



30 September 2011

Unaudited Interim Results for the six month period ending 30 June 2011

The Board of Mediterranean Oil & Gas Plc (AIM: MOG) is pleased to present the Company’s Interim Report and Financial Statements for the half year ending 30 June 2011.

Financial Highlights

- Financial restructuring and capital raise eliminated financial debt from balance sheet, with a cash and cash equivalents balance of €17.5 million at 30 June 2011
- Revenue of €1.5million (H1 2010 €1.9 million) from gas and condensates sale of 4.74 MMscm (0.17 BCF) at an average gas sales price related to the main sale contract of 0.29 €/scm (12.0 USD/Mscf)
- After tax profit of €3.3 million impacted by the recapitalization of the Company in May 2011 (H1 2010: after tax loss of €4.7 million)

Operational Highlights

- Progression of Guendalina Gas Field development (20% MOG W.I.; 80% ENI W.I. and operator), with first gas scheduled to occur by the end of October.
- Favorable sales contract entered with the Italian Utility “Elettrogas”, for the entirety of MOG’s future gas production from the Guendalina field.
- First half gas production of 4.74 MMscm (0.17 BCF) versus 6.75 MMscm (0.2 Bcf) in H1 2010, due to natural field depletion and to the interruption of production for approximately two months, on certain gas fields for extraordinary maintenance and repairs.
- Extension of first exploration period of Malta PSC until January 2013 and extension of the Medjerda permit in Tunisia to December 2011.

Outlook

- Guendalina gas sales to materially increase the Company’s revenues and cash flow.
- Company will continue to extract value from other operating assets.
- Resolution of Ombrina Mare will continue to be actively pursued with the Italian Government.
- Strategy on Malta will be defined and implementation thereof initiated.
- Strategic growth opportunities will be pursued to grow the Company incrementally.

Michael Bonte-Friedheim, CEO, commented:

“MOG had a very active and transformational first half of 2011. The Company successfully concluded its financial restructuring to ensure its survival and progression of its key assets. The capital raised allowed us to fund our portion of the Guendalina gas field development programme, where first gas is scheduled to occur by the end of October, 2011. In addition, we extended the Malta exploration permit and are actively pursuing alternatives to fund the seismic campaign. Our strengthened financial position allows us to actively explore strategic growth opportunities and look forward with confidence.”

ENQUIRIES:

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Chairman and Chief Executive's Review

Dear Shareholder,

Mediterranean Oil & Gas plc ("MOG" or the "Company") is pleased to announce its first half results for 2011. The first half of the year has seen transformational developments on the financial and operational fronts. The financial restructuring completed in April has left MOG free of financial debt with a cash and cash equivalent position of €17.5 million at 30 June, while the operational progress at Guendalina (20% MOG W.I.), with first gas scheduled to commence by the end of October, 2011, provides the Company with a significant revenue base going forward. .

The Company's financial and operational position enables the Company to actively seek strategic growth opportunities while progressing its portfolio of production, development and exploration assets.

Production

In the first half of 2011, gas production was approximately 4.74 MMscm (0.17 BCF) which represented an approximate reduction of 30% relative to the first half of 2010. This was essentially due to the natural decline of existing fields, which was not fully offset by new gas production, and to the interruption to production at certain fields for about two months, arising from extraordinary maintenance and repairs. The start up of gas production at the Guendalina field, however, will more than triple the current gas production from Q4 2011.

On our main onshore gas sales contract, the gas sale price at the end of June 2011 was approximately 0.31 €/scm (12.3 USD per Mcf). Forward oil prices and in turn, forecast future gas prices, indicate that this positive trend may continue, with the gas price approaching 0.37 €/scm (12.0 USD/Mscf) by December 2011, based on the present forward curve for Brent oil prices (Source: Bloomberg).

The new gas sale contract signed in June 2011 for gas produced at Guendalina reflects current market conditions where different gas calculation formulas are negotiated between market participants. For this reason, the sales price for gas produced at Guendalina in December 2011 is expected to approach 0.31 €/scm (12.3 USD per Mcf).

Development

The Company's development efforts during the period under review were focused on the Guendalina and Ombrina Mare fields.

At Guendalina (20% MOG W.I.), development activities during the period included the installation of the production platform and the drilling of two production wells. Subsequent to the close of the period, the installation of all production infrastructure has now been completed, so that the gas field is ready to commence production. However, as a result of a technical problem which has arisen in relation to ENI's transportation facilities, first gas has been delayed by approximately four weeks and is now expected to occur prior to the end of October, 2011. No additional costs are expected to be charged to the Guendalina project as consequence of these technical problems. The drilling campaign has confirmed the previously discovered gas bearing sand levels and identified some minor new gas-bearing intervals. The Company has entered a gas sales contract with the Italian Utility Elettrogas at favourable terms which covers all the Company's net gas produced from the field.

With regard to Ombrina Mare, in early May 2011 the Company received preliminary notification from the Italian Government of the extension of the exploration permit BR 269 GC for three years. The Company expects to receive the formal decree before year-end 2011. Given the uncertainty regarding the effect of Legislative Decree 128 (D.L. 128) (the "Decree") on MOG's application for the award of the production concession for the field, the Company is continuing its active dialogue with the Italian Government, with a view to securing clarification. MOG is also working with external legal counsel on the analysis and implementation of alternative courses of action.

Exploration

Area 4 - Offshore Malta

On 17th May 2011 the Company agreed an 18 month extension of first exploration period of the Malta PSC with the Maltese Government, until January 2013. On 24th June 2011 the company announced the farm out of 75% WI to Dominion Petroleum plc (“Dominion”), subject to the approval of Dominion’s shareholder meeting. Subsequent to the period under review, Dominion was unable to secure the requisite majority vote required to approve, among other resolutions, entry into the Malta farm out agreement with MOG. Dominion therefore exercised its right to terminate the transaction. MOG is currently reviewing alternative solutions with regard to its Maltese acreage.

Monte Grosso – Onshore Italy

Permitting activity and existing well site maintenance works were the main activities conducted during the period. The Monte Grosso 2 exploration drilling project presently remains on hold, pending resolution of residual permitting issues, which the Group presently believes should be positively resolved and in turn, allow a project start up in the second half of 2012 (subject also to rig availability).

S. Laurent – Onshore France

The gas potential of the permit is currently under assessment. Large and high-risk gas leads of between 3 and 4 TCF have been highlighted in the area and an infill seismic campaign is currently being prepared to supplement existing seismic data and allow a more proper definition of the leads.

Other Exploration

In Tunisia, the extension of the Medjerda permit to December 2011 has been granted. The Company foresees no relevant residual activity or investments in this frontier exploration venture. In Italy, in addition, the Company also has a number of on-shore gas exploration prospects, mainly 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. During the period, a review of residual onshore gas exploration potential has been undertaken and a first ranking of the main prospects has been performed with the aim of planning the drilling of key exploration prospects and regenerating reserves and production inside and around the existing production acreage, over the next three years.

Financial Results

The combined effect of the Decree and general economic conditions in late 2010 required the Board to reduce discretionary expenditure in the first half of 2011 to those items which were subject to pre-existing contractual obligations. In addition, the Group was obliged to reduce further operational and exploration activity, except where this was considered to be essential to preserve the Group’s cash resources.

Revenues of €1.5 million were achieved in the 6 months ended 30 June 2011 (H1, 2010: €1.9 million) from gas and condensates sales of 4.74 MMscm (0.17 Bcf), at an average gas sales price related to the main sale contract of 0.29 €/scm (12.0 USD/Mscf). The decline in revenues occurred primarily as a result of the natural depletion of the Group’s on shore producing gas fields and extraordinary maintenance work which was required on certain fields. Despite a decline in gas sales revenues in the period relative to the half year ended 30 June, 2010, the Company achieved an after tax profit of €3.3 million (H1 2010: after tax loss of €4.7 million). However, this was attributable to a one off finance gain of €5.7m on the settlement of financial liabilities, arising as part of the Group’s recapitalisation.

On April 21, 2011, the Company announced its financial restructuring, which was completed on May 10, 2011. This transaction comprised the cancellation of the Bank of Scotland Credit Facility and conversion of all outstanding convertible bonds and loan notes to equity, eliminating approximately €20.4 million in financial debt from the balance sheet. At the same time, approximately £19.1 million in new equity (post cash transaction expenses) was raised, with the Group having a net cash and cash equivalent position of €17.5 million, at 30 June, 2011. Following completion of the financial restructuring, the Group has no financial debt and is now in a position to move forward with significantly greater financial flexibility.

The majority of the Company's available capital as at period end is destined to funding the Group's 20% interest in the Guendalina project, which is scheduled to commence first gas by the end of October 2011. MOG expects to remain in a sound funding position following full disbursement of capital expenditures required to complete the Guendalina field and the material increase in the Group's expected revenues arising from the commencement of production at Guendalina.

As part of the financial restructuring, Andrew Cochran was appointed as Non-Executive Chairman of the Company and Miles Donnelly and Michael Seymour joined the Board as additional non-executive directors of the Company.

Health and Safety

The Company continues to be committed to maintaining the highest standard in health, safety and environmental management. No injuries or environmental incidents have been reported for the period under review.

Outlook

The Company intends to leverage the restructuring and operational results achieved during the period and first gas from Guendalina to pursue its repositioning in the market. MOG now has a broad portfolio of production, development and exploration assets and a secure financial position. Revenues from gas sales are expected to provide a sound financial position going forward.

Over the next twelve months, MOG intends to progress its key assets across the board and pursue attractive and material strategic growth opportunities that we expect to identify.

On behalf of the Board, we thank you and our employees for the continued support of the Company.

Andrew Cochran

Michael Bonte-Friedheim

Sergio Morandi

Chairman

Chief Executive Officer

Chief Operating 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 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 SPE/WPC Standard
Prospective oil/gas resources	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.

INDEPENDENT REVIEW REPORT TO MEDITERRANEAN OIL & GAS PLC

Introduction

We have been engaged by the company to review the set of interim financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated statement of cash flows and related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the company a conclusion on the interim financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Emphasis of matter - Carrying value of Ombrina Mare

In forming our conclusion, which is not modified, we have considered the adequacy of the disclosures made in note 4 concerning the uncertainties surrounding the carrying value of the Ombrina Mare asset, which is recorded in the interim financial statements for the year ended 31 December 2010 at €18.3m. Due to the potential implications of the Legislative Decree June, no.128/2010 which prohibits certain E&P activities in selected sea and Italian coastal areas, there is a material uncertainty as to the potential impact of this legislation on the carrying value of the Ombrina Mare asset. In the absence of definitive opinion on the impact of the legislative decree the directors have not recognised an impairment charge.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

BDO LLP

Chartered Accountants and Registered Auditors

55 Baker Street

London

United Kingdom

Date

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income for the period ended 30 June 2011

	Note	Unaudited six months ended 30 June 2011 €'000	Audited year ended 31 December 2010 €'000	Unaudited six months ended 30 June 2010 €'000
Revenue		1,453	3,488	1,918
Cost of sales		(812)	(2,021)	(910)
Gross profit		641	1,467	1,008
Other operating income		484	554	33
Administrative expenses				
Depreciation, depletion and amortisation		(333)	(1,179)	(823)
Impairment	4	(1,042)	(3,388)	(1,300)
Other administrative expenses		(1,299)	(2,935)	(1,435)
Total administrative expenses		(2,674)	(7,502)	(3,558)
Loss from operations		(1,549)	(5,481)	(2,517)
Finance expenses		(1,188)	(2,784)	(2,374)
Finance income				
Finance gain on settlement of financial liabilities		5,707	-	-
Other finance income		363	482	186
Total finance income		6,070	482	186
Profit/(loss) before tax		3,333	(7,783)	(4,705)
Tax expenses		(18)	(37)	-
Profit/(loss) for the period and total comprehensive income attributable to the equity holders of the parent		3,315	(7,820)	(4,705)
Earnings/(loss) per share attributable to the equity holders of the parent				
Basic	5	€0.02	€(0.20)	€(0.12)
Diluted		€0.02	€(0.20)	€(0.12)

All amounts relate to continuing activities

Consolidated Statement of Financial Position at 30 June 2011

	Unaudited 30 June 2011	Audited 31 December 2010	Unaudited 30 June 2010
	€'000	€'000	€'000
Assets			
Non-current assets			
Property, plant and equipment	2,444	3,597	4,356
Exploration and evaluation assets	39,547	29,557	30,017
Available-for-sale investments	34	34	34
Other receivables	2,515	1,988	889
Total non-current assets	44,540	35,176	35,296
Current assets			
Inventories	2,578	2,603	2,621
Trade and other receivables	7,478	3,918	3,903
Cash and cash equivalents	17,478	2,810	4,762
Total current assets	27,534	9,331	11,286
Liabilities			
Non-current liabilities			
Financial liabilities	3	-	19,390
Provisions	6,930	6,669	7,941
Total non-current liabilities	6,930	6,669	27,331
Current liabilities			
Trade and other payables	16,589	5,525	3,818
Financial liabilities	-	20,379	313
Corporation tax liabilities	113	109	253
Total current liabilities	16,702	26,013	4,384
Total liabilities	23,632	32,682	31,715
Total net assets	48,442	11,825	14,867
Capital and reserves attributable to equity holders of the company			
Share capital – ordinary shares	4,899	11,285	11,285
Share capital – deferred shares	8	-	-
Share premium reserve	38,700	20,053	20,053
Warrant and share option reserve	2,940	859	814
Convertible debt option reserve	-	68	68
Contributed equity	8,111	-	-
Retained losses	(16,929)	(20,440)	(17,353)
Total equity	48,442	11,825	14,867

Consolidated Statement of Changes in Equity at 30 June 2011

	Share capital – ordinary shares €'000	Share capital - deferred shares €'000	Share premium reserve €'000	Contributed equity €'000	Warrant and share option reserve €'000	Convertible debt option reserve €'000	Retained losses €'000	Total equity €'000
Balance								
At 1 January 2010	11,285	-	20,053	-	723	68	(12,701)	19,428
Income for the period	-	-	-	-	-	-	(4,705)	(4,705)
Share based payments	-	-	-	-	144	-	-	144
Lapse of options	-	-	-	-	(53)	-	53	-
Unaudited balance at 30 June 2010	11,285	-	20,053	-	814	68	(17,353)	14,867
Balance at 1 January 2010	11,285	-	20,053	-	723	68	(12,701)	19,428
Income for the period	-	-	-	-	-	-	(7,820)	(7,820)
Share based payments	-	-	-	-	217	-	-	217
Lapse of options	-	-	-	-	(81)	-	81	-
Audited balance at 31 December 2010	11,285	-	20,053	-	859	68	(20,440)	11,825
Balance at 1 January 2011	11,285	-	20,053	-	859	68	(20,440)	11,825
Shares issued - fundraising	3,866	-	16,316	-	2,170	-	-	22,352
Shares issued – settlement of convertible debt	469	-	2,331	8,111	-	-	-	10,911
Share consolidation	(10,721)	10,721	-	-	-	-	-	-
Share option charge	-	-	-	-	39	-	-	39
Lapse of options	-	-	-	-	(128)	-	128	-
Settlement of Convertible Debt	-	-	-	-	-	(68)	68	-
Income for the period	-	-	-	-	-	-	3,315	3,315
Unaudited balance at 30 June 2011	4,899	10,721	38,700	8,111	2,940	-	(16,929)	48,442

Consolidated Statement of Cash Flows for the period ended 30 June 2011

	Unaudited six months ended 30 June 2011 €'000	Audited year ended 31 December 2010 €'000	Unaudited six months ended 30 June 2010 €'000
Cash flows from operating activities			
Profit/loss for the period	3,315	(7,820)	(4,705)
Adjustments for:			
Depreciation, depletion and amortization	333	1,134	839
Impairment losses	1,042	3,140	1,300
Foreign exchange (gains)/losses	(320)	-	-
Finance income	(28)	(482)	(186)
Finance expense	949	1,497	1,990
Share-based payments expense	44	217	143
Loss on disposal of PPE	-	56	-
Finance impact on decommissioning actualisation	239	738	384
Income tax expense	18	37	-
Gain on settlement of debt	(5,707)	-	-
Cash flows from operating activities before changes in working capital and provisions	(115)	(1,483)	(235)
(Increase)/decrease in trade and other receivables	(4,087)	(674)	140
(Increase)/decrease in inventories	25	32	14
Increase/(decrease) in trade and other payables	2,984	1,785	(24)
Increase/(decrease) in provisions	-	328	(218)
Cash (used by)/generated from operations	(1,193)	(12)	(323)
Income taxes paid – achieved cash paid	(4)	6	-
Net cash flows from operating activities	(1,197)	(6)	(323)
Investing activities			
Purchase of PPE and exploitation assets	(2,025)	(3,698)	(554)
Interest received	16	32	21
Net cash used in investing activities	(2,009)	(3,666)	(533)
Financing activities			
Issue of ordinary shares – cash received	22,748	-	-
Issue of new shares – cost	(826)	-	-
Interest paid	(109)	(426)	(222)
Repayment of debt	(3,877)	-	-
Loan draw down	-	1,001	-
Net cash generated from financing activities	17,936	575	(222)
Net increase/(decrease) in cash and cash equivalents	14,730	(3,097)	(1,078)
Cash and cash equivalents at the beginning of the period	2,810	5,907	5,907
Foreign exchange (losses)/gains on cash and cash equivalents	(62)	-	(67)
Cash and cash equivalents at the end of the period	17,478	2,810	4,762

Mediterranean Oil & Gas Plc

Unaudited notes forming part of the consolidated interim financial statements for the period ended 30 June 2011

1 Accounting policies

Basis of preparation

The interim financial statements have been prepared using policies based on international Financial Reporting Standards (IFRS and IFRIC interpretations) issued by the International Accounting Standards Board (IASB) and in accordance with the Companies Act 2006, as applicable to companies preparing their accounts under IFRS, adopted by the EU. The interim financial statements have been prepared using the accounting policies which will be applied in the Group's statutory financial statements for the period ended 31 December 2011. The group has not elected to apply IAS 34.

For the purposes of this interim statement, the comparative periods presented are the year ended 31 December 2010 and the six months ended 30 June 2010.

The financial information for the period ended 30 June 2011 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2010 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statement for 2010 was unqualified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. However it did draw attention to certain matters by way of emphasis.

Going concern

The directors consider that it is appropriate for the interim financial statements to be prepared on a going concern basis. At 30th June 2011, the Group has a net cash position of €17.5m and no financial liabilities. 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 Financial reporting period

The interim financial information for the period 1 January 2011 to 30 June 2011 is unaudited. In the opinion of the directors the interim financial information for the period presents fairly the financial position, and results from operations and cash flows for the period and are in conformity with generally accepted accounting principles which are consistently applied. The accounts incorporate comparative figures for the audited year ended 31 December 2010 and unaudited six months ended 30 June 2010. The financial information contained in this interim report does not constitute statutory accounts as defined by section 435 of the Companies Act 2006.

Mediterranean Oil & Gas Plc

Unaudited notes forming part of the consolidated interim financial statements for the period ended 30 June 2011

4 Impairment

The Board performs periodic reviews of the carrying value of the Group's assets. Following this review, the Board has recognised an impairment charge of €1.0m for the period ended 30 June 2011. The assets for which an impairment has been recognised are the concessions at Torrente Cigno (€586,000) and Lucera (€457,000).

The Italian Government's enactment of Legislative Decree No.128/2010 (the "Decree") amends the Italian Environmental Code (Decree No.152/2006), and prohibits E&P activities in certain sea and Italian coastal areas, in particular in the Ombrina Mare project (the "Project") which is currently carried at €18.3m in the statement of financial position. Given the uncertainty regarding the effect of the Decree 128 on MOG's application for the award of the production concession for the field, the Company is continuing active dialogue with the Italian Government with a view to secure clarification. MOG is also working with external legal counsel on the analysis and implementation of alternative courses of action.

5 Earnings/(loss) per share

The calculation of basic loss per share has been based on the profit for the period of € 3,314,631 (June 2010 - €(4,705,000)) and the weighted average number of shares being 151,015,822 ordinary shares issued for the period ended 30 June 2011 (December 2010 - 38,912,736). The Company's share price at the period end was below the exercise price of all share options and warrants, therefore there is no difference in the basic and diluted earnings per share.

6 Subsequent events

On 25 July 2011 the Group were informed that Dominion Petroleum Limited were unable to complete the transaction to farm in to 75% interest of the Area 4 Offshore Malta permit. As a result of this the Company is reviewing alternative options to fund the acquisition of 1,000 square kilometres 3D seismic data relating to its Maltese exploration acreage, which under the terms of the 18 month extension to the Malta Production Sharing Contract, is required on or before 18 January, 2012.

7 Material non cash transactions

On 10 May 2011 as part of the Group recapitalisation transaction, the Group agreed terms with Stark Select Asset Master Limited ("Stark Select") as holder of the Convertible Bonds, and with holders of the Convertible Loan Notes ("CLNs"), as a result of which, all outstanding Convertible Bonds and CLNs were converted into new ordinary shares (together, the "Conversion Shares") of the Company at a price of 24 pence per new ordinary share.

The holder of all of the outstanding Convertible Bonds, Stark Select, agreed to convert the whole of the outstanding principal amount of its Convertible Bonds into 19,858,333 Conversion Shares at a price of 24 pence per Conversion Share.

With the approval of an extraordinary resolution of the holders of the CLNs, the Company agreed to amend the deed poll constituting the CLNs to give the Company the right to convert the outstanding CLNs at its election into 21,061,225 Conversion Shares, at a price of 24 pence per Conversion Share. The Company elected to convert all of the outstanding CLNs.

The original conversion prices of the CLNs and the Convertible Bonds were 40 pence and 50 pence respectively and the Company had no right to require conversion. The amendments to the terms and conversion prices of the CLNs and the Convertible Bonds were necessary to enable the Subscription and the Debt Cancellation to take place. The Conversion Shares were issued credited as fully paid, subject to the memorandum of association and Articles of the Company and rank pari passu in all respects with new ordinary shares then in issue, including the right to receive any future dividends and other distributions.

Non Cash Transactions

During the period the Group therefore entered into several significant transactions as part of the Group Recapitalisation that did not result in the payment of cash. These are set out below:

- a) Convertible debt (comprising convertible bonds and convertible loan notes) which had a carrying value of €10.9m was extinguished by the issue of 40,9m shares with a fair value of €2.8m. This has given rise to an amount of €8.1m being recognised as a capital contribution by current shareholders.
- b) An IFRS 2 charge has arisen on the issue of 15.9m new shares to parties involved in the recapitalisation transaction in the period. The amount of the charge was €2.2m which has been recognised in the share premium account as a cost of issuing shares.

8 Share Reorganisation

The Subscription Price of shares issued in the period of 6 pence was below the nominal value of the ordinary shares of the Company, of 20 pence. As Company law prohibits the issue of shares at a price less than their nominal value, in order to effect the Subscription, a share reorganisation was undertaken whereby each ordinary share of the Company was subdivided into one new ordinary share with nominal value of 1 penny and one deferred share with nominal value of 19 pence (the “Share Reorganisation”).

The Share Reorganisation resulted in 38,912,736 new ordinary shares and 38,912,736 deferred shares (the “Deferred Shares”) being in issue immediately following the Share Reorganisation but before the completion of the Group Recapitalisation.

After the implementation of the Share Reorganisation the nominal value of each new ordinary share was one twentieth of that of each existing ordinary share. Each new ordinary share has the same rights (including voting and dividend rights and rights on a return of capital) as each ordinary share existing prior to completion of the Group Recapitalisation.

The rights attaching to the Deferred Shares and for which no application for admission to trading on AIM has been made, are minimal, thereby rendering them effectively valueless. There are no immediate plans to purchase or cancel the Deferred Shares, but the Company may seek to do so in the future.