>	<u>(2,034)</u>	<u>(2,949)</u>
<b>Loss per share attributable to the equity holders of the parent</b>		
- Basic and diluted	<u>€(0.05)</u>	<u>€ (0.08)</u>

All amounts relate to continuing activities.

**Mediterranean Oil & Gas Plc**

**Unaudited Consolidated statement of changes in equity for the six months ended 31 December 2008**

<b>Group</b>	<b>Share Capital</b>	<b>Share Premium Reserve</b>	<b>Share Option Reserve</b>	<b>Convertible Debt Option Reserve</b>	<b>Retained Losses</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
At 1 July 2007	9,783	13,527	1,184	68	(3,871)	20,691
Net loss recognised directly in equity	-	-	-	-	-	-
Loss for the year	-	-	-	-	(2,949)	(2,949)
Total recognised income and expense for the year	-	-	-	-	(2,949)	(2,949)
Shares issued	1,477	6,425	-	-	-	7,902
Share-based payments	-	-	(389)	-	521	132
At 30 June 2008	11,260	19,952	795	68	(6,299)	25,776
At 1 July 2008	11,260	19,952	795	68	(6,299)	25,776
Net loss recognised directly in equity	-	-	-	-	-	-
Loss for the period	-	-	-	-	(2,034)	(2,034)
<b>Total recognised income and expense for the period</b>	-	-	-	-	(2,034)	(2,034)
Shares issued	25	101	-	-	-	126
Share-based payments	-	-	231	-	182	413
As at 31 December 2008	11,285	20,053	1,026	68	(8,151)	24,281

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

<b>Reserve</b>	<b>Description and purpose</b>
Share capital	Amount subscribed for ordinary share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value
Share option	Cumulative fair value of options charged to the income statement, adjusted for transfers on exercise of share options
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.

**Mediterranean Oil & Gas Plc**

**Consolidated balance sheet at 31 December 2008**

<b>Assets</b>	<b>Note</b>	<b>Unaudited 31 December 2008 €'000</b>	<b>Audited 30 June 2008 €'000</b>
<b>Non-current assets</b>			
Property, plant and equipment (PPE)	4	6,265	6,559
Exploration and evaluation assets	5	28,582	28,397
Available for sale investment		34	34
Other receivables		2,576	-
		-----	-----
Total non-current assets		37,457	34,990
<b>Current assets</b>			
Inventories		2,764	1,915
Trade and other receivables		3,934	8,521
Cash and cash equivalents		5,703	11,293
		-----	-----
		12,401	21,729
		-----	-----
<b>Total assets</b>		<b>49,858</b>	<b>56,719</b>
		-----	-----
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		7,343	19,656
Other financial liabilities		5	5,761
Corporation tax liability		184	47
		-----	-----
Total current liabilities		7,532	25,464
<b>Non-current liabilities</b>			
Financial liabilities		12,951	348
Provisions		5,094	5,131
		-----	-----
Total non-current liabilities		18,045	5,479
		-----	-----
Total liabilities		25,577	30,943
		-----	-----
<b>NET ASSETS</b>		<b>24,281</b>	<b>25,776</b>
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**Mediterranean Oil & Gas Plc**

**Consolidated balance sheet at 31 December 2008 (Continued)**

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	Note	31 December 2008 €'000	30 June 2008 €'000
<b>Capital and reserves attributable to equity holders of the company</b>			
Share capital		11,285	11,260
Share premium reserve		20,053	19,952
Share option reserve		1,026	795
Convertible debt option reserve		68	68
Retained losses		(8,151)	(6,299)
<b>TOTAL EQUITY</b>		<b>24,281</b>	<b>25,776</b>

**Mediterranean Oil & Gas Plc**

**Consolidated cash flow statement for the six months ended 31 December 2008**

	<b>Unaudited Six months ended 31 December 2008 €'000</b>	<b>Audited Year ended 30 June 2008 €'000</b>
<b>Cash flows from operating activities</b>		
Loss for the year	(2,034)	(2,949)
Adjustments for:		
Depreciation, depletion and amortisation	930	1,834
Impairment	1,874	505
Foreign exchange adjustments gains/(losses)	250	-
Share-based payments expense	413	132
Finance income	(1,845)	(779)
Finance expense	148	1,818
Income tax expense	94	(198)
Finance impact on decommissioning actualisation	507	342
	<hr/>	<hr/>
<b>Cashflows from operating activities before changes in working capital and provisions</b>	337	705
(Increase) in inventories	(849)	(785)
(Increase)/decrease in trade and other receivables	2,011	(4,875)
Increase/(decrease) in trade and other payables	(7,781)	6,246
Increase/(decrease) in provisions	17	17
	<hr/>	<hr/>
<b>Cash generated from/(used by) operations</b>	(6,265)	1,308
Income taxes paid	-	-
	<hr/>	<hr/>
<b>Net cash flows from operating activities</b>	(6,265)	1,308
	<hr/>	<hr/>
<b>Investing activities</b>		
Purchases of PPE & intangible assets	(7,751)	(11,140)
Interest received	198	779
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	(7,553)	(10,361)
	<hr/>	<hr/>
<b>Financing activities</b>		
Issue of ordinary shares	126	7,902
Interest paid	-	(12)
<b>Loan draw down</b>	8,235	-
	<hr/>	<hr/>
<b>Net cash generated from financing activities</b>	8,361	7,890
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	(5,457)	(1,163)
	<hr/>	<hr/>
Cash and cash equivalents at the beginning of the year	11,293	14,878
<b>Foreign exchange (losses)/gains on cash and cash equivalents</b>	(133)	(2,422)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	5,703	11,293
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**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 six month period ended 31 December 2008 and is unaudited. It has not been delivered to the Registrar of Companies. The financial information presented for the year ended 30 June 2008 does not constitute the Group's statutory accounts for the year ended 30 June 2008 but is derived from those accounts. Statutory accounts for 30 June 2008 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. Finance income and expense

	<b>Unaudited</b> <b>Six months ended</b> <b>31 December 2008</b> <b>€'000</b>	<b>Audited</b> <b>Year ended</b> <b>30 June 2008</b> <b>€'000</b>
<i>Finance income</i>		
Bank interest received	198	779
Gain on change in terms of convertible bonds	520	-
Gain on exchange	1,127	-
	<u>1,845</u>	<u>779</u>
<i>Finance expense</i>		
Unwinding of discount on provisions	507	342
Convertible debt	148	355
Interest on late UK tax and bank interest paid	-	12
Foreign exchange loss	-	1,451
	<u>655</u>	<u>2,160</u>

## 3. Loss per share

	<b>Unaudited</b> <b>Six months ended</b> <b>31 December 2008</b> <b>€'000</b>	<b>Audited</b> <b>Year ended</b> <b>30 June 2008</b> <b>€'000</b>
<i>Numerator</i>		
Loss for the year	(2,034)	(2,949)
	<u>(2,034)</u>	<u>(2,949)</u>
<i>Denominator</i>		
Weighted average number of shares used in basic EPS	38,908,934	36,846,345
	<u>38,908,934</u>	<u>36,846,345</u>

The potential ordinary shares are not dilutive. The number of potential shares excluded on the grounds that they are non dilutive is 11,773,000 (2008: 10,674,500)

Loss per share attributable to the equity holders of the parent

- Basic and diluted	<u>€(0.05)</u>	<u>€ (0.08)</u>
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## Mediterranean Oil & Gas Plc

### Notes to the consolidated financial information

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#### 4. Property, plant and equipment

Group	Audited Year ended 30 June 2008		
	Plant and Equipment €'000	Oil and gas properties €'000	Total €'000
<i>Cost</i>			
At 1 July 2007	1,368	10,915	12,283
Additions	113	46	159
Movement on decommissioning assets	-	(819)	(819)
Transfer to intangible assets	-	(325)	(325)
At 30 June 2008	<u>1,481</u>	<u>9,817</u>	<u>11,298</u>
<i>Depreciation</i>			
At 1 July 2007	(345)	(2,634)	(2,979)
Charge for the year	(270)	(987)	(1,257)
Depreciation of decommissioning assets	-	(549)	(549)
Disposals	-	-	-
Transfer to intangible assets	-	46	46
At 30 June 2008	<u>(615)</u>	<u>(4,124)</u>	<u>(4,739)</u>
<i>Net book value</i>			
At 30 June 2008	<u>866</u>	<u>5,693</u>	<u>6,559</u>
At 30 June 2007	<u><u>1,023</u></u>	<u><u>8,281</u></u>	<u><u>9,304</u></u>

4. Property, plant and equipment (Continued)

	<b>Unaudited Six months ended 31 December 2008</b>		
	<b>Plant and Equipment</b>	<b>Oil and Gas properties</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<i>Cost</i>			
At 1 July 2008	1,481	9,817	11,298
Additions	52	823	875
Movement on decommissioning assets	-	(293)	(293)
Disposals	(3)	(73)	(76)
At 31 December 2008	1,530	10,274	11,804
<i>Depreciation</i>			
At 1 July 2008	(615)	(4,124)	(4,739)
Charge for the year	(158)	(525)	(683)
Depreciation of decommissioning assets	-	(119)	(119)
Disposals	2	-	2
At 31 December 2008	(771)	(4,768)	(5,539)
<i>Net book value</i>			
At 31 December 2008	759	5,506	6,265
At 30 June 2008	866	5,693	6,559

5. Intangible assets

	<b>Group oil and gas exploration and evaluation assets 2008 €'000</b>
<b><u>Audited</u></b>	
<i>Cost</i>	
At 1 July 2007	9,424
Additions	17,047
Medoilgas Civita assets acquired	1,576
Transfer from property, plant and equipment	325
Movement on decommissioning asset	662
Impairment	(505)
At 30 June 2008	<u>28,529</u>
<i>Depreciation</i>	
At 1 July 2007	(57)
Charge for the year	(29)
Transfer from tangible assets	(46)
At 30 June 2008	<u>(132)</u>
Net book value	
At 30 June 2008	<u>28,397</u>
At 30 June 2007	<u>9,367</u>
<b><u>Unaudited</u></b>	
<i>Cost</i>	
At 1 July 2008	28,529
Additions	2,455
Impairment	(1,874)
Movement on decommissioning assets	(268)
At 31 December 2008	<u>28,842</u>
<i>Depreciation</i>	
At 1 July 2008	(132)
Charge for the period	(128)
At 31 December 2008	<u>(260)</u>
Net book value	
At 31 December 2008	<u>28,582</u>
At 30 June 2008	<u>28,397</u>

**5. Intangible assets** *(Continued)*

*Recognition and reversal of impairment losses.*

The assets affected by impairment losses are oil and gas exploration and evaluation assets.

During the year an impairment loss of €1,874,033 was recognised. This impairment is related to the proposed withdrawal from the Group's Tunisian tenement resulting in a write off of all exploration expenditure.

Management reviewed the carrying values of exploration and evaluation assets, classified as intangible assets pending evaluation of commercially viable reserves, to ascertain the recoverability of values in respect of concessions where facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Recoverable amount is based on value in use. A discount rate of 10% has been used in the value in use calculation.

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.

**6. Capital commitments**

At 31 December 2008, the Group had committed €548,914 in operational and exploration expenditure relating to various concessions.

On 18 July 2008, after the year-end date, the Group signed a Production Sharing Agreement with the Maltese government paying a signing bonus rent and fees totalling net to the Group for US\$693,000 (€440,000) and committed to drill a well for a minimum cost of US\$5,000,000 (100% basis) during the first exploration phase which runs for 3 years to July 2011.