

EMERALD ENERGY Plc is a United Kingdom based company engaged in exploration and the production of hydrocarbons in Colombia and the Appalachian Basin in the United States of America, and the exploration for hydrocarbons in Argentina and Denmark.

The Company's shares are listed on the London Stock Exchange and the share price is quoted daily in *The Financial Times*, *The Daily Telegraph*, *The Times*, *The Evening Standard* and appears on Teletext.

Current information on the Company can be found on our website: www.emeraldenergy.com.



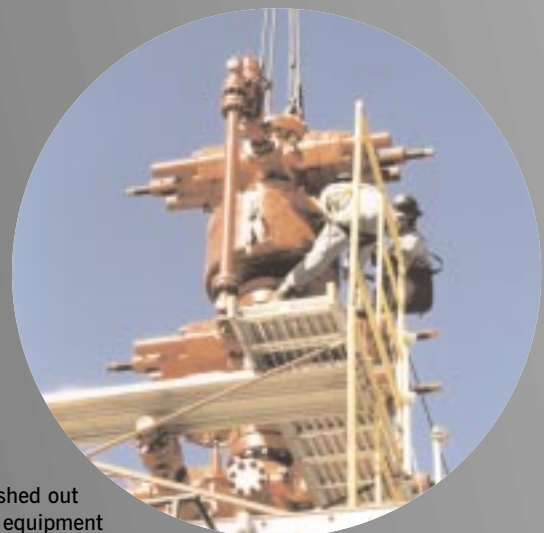
Emerald House, the company head office building in Epsom, Surrey.



As part of the local community liaison programme in Colombia, a quarterly newsletter is distributed to local families.



The Gigante #1A well on fire with water being played on to the collapsed rig.



Well fire extinguished out with well control equipment being assembled.

Crude oil road transport truck being loaded.



Well location Gigante #1A cleaned up.



The well control unit fully assembled.



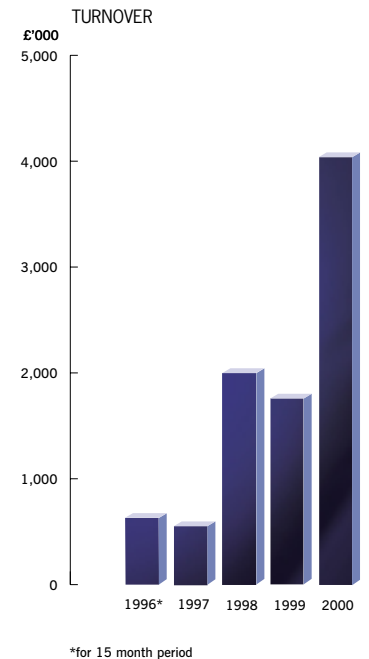
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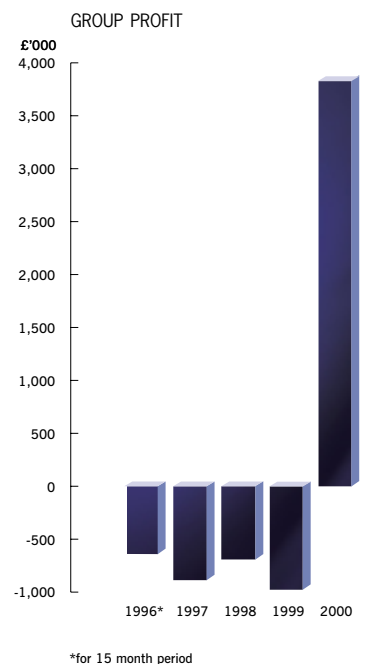
Highlights

- Maiden profit of £3.8 million this year.
- Downhole pump successfully installed in Gigante #1A.
- Cumulative production from Gigante Field exceeds 850,000 barrels.
- Gigante #1A 'oil in place' now 68 million barrels.
- Two new blocks 'Campoalegre' and 'Capote' awarded in Colombia.
- USA operations cash positive.



Key Objectives

- Gigante #2 to be spudded later this year with 5,000+ bopd production target.
- Seismic survey to be shot across Ñirihuau Basin, Argentina.
- El Foyel #1 to be drilled in Ñirihuau Basin by year-end.
- Seismic acquisition for Trenton/Black River deep gas play in the Appalachian Basin.
- Eight well drilling programme for the USA in the next twelve months.



It has been an eventful year with higher than expected oil and gas prices and with the Group moving into profit for the first time. As reported at the half year this good news was offset by the unfortunate accident at Gigante #1A last May, which not only resulted in a tragic death but also in the loss of our drilling rig. We have brought the well back into production and hopefully these problems are now behind us.

Group turnover for the year increased by 130% to £4.040 million and operating profit on continuing operations before exceptional items was £2.482 million (1999: loss £0.952 million). Profit after tax was £3.820 million (1999: loss £1.120 million). The Group benefitted from a higher average price per barrel of oil of US\$22.6 (1999: US\$13.7). Production for the year increased by 118% to 467,000 barrels of oil equivalent.

“...substantial oil reserves in the Gigante Field.”

Though our development plans have effectively been delayed by a year as a result of the accident, the underlying strategy remains clear and we continue to be committed as our first priority to the development of the substantial oil reserves in the Gigante Field. Pressure tests during the year have shown that Gigante #1A is in contact with considerably more oil in place, 68 million barrels, than was originally thought. Using our current estimate of the drainage area around Gigante #1A the Directors consider that the Upper Caballos could contain 350 million barrels of oil in place attributable to Emerald within the Gigante structure.

The installation of the downhole pump in Gigante #1A during November marked the return to normal operations following the accident. Continuing mechanical problems have caused production losses during the first quarter. Remedial work is continuing and the well is expected to be back in full production by the end of April. The well has also produced a significant volume of natural gas that is currently being flared. Following the drilling of Gigante #2, which will provide additional gas, we plan to install equipment to strip the gas of LPG, which can be sold locally.

We acquired 145kms of new seismic across the Gigante field. The Block has been remapped and the area under closure within the block determined at approximately 50 square kilometres compared with our initial estimate of 30 square kilometres.

‘...the Group moving into profit for the first time.’

“...Gigante #2 will be spudded in the third quarter 2001...”

Planning for Gigante #2 has now been finalised and a new well location has been chosen. We are currently awaiting formal approval from the Ministry of the Environment before commencing engineering work on the location and access roads. Negotiations are nearing completion with service providers for an integrated package to drill and test Gigante #2. On current expectations it will be spudded in the third quarter. Gigante #2 is expected to take four to five months to complete and is planned to produce from the same reservoir as Gigante #1A and to test the Lower Caballos reservoir. The potential reservoir in the Lower Caballos is approximately three times as thick as the zone currently producing in the Upper Caballos and therefore provides an exciting target. Planning has commenced for a major pipeline from the Gigante Field to the terminus of the Magdalena Valley pipeline near Neiva; on current projections the pipeline should be completed by mid 2003.

“...the block contains a large structure with similar characteristics to Gigante.”

In December 2000 we signed two new Association Contracts with Ecopetrol. The first block 'Campoalegre' is adjacent to the Gigante Field and on our latest mapping the Gigante structure spills over into the block. In addition the block contains a large structure with similar characteristics to Gigante.

With 'Capote', we are looking at a shallow play in the west of the block. To the south of Capote, Braspetro and Pan Canadian have made a major oil discovery with reportedly in excess of 200 million barrels of recoverable reserves.

"...now cash flow positive..."

Our operations in North America have also benefitted from the higher oil and gas prices. In North America production for the year increased by 3% over the previous corresponding period whilst revenues showed a 94% improvement. Two new gas wells were drilled and sales have commenced. With gas prices predicted to remain above \$3.50 per MCF for the next year a further eight wells to exploit the significant proven undeveloped reserve base are planned in the next twelve months. Additional seismic work is planned for later this year to identify drilling prospects within the Trenton / Black River play that has proved so successful on other parties' leases in West Virginia.

"...seismic programme to be shot across the 'Mina de Petróleo' structure..."

In Argentina we are preparing for a seismic programme to be shot across the 'Mina de Petróleo' structure to determine the optimal bottom hole location for a relatively shallow well to be drilled later this year.

Activity on our jointly held block in Denmark is proceeding with seismic reprocessing being undertaken this year.

STRATEGY

"...acreage position in Colombia has substantial exploration potential..."

In order to add value and to stimulate shareholder interest, smaller independent exploration and production companies need to identify under exploited areas offering significant development opportunities; this gives them their competitive edge. Emerald's area of focus is South America where the Group has built a strategic position over the last four years in Colombia and Argentina. Emerald's acreage position in Colombia has substantial exploration potential and the Group plans to exploit this in the next few years.

Emerald's strategy in the United States has been to build and maintain a significant acreage position in the Appalachian

Basin. We remain confident in the potential of our leases with this confidence being supported by a series of very large gas discoveries by other parties in the vicinity of our leases.

BOARD AND MANAGEMENT

Martin Keeley resigned as a director on 31 March 2001. Since joining the company in November 1996, Martin has made a valuable contribution as Exploration Director from his permanent base in Colombia. He now wishes to pursue other personal interests and we wish him well for the future.

I would like to thank all our staff for their support, not only in carrying out their regular duties, but also in furthering the relationship with local communities which is of such importance to us. Our relationship with Ecopetrol continues to develop and in particular we were grateful for the support of their fire-fighting unit during the blow-out at Gigante #1A. We look to build on these relationships in the coming year.

OUTLOOK

"...the funding platform to embark upon an exploration programme..."

Emerald's strategy of seeking to add value for shareholders will continue with the drilling of Gigante #2 in Colombia later this year. The revenue from the Gigante Field should provide the Group with the funding platform to embark upon an exploration programme on the Group's other South American licences. In the United States we plan to drill eight wells this year to boost our cash flow further and will look to acquire new seismic data with a view to drilling a number of Trenton/Black River wells. We continue to evaluate further exploration opportunities in South America and elsewhere and expect to expand our exploration portfolio during the coming year.

Iain Alexander
Chairman

11 April 2001



OPERATIONS – SOUTH AMERICA

COLOMBIA

MATAMBO ASSOCIATION CONTRACT

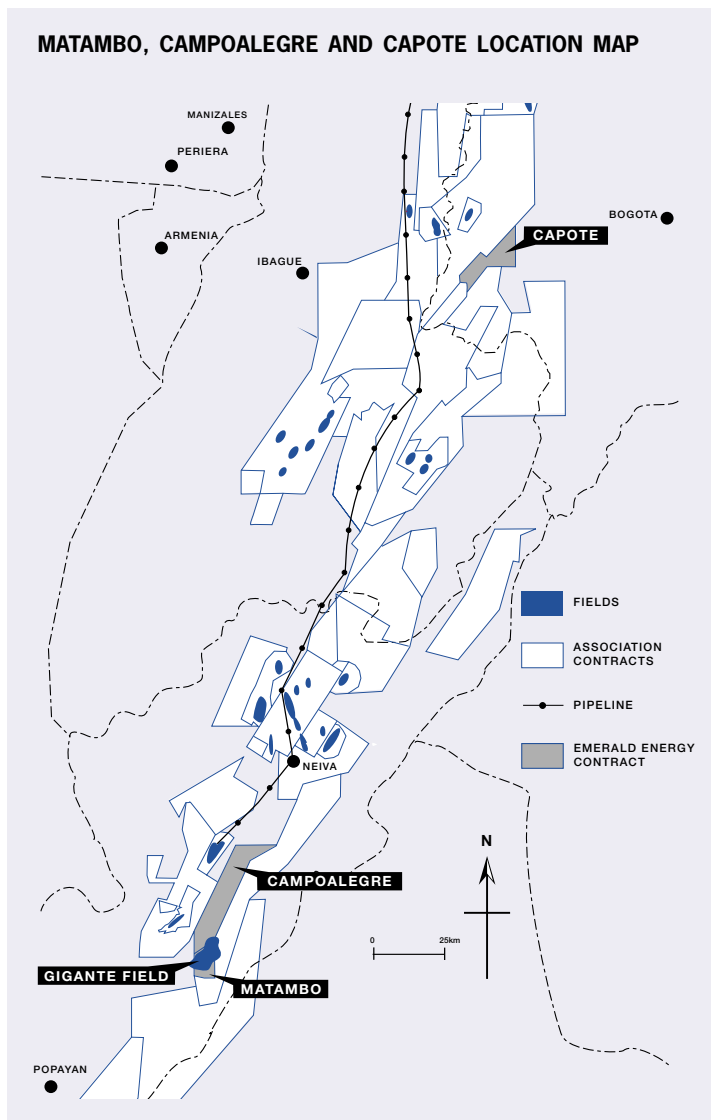
77 sq km; 100 per cent. working interest

On 30 May 2000, during the course of a workover to install an electrical submersible pump in Gigante #1A, there was a gas explosion followed by a fire. This accident resulted in the loss of one life and injuries to three members of the rig crew and an uncontrolled oil flow to the surface. Following an explosion, oil from the well was on fire for 48 days until specialised well control equipment could be brought from North America. The intensity of the fire resulted in the total destruction of the Group's drilling rig that was being used for the workover. When the well eventually was brought back under control a well recovery process was initiated. The producing reservoir was subsequently restimulated to undo the damage the reservoir sustained during the fire and the well control process. Work associated with the restoration and rehabilitation of the well and the surrounding environment was completed during November 2000. Independent consultants have made an evaluation of the environmental damage and reported that no long term damage has occurred as a result of the accident. Further testing of the well was undertaken to ensure that well productivity had been restored and an electrical submersible pump installed. Mechanical and electrical problems with the submersible pump and a failure of a downhole plug have hindered production during the first quarter of 2001. Remedial work is continuing and the well is expected to be back in full production by the end of April.

During the last quarter of 1999, Emerald and TOTALFINAELF jointly acquired 145 kms of new seismic over the Gigante Field. On the basis of this seismic data, the block has been remapped and the area under closure determined at approximately 50 square kilometres compared with our initial estimate of 30 square kilometres. A further closely spaced 2D or 3D seismic programme will need to be acquired to plan future development.

Planning for the drilling of Gigante #2 has continued and negotiations for a drilling rig are continuing. Gigante #2 will, subject to the granting of environmental approval, be spudded later this year. The well is expected to take four to five months to complete and is planned to produce from the same Upper Caballos producing reservoir as Gigante #1A and to test the Lower Caballos reservoir. The Lower Caballos is approximately three times as thick as the currently producing zone and is a highly prospective target. Based on these assumptions, it is anticipated that Gigante #2 would produce in excess of 5,000 bopd depending upon the lower reservoir performance.

Production is sold to Ecopetrol and trucked to their loading facility near Neiva, under a pricing formula linked to the price of West Texas Intermediate blend. Negotiations with local communities in respect of road enhancement have enabled us to continue to truck our increased level of production. Installation of a short flow-line to transfer facilities beside a main road will begin later this year to cope with the increased volumes expected from Gigante #2. In due course a 100 km pipeline will be necessary to link the Gigante Field with the Alta-Magdalena pipeline at Neiva and initial planning for this pipeline has commenced. After the drilling of Gigante #2 we plan to install new plant to separate out the valuable gas liquids (LPG) which are currently being flared.



Testing of the well during the year has provided new data for reserve calculations. Analysis of the results has indicated that the Gigante well is in communication with 68 million barrels of oil, a 50% larger volume than estimated at this time last year. The reporting of Gigante reserves below takes into account only the oil around the well and does not include any oil in more distant parts of this large structure. Once we have drilled Gigante #2, and improved our seismic coverage, we will have a better idea of total reserves. Using our current estimate of the drainage area around Gigante #1A it is considered that the Upper Caballos could contain 350 million barrels of oil in place attributable to Emerald within the Gigante structure. At the date of this report Gigante #1A has produced in excess of 850,000 barrels of oil.

CAMPOALEGRE ASSOCIATION CONTRACT

294 sq kms; 100 per cent. working interest

The Campoalegre Contract was ratified in February 2001. The block is located to the north of the Matambo Block and abuts the Gigante Field. Two highly prospective plays have been identified within this block. The first of these involves one of several anticlinal structures, which extend into Campoalegre from the east, the second involves a substantial lead analogous to the Gigante Field, but over-ridden by thrusts from the west. Additionally, some 7 square kilometres of the Gigante structure extends into the southern section of the block.

Both plays lie on the valley floor, and are close to infrastructure, which would allow them to be developed in conjunction with the Gigante Field. Our obligation to Ecopetrol in respect of the block is to reprocess 100 kms of existing seismic and then to acquire a further 55 kms of new seismic lines within the first two years.



GAITANAS ASSOCIATION CONTRACT

Early last year, 240 kms of additional seismic lines were recorded across the contract area, with the objective of defining a potential well location. We completed the analysis of the seismic data and TOTALFINAELF proposed a well location in the east of the block. On the basis of our evaluation of the technical data, it appeared that the majority of the targeted structure was in the adjacent block operated by Total in which

we had no interest. We therefore decided not to continue with our participation in the block.

CAPOTE ASSOCIATION CONTRACT

151 sq km; 100 per cent. working interest

In December 1999 the company applied to Ecopetrol for the Capote Association Contract. The primary objective is a shallow sub-thrust monocline on the western edge of the block. We have committed to acquire 75 kms of seismic data during 2001 and to drill a well the following year.

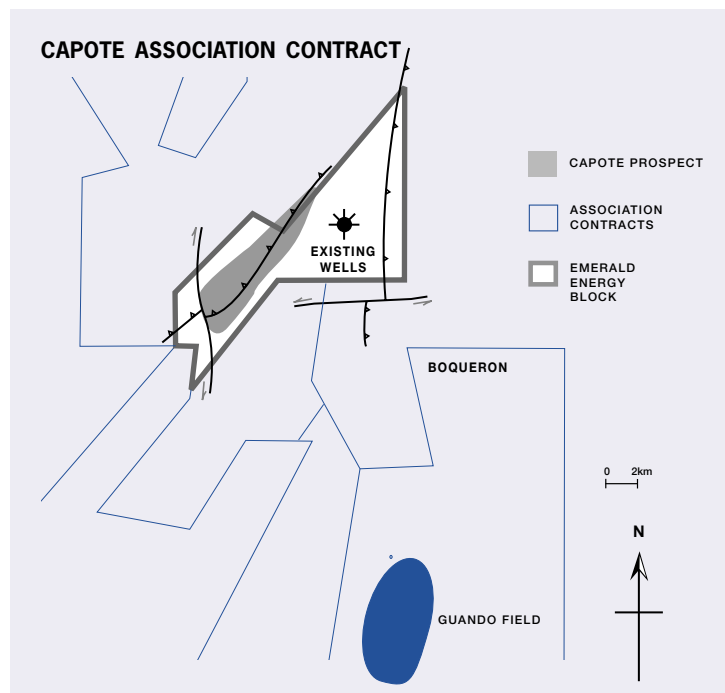
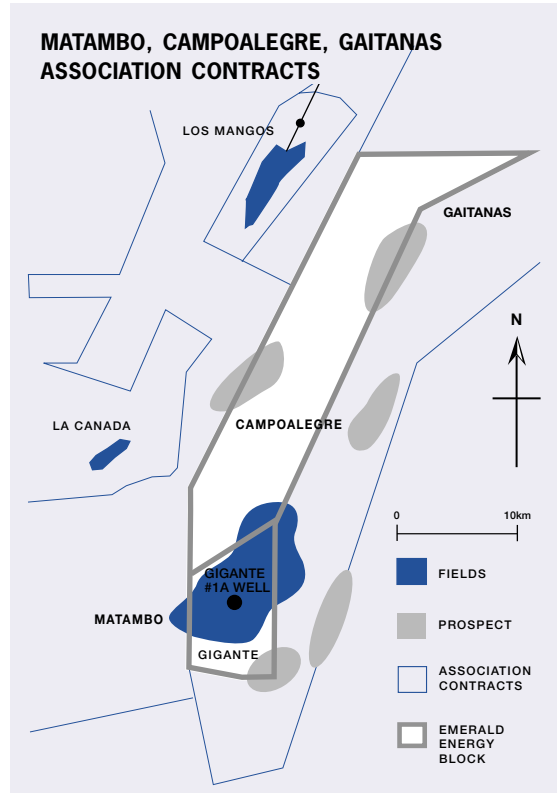
In addition we are currently investigating the technical and economic merits of fracturing several of the relatively shallow shale sequences, which had significant shows of gas and light oil in the existing Chawina wells. If technically justified, these zones could be re-entered relatively cheaply. Overall drilling interest in the Upper Magdalena Valley has been stimulated by the giant field Guando (200 million barrels of recoverable reserves) recently discovered by Braspetro and Canadian Petroleum in the Boqueron Association Contract, some 45 kms to the south east of the Capote block.

VUELTA LARGA ASSOCIATION CONTRACT

1,367 sq km; 100 per cent. working interest

We originally intended to drill the Guarataro #1 well on this block during the dry season at the beginning of 2000. However the weather, influenced by "El Niño", remained unseasonably wet and the decision was taken to defer drilling the well until the next dry season in 2001.

Further evaluation of seismic data showed that the target structure, though well defined, relied on uncertain assumptions in respect of closure. Additional studies were unable to support the closure hypothesis and in the light of the significantly changed risk/reward ratio, we decided not to proceed with drilling Guarataro #1. We are currently in discussion with Ecopetrol about relinquishing this block.



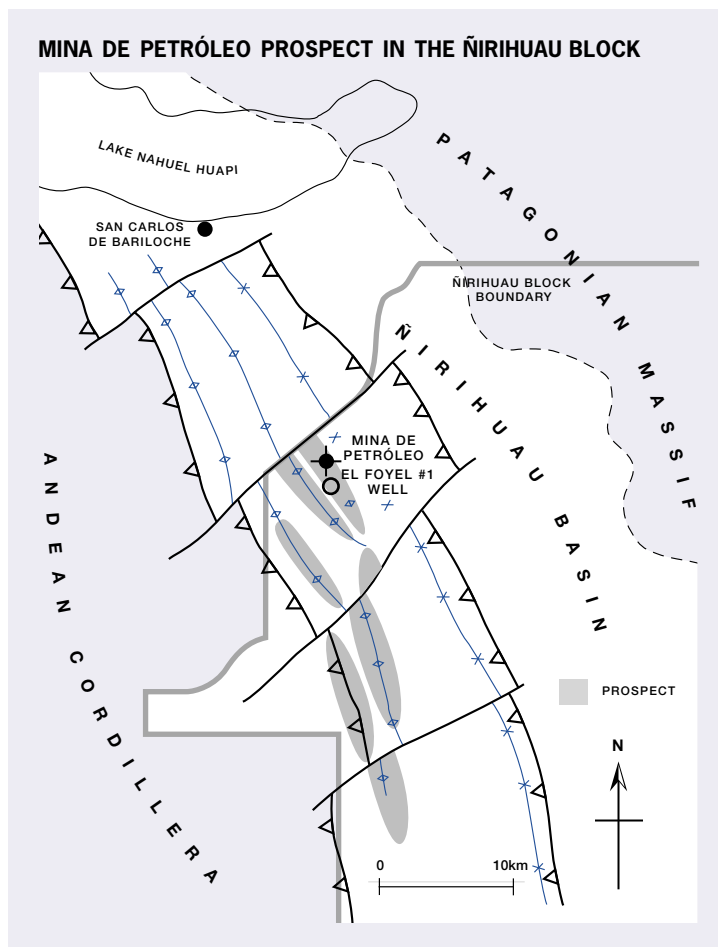
ARGENTINA

ÑIRIHUAU LICENCE BLOCK

9,606 sq km 100 per cent. working interest.

The block covers 9,600 square kilometres, being practically the entire Ñirihuau Basin, in the Andean pre-Cordillera of central western Argentina.

Geochemical studies carried out in 1999/2000 and the reprocessing of older seismic data have confirmed our view that the block is very prospective. The re-processed seismic data shows indications of thrustured prospects. We are currently preparing to shoot a seismic programme across the 'Mina de Petróleo' structure to determine the optimal bottom hole location for a relatively shallow well. The surface anticline is approximately 7 square kilometres in extent, which, if replicated at depth, would make it a substantial target. El Foyal #1 will be drilled later this year to test this structure.



OPERATIONS – NORTH AMERICA

131 sq kms; 100 per cent. working interest

During the year, overall production volumes increased by 3%, and with the strengthening oil and gas prices in the second half of the year, revenues improved by 94%. With costs remaining strictly controlled, North American operations have become cash positive.

Two wells, Rill #1 and Blackshere #102, were drilled late in December and early January 2001. Both were successful and are now producing. An eight well drilling programme is planned for this year. During 2000 we acquired 630 acres of new leases in Roane County near our Belmont South Field. We have a continuing lease evaluation programme in place and expect to expand our acreage position as attractive opportunities arise.

Wells drilled by other operators in Roane County, West Virginia to test the Trenton/Black River formations have been highly successful with some wells testing in excess of 150 million cubic feet of gas per day. This confirms our long term strategy in the area of building our lease portfolio to enable us to eventually test deeper structures within our own acreage. The Trenton/Black River reservoirs are fractured dolomitic limestones from the Middle and Lower Ordovician which in the shallower part of the Appalachian Basin have produced oil and gas for approximately one hundred years. The discoveries to date in West Virginia are linked to major faults associated with the Rome Trough and have been identified from modern seismic surveys.

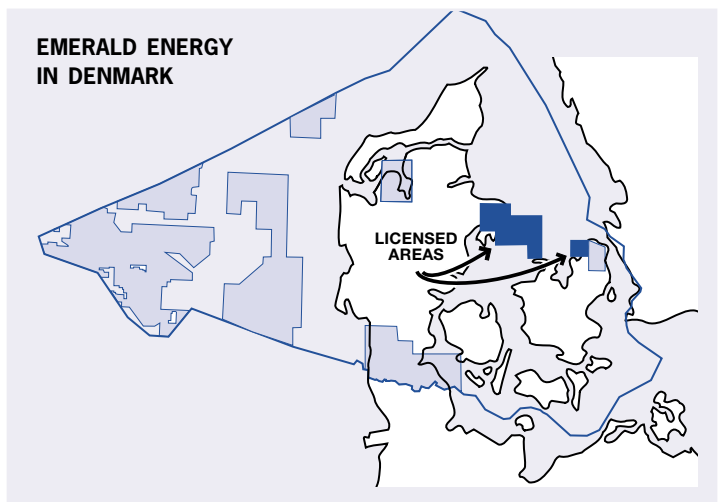
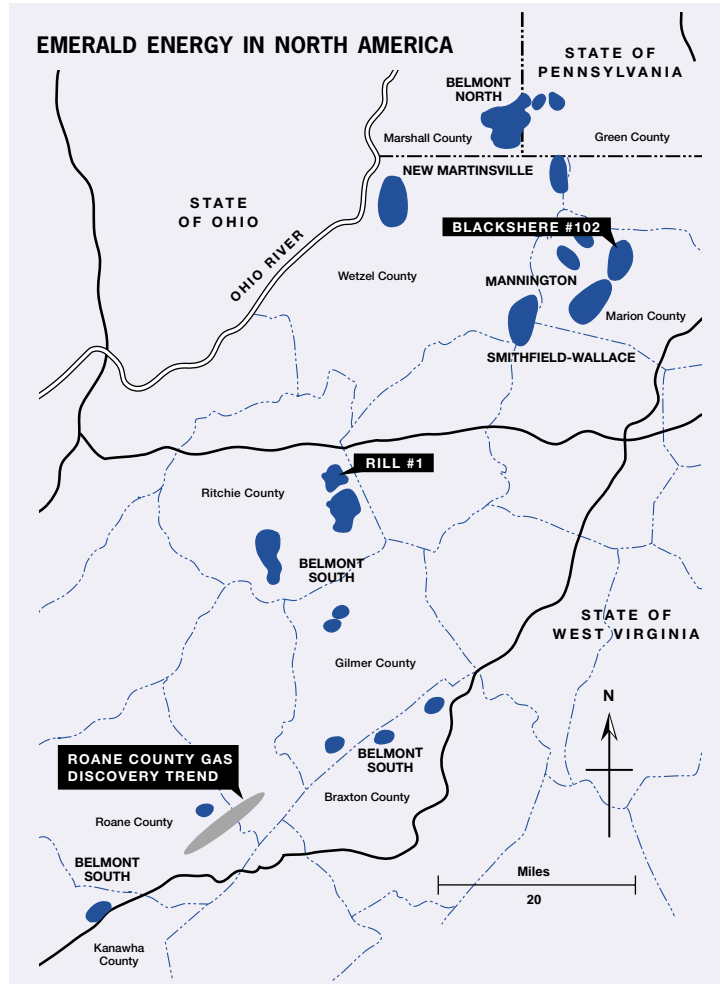
We have interpreted aeromagnetic data which suggests that much of our acreage lies in the prospective faulted areas. We are proposing to acquire new seismic data later this year which will enable us to identify future Trenton/Black River drilling locations.

OPERATIONS – EUROPE

DENMARK LICENCE 4/99

2,300 sq km 12 per cent. working interest

Emerald is a member of a consortium, led by Amerada Hess, which was awarded an exploration licence in the Kattegat, offshore Denmark. The primary prospect here, identified on the basis of existing seismic data, is substantial, and could contain both gas and oil. Its prospectivity is further enhanced by the presence on seismic profiles of direct hydrocarbon indicators within the sandstones at the base of the Upper Cretaceous. A programme of re-processing the existing seismic data is underway and it is expected that after the acquisition of further seismic a drilling location will be chosen.



LICENCE INTERESTS

As at 31 December 2000

Country	Permit/Contract/Concession	Basin	Interest %	Operator	Net area sq kms
Argentina	Ñirihuau CN-1	Ñirihuau	100	Emerald	9,606
Colombia	Matambo	U. Magdalena	100	Emerald	77
	Campoalegre	U. Magdalena	100	Emerald	294
	Capote	U. Magdalena	100	Emerald	151
	Vuelta Larga	Llanos O.	100	Emerald	1,367
Denmark	Licence 4/99	Danish	12	Amerada Hess	276
USA	184 Leases	Appalachian	100	Emerald	131
TOTAL					11,902

PROVEN AND PROBABLE RESERVES

The company's total attributable proven and probable oil and gas reserves, as estimated by independent petroleum engineers as at 31 December 2000 were as follows:

	South America		North America		Total		
	Oil (MBBL)	Gas (Bcf)	Oil (MBBL)	Gas (Bcf)	Oil (MBBL)	Gas (Bcf)	Oil Equivalent (Mboe)
As at 31 Dec 1999	23,700	14,220	1,190	85,925	24,890	100,145	41,580
Revisions	(9,540)	(14,220)	(16)	11,494	(9,556)	(2,726)	(10,010)
Production	(420)	–	(9)	(226)	(429)	(226)	(467)
As at 31 Dec 2000	13,740	0	1,165	97,193	14,905	97,193	31,103

The apparent fall in reserves is due to a change in the method of calculation. This makes comparison difficult as in 1999 the total Gigante structure was considered whereas this year our engineers have used a material balance calculation which only takes account of the reserves directly in communication with Gigante #1A. Gas reserves will be included once there is sufficient volume to commission a commercial separation plant. The North and South American reserves are gross of royalty. The South American reserves do not take account of any future decision by Ecopetrol to participate under the terms of the Matambo Association Contract.

Peter G Winton*Managing Director*

11 April 2001

RESULTS SUMMARY

The results of the Group for the year ending 31 December 2000 show a profit of £3.820 million compared with a loss of £1.120 million for the year ended 31 December 1999.

Group production for the year totalled 467,000 barrels of oil equivalent compared with 214,000 barrels in 1999. The weighted average well head price received for our oil during 2000 was US\$22.6 per barrel, an increase of 65% on the previous year. The weighted average gas price received was US\$4.35 per MCF, an increase of 64%. Consequently, turnover increased to £4.040 million (1999: £1.759 million), a 130% increase on last year and gross profit increased to £1.341 million (1999: £0.711 million). Cost of sales for the year amounted to £2.699 million compared with £1.048 million, and includes a depletion charge of £1.070 million (1999: £0.491 million). Within administration expenses there is an exchange gain of £0.115 million (1999: £0.371 million) reflecting movements in foreign currency transactions. The Group currently pays no UK corporation tax, having tax losses brought forward from previous years.

The Group's balance sheet at 31 December 2000 shows a reduction in oil and gas properties of £7.105 million reflecting an agreement with Ecopetrol whereby the company recovers 50% of the costs of drilling and testing the Gigante #1A well, from Ecopetrol's share of the well's future production. As at 31 December 2000 the Group had recovered £1.952 million of these costs from Ecopetrol. The Group's balance sheet also shows a figure for debtors of £11.951 million, which includes £5.153 million of cost recovery due from Ecopetrol and £5.394 million, due from insurers.

The loss of the drilling rig has been treated as a fixed asset disposal, and fixed assets with a net book value of £1.461 million have been treated as having been disposed of at their insured value of £2.925 million to the insurance underwriters. This resulted in a profit on disposal of £1.464 million.

Income of £3.188 million from business interruption insurance has been accrued as other operating income, representing loss of oil revenue as a result of disrupted production. To date a total of £9.148 million has been received from insurers. Negotiations have not yet been finalised with insurers.

RISK MANAGEMENT

The Group's oil and gas activities are subject to a wide range of financial, operational and security risks, which can have significant effects upon its performance.

Financial Risk

The Group's financial instruments comprised convertible loan notes, trade debtors and creditors that arose directly from operations. The main purpose of the Group's financial instruments is to finance Group operations.

Where deemed appropriate, the Group has entered into forward foreign exchange contracts to meet the Group's anticipated US Dollar commitments. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from Group financial instruments are interest rate risk, liquidity risk and foreign exchange risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies have remained unchanged since the beginning of 2000.

Interest Rate Risk

Historically, the Group has financed its operations through a mixture of equity issues, issues of convertible loan notes and internally generated cash flows. In 2000, the only significant debt was the convertible loan notes amounting to £1.922 million which carried a fixed interest rate of 2.5% per annum.

Liquidity Risk

The Group's policy is to ensure continuity of funding using various financial instruments. The convertible loan notes were fully converted into share capital during the year. The terms of conversion are explained in note 16 to the accounts. The group has no other significant borrowings.

Foreign Currency Risk

The Group's operations are attended with foreign currency risks. The Group's activities are principally undertaken in UK sterling, the currency historically used to raise new funds and US Dollars, the underlying currency of the Group's operating activities. The Group manages this exposure by matching to the extent practical receipts and payments in the same currency and follows a range of commercial policies designed to minimise exposure. As a result the Group will from time to time enter into forward foreign exchange contracts between

UK sterling and US Dollars. The Group acts to keep its non-US Dollar balances at as low a level as possible. Oil revenues derived in Colombia are principally received in US Dollars and remitted to the UK.

The Group does not participate or speculate in any other forms of derivative trading.

As a result of its overseas operations, the Group is exposed to foreign currency translation risk.

OPERATIONAL RISK

Operational risks include equipment failure, well blowouts, pollution, fire and the consequences of bad weather. Where the Group is project operator, it takes increased responsibility for ensuring that appropriate insurance cover is in place and meets relevant legislation. The Group's insurance policies contain overall limits and deductibles.

The Group sells its oil on a basis linked to spot prices and the Group at this stage has no plans to engage in any form of oil price hedging.

SECURITY RISK

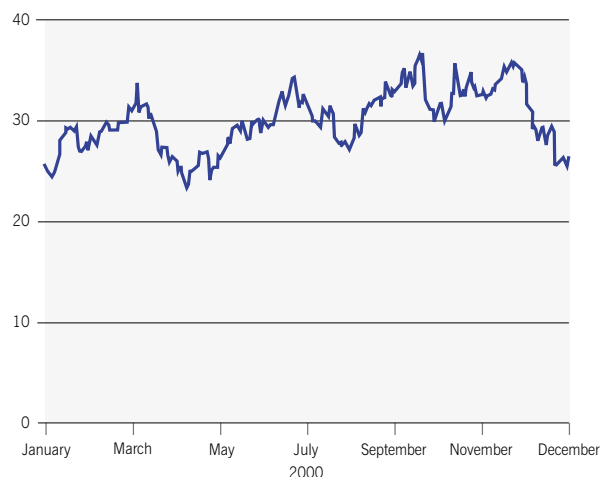
It is recognised that Colombia is prone to subversive activity and the Group's operations in Colombia take account of this. Our community help programmes continue to be successful in winning support for both the Group and its various activities.

Alan J Brookes

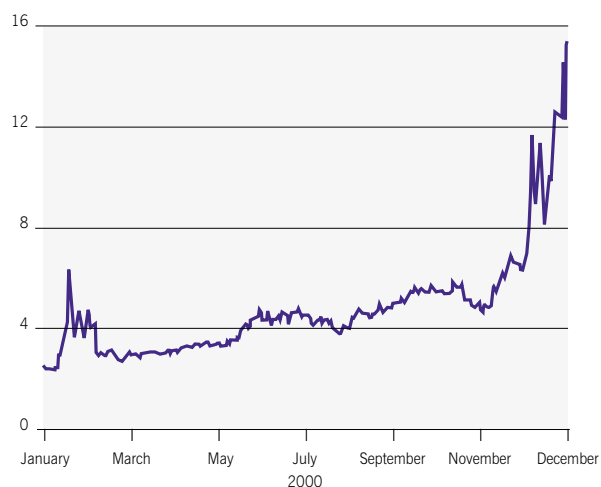
Finance Director

11 April 2001

OIL SPOT MARKET PRICES
US\$/BBL



GAS SPOT MARKET PRICES
US\$/MCF



COMPLIANCE

The Company complied throughout the year ended 31 December 2000 with the provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Services Authority. In relation to Code provision D.2.2 the Board has considered the need for an internal audit function, but has decided that because of the size of the Company it cannot be justified at present. The Board will review this decision annually.

BOARD OF DIRECTORS

The Board of Directors comprises four Executive Directors and three Non-Executive Directors. The Board meets monthly and is primarily responsible for determining strategy, acquisition and divestment policy, review and approval of annual budgets, allocating financial resources and determining the financial structure of the Group. No one individual Board member or group of Board members dominates the Board's decision taking. The Chairman of the Board maintains regular contact with Non-Executive directors to review the Board's relationship with the Executive Committee.

Members of the Board are informed of the Company's business and activities by reports and proposals sent to them in advance of each Board meeting and reports made to them during these meetings by the Managing Director, the Finance Director, and other Executive Directors. The Board is advised of actions taken by the committees of the Board as well as of significant actions taken by management.

In compliance with the Combined Code, Mr J P Silcock who is Chairman of the Remuneration Committee and a member of the Audit and Nomination committees is identified as the senior independent Non-Executive Director. The Board appoints the Company Secretary who is responsible for assuring that Board procedures and rules are applied. All Directors have access to the advice and service of the Company Secretary, who is not part of the Executive Management.

Qualification for membership of the Board includes a requirement that Non-Executive Directors be free from any relationship with the Executive Management of the Company that could materially interfere with the exercise of their independent judgement. In the Board's view all Non-Executive Directors fulfil this requirement.

THE BOARD COMMITTEES

The Board delegates specific authorities through four committees.

Executive Committee: The Executive Committee is comprised of the Chairman, the Managing Director and the two Executive Directors. The Executive Committee meets as required to deal with the day to day running of the Group and has specific powers delegated to it by the Board as deemed appropriate.

Audit Committee: The Audit Committee is comprised of the three Non-Executive Directors solely, meets at least twice a year and is chaired by Mr G A Elliot. This Committee considers the audit process and reviews the Group's financial statements prior to submission to the Board to ensure that they represent a true and fair view of the Group's financial position and are prepared in accordance with current legislation. It reviews the Group's internal financial control systems and deals with all matters relating to the Company's auditors. A representative of the Auditors and the Finance Director usually attend meetings.

Remuneration Committee: The Remuneration Committee is comprised of the three Non-Executive Directors solely and is chaired by Mr J P Silcock. This Committee determines annually the individual salaries and fees and other terms and conditions of employment for the Executive Directors and is responsible for the operations of the Company's share option plan. It has access to professional advice from a leading firm of remuneration consultants.

Nomination Committee: The Nomination Committee is comprised of the three Non-Executive Directors and is chaired by Mr P J Viggers. The Committee is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board. The Committee is able to employ the services of advisers, as it deems necessary.

RELATIONSHIP WITH SHAREHOLDERS

The Directors seek to communicate the objectives of the Company to its private and institutional shareholders by: making a presentation about the business, its performance and future prospects at the Annual General Meeting; meeting members of the investment community and institutional shareholders regularly to discuss issues and obtain feedback; ensuring private investors have access to the board at the Annual General Meeting and maintaining a corporate web site which provides information on the Group including the facility to request press releases by e-mail.

REMUNERATION OF EXECUTIVE DIRECTORS

Information is given on page 19 setting out the details of the remuneration for each of the Executive Directors during the year.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Articles of Association provide that the remuneration paid to Non-Executive Directors shall be determined by the Board. Non-Executive Directors do not have service contracts with the Company. The remuneration of Non-Executive directors is given on page 19.

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control and for reviewing the effectiveness of the system of internal control. Internal control systems are designed to meet the particular needs of a business and manage the risks but not eliminate the risk of failure to achieve the business objectives. By its nature, any system of internal control can provide only reasonable and not absolute, assurance against material misstatement or loss.

During the year the Board has with the assistance of external consultants regularly reviewed the adequacy of the Group's internal control and risk management procedures in accordance with the requirements of the Combined Code. This was reviewed and updated at the end of the year.

The corporate risk management methodology employed involved a number of individual and collective workshops and identification sessions being attended by senior management. As a consequence all major risks relevant to the Group have been identified and their risk ranking has been estimated.

The on-going review processes employed by the Board include:

- (a) further development of control strategies for each individual risk;
- (b) enhanced management information including reporting of key risk indicators.

These processes were in place from 1 January 2000 and were in place up to the date of approval of the accounts and accord with the Turnbull guidance.

The Group remains committed to safeguarding the interests of its shareholders, and the process of internal controls to measure and monitor corporate risk as detailed above represent a major step forward in achieving this objective.

The Board has incorporated risk management and internal control into its meeting agenda so that these are considered on a regular basis during the year. In addition to the internal financial controls outlined below and in the context of the wider aspects of internal control it is the responsibility of the Directors to ensure that environmental controls, health and safety regulations, security and political risks have all been considered.

INTERNAL FINANCIAL CONTROL

The Directors are responsible for establishing and maintaining the Group's system of internal financial control. The key procedures, which the Directors have established with a view to providing effective internal financial control, are as follows:

Management Structure – The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board. Each Executive Director has been given responsibility for specific aspects of the Group's affairs.

Corporate Accounting – Responsibility levels are communicated throughout the Group as part of the corporate accounting and authorisation manual which sets out authorisation levels, segregation of duties and other control procedures.

Quality and Integrity of Personnel – The integrity and competence of personnel is ensured through high recruitment standards and subsequent training courses.

Budgetary Process – There is a budgeting system with an annual budget approved by the Board covering capital expenditure, cash flow, the Profit and Loss Account and Balance Sheet.

Investment Appraisal – The Group has clearly defined procedures for capital expenditure. These include authority levels, commitment reporting, annual budgets and detailed appraisal and review procedures.

Audit Committee – The audit committee monitors the controls, which are in force in the Group, and also considers and determines relevant action in respect of any control issues raised by the external auditors. The application of internal financial control procedures is reviewed during visits to overseas offices by financial staff. The internal financial control situation is reported to the Audit Committee, which has reviewed the effectiveness of the system of internal control as it operated during the year and reported its conclusions to the Board.

By order of the Board

G S Cole

Company Secretary

11 April 2001

Directors and Board Committees

EXECUTIVE DIRECTORS



I M ALEXANDER
Chairman

Iain Alexander, aged 55, has been Chairman of Emerald since November 1993. He was Director of Corporate Banking for the United Kingdom at Standard Chartered Bank, and subsequently left to join Alexander Brookes Limited, which specialised in corporate finance for smaller companies. He was previously Assistant Director, International Corporate Finance, at Kleinwort Benson Limited. He is a Director of the British Colombian Chamber of Commerce. He joined the Board of Emerald in November 1993 and is a member of the Executive Committee.



P G WINTON
Managing Director

Peter Winton, aged 56, has been Managing Director of Emerald since November 1993. He has over 30 years experience in the oil and gas industry worldwide. He joined Tricentrol Plc in 1977 and from 1981 to 1988 was Senior Exploration Manager, responsible for new ventures, acquisitions and new licenses. During that time, Tricentrol Plc increased its number of North Sea licenses that resulted in substantial discoveries of oil and gas. He joined the Board of Emerald in November 1993 and is a member of the Executive Committee.



A J BROOKES
Finance Director

Alan Brookes, aged 52, has been Finance Director of Emerald since November 1993. A former Member of the Australian Stock Exchange, he has spent more than 20 years in the securities industry in both Australia and the United Kingdom, specialising in raising capital for the natural resource sector. In 1990 he established Alexander Brookes Limited, which specialised in corporate finance for smaller companies. He joined the Board of Emerald in November 1993 and is a member of the Executive Committee.



K S HEWITT
Operations Director

Dr Keith Hewitt, aged 52, is a mining and civil engineer who has spent most of his career in oil and gas operations. From 1976 to 1993, he was employed by Texaco Ltd., latterly as an operations manager, and was either involved in, or responsible for operations and drilling programmes throughout the world. Between 1993 and 1996 he acted as a petroleum engineering and drilling consultant, specialising in Colombia. He joined the Board of Emerald in November 1996 and is a member of the Executive Committee.

NON-EXECUTIVE DIRECTORS



J P SILCOCK

Non-Executive Director

John Silcock, aged 72, was an executive director of N M Rothschild & Sons and head of its petroleum and mining finance unit until his retirement in 1989. He has had many years of experience in South America, initially as Finance Director of the Shell subsidiary in Brazil and later on in several projects in Chile, Argentina and Colombia. He joined the Board of Emerald in January 1997. He is the senior independent non-executive director, Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.



G A ELLIOT

Non-Executive Director

Graeme Elliot, aged 58 is a chartered accountant and was, from 1985 to 1992, Executive Vice-Chairman of Slough Estates. Prior to that he spent 17 years with Rio Tinto occupying a number of senior positions. He is a Non-Executive Director of a number of public companies and joined the Board of Emerald in April 1998. He is Chairman of the Audit Committee, and a member of the Remuneration and Nomination Committees.



P J VIGGERS

Non-Executive Director

Peter Viggers, aged 63, has been a Member of Parliament since 1974. He is a solicitor who has experience as a director of a wide range of public and private companies including Premier Consolidated Oilfields (now Premier Oil) from 1972 to 1986. He served as Minister for Trade and Industry in Northern Ireland between 1986 and 1989 where his remit included the Energy Portfolio. He is currently Chairman of Lloyds' Pension Fund. He joined the Board of Emerald in April 1998. He is Chairman of the Nomination Committee, and a member of the Audit and Remuneration Committees.

Directors' Report

for the year ended 31 December 2000

The Directors submit their report and audited accounts for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

Emerald Energy plc is a United Kingdom based company engaged in exploration and the production of hydrocarbons in Colombia and the Appalachian Basin in the United States of America, and the exploration for hydrocarbons in Argentina and Denmark.

REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

A review of operations and prospects for the future is on pages 5 to 10.

RESULTS AND DIVIDENDS

The results for the year are disclosed in the Group profit and loss account on page 25. The Directors do not recommend the payment of a dividend and the profit for the year of £3,820,000 has been transferred to reserves.

REMUNERATION REPORT

Compliance with the Combined Code

Compliance with the provisions of the Code of Best Practice of the Combined Code is covered on page 13. The constitution and operation of the Remuneration Committee are in compliance with the 'Principles of Good Governance and Code of Best Practice' set out by the Financial Services Authority.

Remuneration Policy

The current remuneration policy is to ensure that overall remuneration packages are competitive and designed to attract, retain and motivate executives of the required quality. In setting remuneration packages the emphasis is on linking reward to performance and long-term enhancements to shareholder value. An executive director's remuneration has the following components:

Salary – This reflects a director's experience and responsibility and consideration is given to salary levels for comparable employment in peer group companies.

Pension and other benefits – Where appropriate the Company makes contributions in respect of the pension arrangements of individual executive directors. The non-cash benefits currently provided are private medical insurance and death-in-service insurance cover based on four times annual salary.

Incentive schemes – The Remuneration Committee believes that it is in the interests of shareholders for executive directors to participate in the long-term future of the Group. Accordingly, share options are granted periodically so as to link rewards to corporate and individual performances.

The fees of the non-executive directors are reviewed periodically to ensure that they are in line with market practice.

SERVICE CONTRACTS

There were no changes to executive directors' service contracts during the year. The four Executive Directors have service contracts with the Company, which are terminable in each case by twelve months' notice by either party. None of the Non-Executive Directors has a service contract.

DIRECTORS' REMUNERATION

Total remuneration of the Directors is made up as follows:

	2000 £	1999 £
Non-executive Directors' fees	37,500	34,447
Executive Directors' emoluments:		
Basic salaries	558,774	459,862
Benefits	64,414	50,507
	660,688	544,816
Pension contributions	81,218	75,608
	741,906	620,424

The fees of the Non-executive Directors were as follows:

	2000 £	1999 £
J P Silcock	12,500	10,000
G A Elliot	12,500	10,000
P J Viggers	12,500	10,000
J P Pither (resigned 26 August 1999)	–	4,447
	37,500	34,447

The remuneration of the Executive Directors was as follows:

	I M Alexander		P G Winton		A J Brookes		K S Hewitt		M L Keeley		Total £
	2000 £	1999 £	2000 £	1999 £	2000 £	1999 £	2000 £	1999 £	2000 £	1999 £	
Basic salary	106,995	86,000	106,700	89,380	106,700	92,417	121,669	98,184	116,710	93,881	558,774
Benefits	3,291	25,016	2,264	15,801	3,539	9,690	37,201	–	18,119	–	64,414
	110,286	111,016	108,964	105,181	110,239	102,107	158,870	98,184	134,829	93,881	623,188

DIRECTORS' PENSION ARRANGEMENTS

The pension contributions detailed below represent the contributions made by the Company to the private pension schemes of the Directors.

	2000 £	1999 £
I M Alexander	27,450	26,685
P G Winton	27,450	26,685
A J Brookes	26,318	22,238

DIRECTORS' SHARE OPTIONS

Directors currently hold three different types of share option, Type C, D, and E. Type C options were granted on 11 December 1996, and to date none of these options has been exercised. The Type D options were granted on the 10 November 1999 and to date none of these options has been exercised. On 8 September 2000 the Type E options were granted and to date none of these options has been exercised. On 8 September 2000 options over 40,000,000 ordinary shares, exercisable at a price of 3³/₈p per share at any time up to 15 November 2000, were released by five Executive Directors. No further options over ordinary shares have been granted to Directors and all are held beneficially.

The option holdings of the Directors at 31 December 2000 are shown in the table below:

	Option Type C	Option Type D	Option Type E
I M Alexander	8,000,000	15,500,000	8,000,000
P G Winton	8,000,000	15,500,000	8,000,000
A J Brookes	8,000,000	15,500,000	8,000,000
K S Hewitt	8,000,000	–	8,000,000
M L Keeley	8,000,000	–	8,000,000

Option Type C: an option to subscribe for ordinary shares at 4.5p per share at any time before 31 December 2002.

Option Type D: an option to subscribe for ordinary shares at 2.5p per share at any time before 10 November 2003.

Option Type E: an option to subscribe for ordinary shares at 4.0p per share at any time before 8 September 2005.

DIRECTORS' SHAREHOLDINGS

The composition of the Board and the beneficial interests of the directors in the share capital of the Company were as follows:

	Percentage of share capital*	Ordinary shares at 31 December 2000	Ordinary shares at 31 December 1999
I M Alexander	1.22	16,222,223	18,222,222
P G Winton	1.25	16,587,296	18,587,295
A J Brookes	1.22	16,222,223	18,222,222
K S Hewitt	1.82	24,222,222	24,222,222
M L Keeley	0.03	444,444	444,444
J P Silcock	0.02	200,000	200,000
G A Elliot	0.03	285,700	285,700
P J Viggers	0.01	100,000	100,000

* Calculated on the issued share capital at 31 December 2000.

There have been no changes in the beneficial interests of the Directors or their families between 31 December 2000 and the date of this report.

Save as set out above, none of the Directors, nor any persons connected with the Directors within the meaning of Section 346 of the United Kingdom Companies Act 1985, had any interest, whether beneficial or non-beneficial, in the share capital of the Company or its subsidiaries.

The Company's share price as at 31 December 2000 was 2³/₄p and the high and low for the year was 5¹/₄p and 2¹/₂p respectively.

CHANGES TO THE BOARD

The present membership of the Board is set out on pages 16 and 17 of this report.

Mr M L Keeley resigned as a Director on the 31 March 2001. Since joining the Company in November 1996, he has made a valuable contribution as Exploration Director; he is now pursuing other personal interests.

Emerald Energy plc's Articles of Association require two Directors, for the time being, to retire from office at the Company's Annual General Meeting. Retiring Directors may offer themselves for re-election. The Directors retiring and offering themselves for re-election at the 2001 annual general meeting are Mr Iain Alexander and Mr Graeme Elliot. Mr Iain Alexander has a service contract with the Company terminable by not more than twelve months' notice from either side. Mr Graeme Elliot does not have a service contract with the Company.

Mr J P Silcock is now 72. Under UK company law, a director must vacate office upon reaching the age of 70 unless his appointment has been approved by the Shareholders in general meeting. Emerald Energy plc is registered in the Isle of Man and is therefore subject to Isle of Man company law, which contains no such restriction.

INTERESTS IN CONTRACTS

There have been no contracts or arrangements during the financial year in which a Director of the Company had a material interest.

SUBSTANTIAL SHAREHOLDINGS

Shareholdings in excess of 3% of the Company's issued ordinary share capital as at 2 April 2001 are shown below:

	Number of shares	Percentage of share capital
Nutraco Nominees Limited	81,707,693	6.14
Sharelink Nominees Limited (JMM)	44,886,026	3.37

As at 2 April 2001 the total number of ordinary shares in issue stood at 1,329,944,997 with the shares being distributed as follows:

	Number of shareholders	Number of shares
1 to 10,000	15,672	77,212,051
10,001 to 100,000	12,788	375,076,454
100,001 to 500,000	1,038	203,065,505
500,001 to 1,000,000	81	59,760,569
1,000,001 and over	99	614,830,418

DONATIONS

During the year the Group made no charitable donations in the United Kingdom but contributed £49,463 (1999: £55,245) to various local community projects in Colombia.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

SUBSEQUENT EVENTS

Subsequent events are disclosed in Note 27.

PAYMENTS TO SUPPLIERS

The Company agrees terms and conditions for its business transactions with each of its suppliers. Payment is then made in accordance with these terms, subject to these terms and conditions being met by the suppliers. Trade creditors were settled within these agreed terms during the period under review.

The Companies Act 1985 requires that the number of days of creditors outstanding be computed in a specific manner. The method of computation can be inappropriate when used in Emerald's case, as it assumes that creditors were incurred evenly throughout the year. At 31 December 2000 the Group had an average of 143 days' purchases (1999: 55 days) outstanding in trade creditors. If liabilities at 31 December 2000 incurred as a result of the explosion at Gigante #1A are excluded, the Group had an average of 52 days purchases outstanding in trade creditors.

BRANCH ACTIVITY

The Group operates through branches in Colombia, Argentina and Denmark.

HEALTH, SAFETY, THE ENVIRONMENT AND THE COMMUNITY

On 30 May 2000 there was an unfortunate accident, which saw an explosion and fire result in the death of one of a contractor's employees and the loss of Emerald's drilling rig. Following the explosion a considerable amount of effort was employed limiting the environmental impact of the accident. These actions completed in November 2000 proved successful and the site and surrounding area have now been restored to their previous state in accordance with local environmental regulations.

It remains the Group policy to conduct operations in a manner which protects people and property and which complies with all applicable legislation and standards. Emerald's objective is to ensure a safe working environment and to protect all those who may come into contact with its activities.

Group policy requires that business be conducted in a socially responsible and ethical manner promoting the preservation of the natural environment and the way of life of indigenous peoples. This is achieved through a systematic evaluation of any risks to the environment arising from the Group's activities followed by appropriate protective action. Compliance with Emerald's policies is also required of contractors providing services to Group operations.

AUDITORS

A resolution proposing the reappointment of Ernst & Young as auditors will be put before the forthcoming Annual General Meeting.

The Company's auditor, Ernst & Young, has stated that, during 2001, it is intending to transfer its business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP. If this happens, Ernst & Young has indicated to the Directors that it will resign as auditor and it is the current intention of the Directors to use their statutory powers to appoint Ernst & Young LLP to fill the vacancy in the office of auditor.

ACCOUNTS

The accounts for the year ended 31 December 2000 have been prepared in accordance with the Isle of Man Companies Acts 1931 to 1993 and the necessary disclosures have been incorporated in order to comply with the Financial Services Authority listing rules and the United Kingdom Companies Act 1985.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 15 May 2001. Details are set out in the notice of meeting on page 43.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required:

- to select suitable accounting policies and then apply them consistently;
- to make judgements and estimates that are reasonable and prudent;
- to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- to prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and which enable them to ensure that the accounts comply with the Isle of Man Companies Acts 1931 to 1993. They are also responsible for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

On behalf of the Board

I M Alexander

Chairman

11 April 2001

Report of the Auditors

to the shareholders of Emerald Energy Plc

We have audited the accounts on pages 25 to 42 which have been prepared under the historical cost convention and the accounting policies set out on pages 29 to 31.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing the Annual Report. As described on page 23, this includes responsibility for preparing the accounts in accordance with applicable Isle of Man law and United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Isle of Man Companies Acts 1931 to 1993. We also report to you if, in our opinion, the Directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the corporate governance statement on pages 13 to 15 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of either the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Group as at 31 December 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 1993.

Ernst & Young

Registered Auditor

London

11 April 2001

Group Profit and Loss Account

for the year ended 31 December 2000

	Notes	2000 £'000	1999 £'000
Turnover	2	4,040	1,759
Cost of sales		(2,699)	(1,048)
Gross profit		1,341	711
Administration expenses		(2,047)	(1,663)
Other operating income	3	3,188	–
Operating profit (loss)	4	2,482	(952)
Exceptional items – profit on disposal	7	1,464	–
Profit (loss) on ordinary activities before interest		3,946	(952)
Net interest (payable)	8	(82)	(160)
Profit (loss) on ordinary activities before taxation	2	3,864	(1,112)
Tax on profit (loss) on ordinary activities	9	(44)	(8)
Profit (loss) for the financial year		3,820	(1,120)
Earnings per ordinary share	11	0.292p	(0.097)p
Earnings per ordinary share on diluted basis	11	0.290p	(0.097)p

Group Statement of Total Recognised Gains and Losses

for the year ended 31 December 2000

	2000 £'000	1999 £'000
Profit (loss) for the financial year	3,820	(1,120)
Currency translation differences on foreign currency net investments	2,242	138
Total recognised gains (losses) relating to the year	6,062	(982)
Prior year adjustment	–	(104)
Total recognised gains (losses)	6,062	(1,086)

Group Balance Sheet

as at 31 December 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Intangible assets	12	332	15
Tangible assets	12	25,087	28,904
		25,419	28,919
Current assets			
Stock		66	–
Debtors	14	11,951	886
Cash at bank and in hand		2,176	2,934
		14,193	3,820
Creditors: amounts falling due within one year	15	(2,976)	(2,374)
Net current assets		11,217	1,446
Total assets less current liabilities		36,636	30,365
Creditors: amounts falling due after one year (including convertible debt)	16	–	(1,935)
Provisions for liabilities and charges	17	(934)	(821)
Net assets		35,702	27,609
Capital and reserves			
Called-up share capital	18	13,299	12,622
Share premium account	19	20,872	19,518
Profit and loss account	19	1,531	(4,531)
Equity shareholders' funds	20	35,702	27,609

I M Alexander – Chairman

A J Brookes – Finance Director

Company Balance Sheet

as at 31 December 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	12	17,013	20,548
Investments	13	6,305	6,305
		23,318	26,853
Current assets			
Stock		66	–
Debtors	14	17,787	5,981
Cash at bank and in hand		2,057	2,890
		19,910	8,871
Creditors: amounts falling due within one year	15	(2,846)	(2,215)
Net current assets		17,064	6,656
Total assets less current liabilities		40,382	33,509
Creditors: amounts falling due after one year (including convertible debt)	16	–	(1,922)
Net assets		40,382	31,587
Capital and reserves			
Called-up share capital	18	13,299	12,622
Share premium account	19	20,872	19,518
Profit and loss account	19	6,211	(553)
Equity shareholders' funds		40,382	31,587

I M Alexander – Chairman

A J Brookes – Finance Director

Group Cash Flow Statement

for the year ended 31 December 2000

	Notes	2000 £'000	1999 £'000
Net cash (outflow) from operating activities	21	(1,362)	(3,018)
Returns on investment and servicing of finance			
Interest received		80	142
Interest paid		(30)	(9)
		50	133
Taxation			
Overseas tax paid		(41)	–
Capital expenditure and financial investment			
Expenditure on intangible fixed assets		(110)	–
Expenditure on tangible fixed asset disposals		(4,157)	(8,446)
Ecopetrol cost recovery		1,952	–
Insurance receipt – drilling rig		2,922	–
		607	(8,446)
Net cash (outflow) before financing		(746)	(11,331)
Financing			
Proceeds from share issues		–	7,184
Share issue costs		–	(527)
Loan stock proceeds		–	6,000
Loan stock issue costs		–	(254)
Finance lease payments		(12)	(32)
		(12)	12,371
Increase (decrease) in cash		(758)	1,040

Notes to the Accounts

for the year ended 31 December 2000

1 Accounting Policies

Basis of Accounting

The accounts are prepared under the historical cost convention, in accordance with applicable UK accounting standards. A summary of the principal accounting policies applied consistently is set out below.

Basis of Group Consolidation

The consolidated accounts include the results of Emerald Energy plc and its subsidiary undertakings having eliminated all inter company transactions and balances. The results of subsidiary undertakings acquired during the year are included from the date of acquisition and the results of subsidiary undertakings sold are included up to the date of disposal.

Turnover

Turnover arising from oil and gas interests is recognised on an entitlement basis and represents the Group's share of oil and gas production in the accounting period before deduction of royalties.

Royalties

Royalties are charged to the profit and loss account in the period in which the related production is accounted for.

Foreign currencies

Assets, liabilities and results of foreign subsidiary undertakings are translated into sterling at the rate of exchange prevailing at the balance sheet date. The exchange difference arising from the translation of the net investment in the foreign subsidiary undertakings is taken direct to reserves. Differences arising from normal trading activity are dealt with through the profit and loss account.

Derivative financial instruments

The Group, from time to time, uses derivative financial instruments to manage its exposure to foreign currency exchange rate fluctuations. Foreign currency forward contracts are used to hedge exposure to future foreign currency commitments.

When such instruments are used the following definitions and accounting treatments apply.

The criteria for forward foreign currency contracts are:

- the instrument must be related to a foreign currency asset or liability that is probable and whose characteristics have been identified;
- it must involve the same currency as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the Group's operations.

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a committed or probable future transaction, are deferred until the transaction occurs.

Pensions

The Group is contractually committed to pay pension contributions on behalf of certain employees as part of their remuneration package and these are charged to the profit and loss account as incurred.

Interest

The unwinding of discount on the provision for decommissioning costs is charged to interest expense. Costs relating to the issuance of convertible loan notes are charged as interest expense when such loan notes are converted.

Fixed assets

Interests in oil and gas properties

Intangible interests

Intangible interests in oil and gas properties are those assets, which are in the process of development and on which no assessment has been completed as to the economic recoverability. Costs related to unevaluated properties are held outside the relevant pool, and are not amortised until such time as the related property has been fully appraised.

Tangible interests

Tangible interests in oil and gas properties are those assets, which have been assessed for economic recoverability. The Group uses the full cost method of accounting for oil and gas operations.

For evaluated properties, field and licence acquisition costs, geological and geophysical costs, costs of drilling exploration and development wells, costs of field production facilities, pipelines and interest on loans taken out to finance development expenditure net of recoveries, are capitalised and accumulated in full cost pools on a geographical basis. The Group's evaluated oil and gas assets are held in appropriately designated geographic pools, which at present are North America and South America.

Expenditure relating to evaluated properties within each pool is depleted on a unit-of-production basis. The depletion charge is calculated by multiplying the production in the period by the cost per barrel of finding and developing the pool's estimated commercial hydrocarbon reserves, both developed and under development. The cost per barrel for this purpose is based on undepleted capital expenditure and estimated future development costs. The effects of changes in estimates are dealt with prospectively. The costs and reserves of properties under appraisal, even when falling within the Group's definition of commercial reserves, are excluded from the depletion calculation until the Group is committed to development or until impairment in value has occurred. At the year-end the Group's tangible oil and gas interests are assessed for indications of impairment. Where such indications exist the net future revenues from oil and gas properties are compared to their net book value. Any impairment in value is charged to the profit and loss account.

When properties are disposed of, any consideration received is credited to the pool. Where this would create a net credit balance in the pool the surplus is taken to the profit and loss account.

The definition of commercial reserves adopted by the Group is net proven and probable reserves.

The introduction of FRS 15 has not had a material impact on the Group's current and prior years' results.

Other tangible fixed assets

Depreciation is provided at rates of between 10% and 25% per annum and is calculated to write off the cost of other tangible fixed assets over their expected useful lives.

Decommissioning

Where appropriate costs relating to decommissioning of oil and gas assets are recognised at the commencement of activity; the amount recognised is discounted to its present value and is reflected in the Group's long-term liabilities. A corresponding asset is included in the Group's fixed asset, interest in oil and gas properties. This asset is depleted in accordance with the Group's policy on depletion.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest elements of future obligations are charged to the profit and loss account over the period of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Stock

Stock represents the Group's oil inventory awaiting collection and is valued at the lower of cost and net realisable value.

2 Turnover and segmental analysis

During 2000 the Group's area of activity was the exploration for, development and production of oil and gas. During 1999 the Group also acted as a contractor of a drilling rig.

The Group's turnover, profit (loss) on ordinary activities before taxation and net assets relating to these activities are analysed as follows:

	North America		South America		Group	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Turnover						
Oil and gas production	813	420	3,227	1,339	4,040	1,759
Drilling contracts	–	–	–	–	–	–
	813	420	3,227	1,339	4,040	1,759
Profit (loss) on ordinary activities before taxation						
Oil and gas production	(238)	(419)	4,102	(324)	3,864	(743)
Drilling contracts	–	–	–	(369)	–	(369)
	(238)	(419)	4,102	(693)	3,864	(1,112)
Net assets						
Oil and gas production	3,489	3,127	32,213	24,312	35,702	27,439
Drilling contracts	–	–	–	170	–	170
	3,489	3,127	32,213	24,482	35,702	27,609

There is no difference between origin and destination of turnover.

Profit (loss) on ordinary activities before taxation and net assets shown in Europe in 1999 have been reallocated to the relevant areas of operation.

3 Other operating income

Other operating income comprises amounts recoverable under the Group's business interruption insurance policy and is considered an exceptional item and represents compensation for lost oil sales.

4 Operating profit (loss)

	2000	1999
	£'000	£'000
Operating profit (loss) is stated after:		
Exchange (gains)	(115)	(371)
Auditors' remuneration		
– non audit services	141	166
– audit services	69	46
Depletion and depreciation		
– owned assets	1,316	748
– leased assets	10	11
Operating lease rentals		
– land and buildings	45	69
– plant and machinery	5	63

5 Employees

	2000	1999
	£'000	£'000
Employee costs		
Wages and salaries	1,200	1,055
Social security costs	153	76
Pension costs	117	131
	1,470	1,262

	Number	Number
Average number of employees during the period		
UK	5	4
Overseas	42	50
	47	54

6 Directors' emoluments

Details of the remuneration, pension contributions and share options for each director are given on pages 19 and 20.

7 Exceptional items

Exceptional items comprise the profit on the deemed disposal of the drilling rig lost as a result of the accident at Gigante #1A. No tax arose on the profit on the disposal of the rig.

8 Net interest (payable) receivable

	2000 £'000	1999 £'000
Interest receivable	80	143
Interest payable		
Interest payable on bank loans and overdrafts	(27)	(6)
Finance charges payable under finance leases and hire purchase contracts	(3)	(4)
Unwinding of discount on abandonment provision (note 17)	(29)	(39)
Convertible loan note issuance costs	(103)	(254)
	(162)	(303)
	(82)	(160)

9 Tax on profit (loss) on ordinary activities

	2000 £'000	1999 £'000
UK corporation tax	–	–
Overseas corporation tax	44	8
	44	8

No provision for taxation was made during the period as each Group Company has sufficient reliefs or brought forward tax losses to eliminate any liability to taxation, with the exception of a charge for taxation in Emerald Energy Drilling Ltd.

10 Profit and loss account of the Parent Company

As permitted by Section 3(5) of the Isle of Man Companies Act 1982, the profit and loss account of the Parent Company is not presented as part of these accounts. The Parent Company's profit for the year amounted to £4,462,000 (1999: £116,000).

11 Earnings per ordinary share

The calculation of earnings per ordinary share is based on the profit attributable to shareholders of £3,820,000 (1999: loss of £1,120,000) and on the weighted average number of ordinary shares in issue during the year of 1,308,277,685 (1999: 1,153,632,292). On a diluted basis the weighted average number of ordinary shares in issue during the year was 1,316,027,685 (1999: 1,153,632,292).

12 Tangible fixed assets

	Interests in oil and gas properties £'000	Tangible assets Other fixed assets £'000	Total £'000	Intangible assets Interests in oil and gas properties £'000
THE GROUP				
Cost				
At 1 January 2000	27,742	2,868	30,610	15
Exchange difference	2,219	171	2,390	1
Additions	4,106	51	4,157	110
Recoveries	(7,105)	–	(7,105)	–
Transfer	(210)	–	(210)	210
Disposals	–	(2,144)	(2,144)	(4)
At 31 December 2000	26,752	946	27,698	332
Depletion and depreciation				
At 1 January 2000	1,152	554	1,706	–
Exchange difference	45	30	75	–
Charge for year	1,185	141	1,326	–
Disposals	–	(496)	(496)	–
At 31 December 2000	2,382	229	2,611	–
Net Book Value				
At 31 December 2000	24,370	717	25,087	332
At 31 December 1999	26,590	2,314	28,904	15

Included in oil and gas properties is interest capitalised of £30,000 (1999: £28,000).

The group is involved in a joint venture in Denmark in which it has a 12% interest. The gross assets of the joint venture were £243,000 at balance date and the group's share amounted to £29,000.

Disposals relate to the deemed disposal of the Group's drilling rig.

12 Tangible fixed assets *continued*

Included in the net book value for tangible interests in oil and gas properties is an amount relating to leased assets and assets acquired under hire purchase contracts of £72,000 (1999: £82,000).

	Interests in oil and gas properties £'000	Tangible assets Other fixed assets £'000	Total £'000
THE COMPANY			
Cost			
At 1 January 2000	19,448	1,833	21,281
Exchange difference	1,611	165	1,776
Additions	3,822	405	4,227
Recoveries	(7,105)	–	(7,105)
Disposals	–	(1,565)	(1,565)
At 31 December 2000	17,776	838	18,614
Depletion and depreciation			
At 1 January 2000	388	345	733
Exchange difference	–	30	30
Charge for year	1,070	95	1,165
Disposals	–	(327)	(327)
At 31 December 2000	1,458	143	1,601
Net Book Value			
At 31 December 2000	16,318	695	17,013
At 31 December 1999	19,060	1,488	20,548

13 Investments

	2000 £'000	1999 £'000
THE COMPANY		
Cost		
At 1 January 2000	6,305	3,425
Additions	–	2,880
Net Book Value at 31 December 2000	6,305	6,305

The Company's principal subsidiary undertakings at 31 December 2000, all of which were wholly owned, were as follows:

Company	Country of Incorporation	Country of operation	Principal activities
Cobham Oil and Gas Limited	England	England	Holding company
Cobham Gas Industries Inc.*	USA	USA	Oil and gas
Belmont Energy Inc.*	USA	USA	Oil and gas
Pennine Resources Inc.*	USA	USA	Oil and gas
Emerald Energy Argentina Limited*	British Virgin Is.	Argentina	Oil and gas
Emerald Energy Gaitanas Limited*	British Virgin Is.	Colombia	Oil and gas
Emerald Energy Apulo Limited*†	British Virgin Is.	Colombia	Oil and gas
Emerald Energy Drilling Limited	British Virgin Is.	Colombia	Drilling
Emerald International Holdings (Guernsey) Limited*	Guernsey	Guernsey	Holding company
Emerald Energy Denmark Limited*	British Virgin Is.	Denmark	Oil and gas

* Indirectly held

† Name changed to Emerald Energy Colombia Limited

14 Debtors

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Amounts receivable from subsidiary undertakings	–	–	6,071	5,276
Trade debtors	570	514	486	461
Other debtors	10,943	326	10,820	212
Prepayments	438	46	410	32
At 31 December 2000	11,951	886	17,787	5,981

Included in other debtors are amounts receivable in more than one year of £33,000 (1999: £31,000).

15 Creditors: amounts falling due within one year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Trade creditors	2,204	1,601	2,184	1,560
Social security and other taxes	61	78	45	70
Obligations under finance leases and hire purchase contracts	35	39	–	–
Other creditors and accruals	674	656	617	585
Overseas tax	2	–	–	–
At 31 December 2000	2,976	2,374	2,846	2,215

16 Creditors: amounts falling due after one year (including convertible debt)

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Obligations under finance leases and hire purchase contracts	–	13	–	–
Convertible loan notes	–	1,922	–	1,922
	–	1,935	–	1,922

Convertible loan notes

At 31 December 1999 convertible loan notes referred to above represented the unconverted proportion of the second tranche of convertible loan notes resulting from an agreement with GEM Global High Yield Fund Limited (GEM) dated 1 February 1999 under which GEM would subscribe or procure subscribers for up to £6 million of convertible loan notes in two tranches of £3 million each. The first tranche issued on 4 March 1999 was converted in full during 1999. The second tranche of £3 million was issued on 3 September 1999 and converted in full during 2000.

The principal terms of the second tranche of convertible loan notes were:

- they bore a coupon of 2.5% (net) per annum, compounded quarterly, payable on conversion in cash or ordinary shares at the Company's option or in cash on redemption;
- they were convertible at any time after their date of issue into ordinary shares on terms such that the principal amount paid up on the convertible loan notes would be applied in subscribing for ordinary shares at a price equivalent to the lesser of 140% of the average of the closing bid of ordinary shares in the five business days before the date of issue of the convertible loan notes and the average of the three lowest closing bid prices of the ordinary shares during the 30 trading days immediately proceeding conversion (save that this latter price could only be used (save in certain circumstances) in relation to conversions occurring at least 45 days after the date of issue of the convertible loan notes);

16 Creditors: amounts falling due after one year *continued*

- (c) the holders of the convertible loan notes had the right in the circumstances set out below to redeem the whole or any part of the outstanding principal amount of the convertible loan notes at a price equal to the greater of:
- (i) 125% of the aggregate of the nominal amount of the convertible loan notes to be redeemed and interest thereon; and
 - (ii) the value, at the closing offer price of Ordinary Shares on the business day immediately preceding the date of the notice of redemption, of the Ordinary Shares into which the nominal amount of the convertible loan notes to be redeemed and accrued interest thereon would otherwise convert on that date.

Such notice to redeem may only have been given following a substantial change in the nature of the Company's business, a sale by the Company of the majority of its assets, a takeover bid being made for the Company, a material breach by the Company of the terms of the convertible loan note instrument or the Subscription Agreement or if trading in the Ordinary Shares was suspended for five or more consecutive days (other than in connection with a reverse takeover).

The Company had the option, at any time, subject to the provision detailed below, to redeem the outstanding convertible loan notes at the same price as set out above.

If the Company served notice on the holders of the convertible loan notes of its intention to redeem, the holders had a period (being 60 days if the closing bid price of an Ordinary Share exceeded 3p on the date of the Company's notice, or 10 days if the said price was 3p or less) in which to convert the convertible loan notes into Ordinary Shares, rather than proceed with redemption. If any such conversion took place, the Company would have redeemed the unconverted balance.

If any redemption monies were not paid by the Company when due, the Company would have had to pay the holder of the relevant unredeemed convertible loan notes interest on the outstanding payment at a rate of 1.5% per month.

- (d) they had a mandatory conversion date three years from the date of issue.

17 Provision for liabilities and charges

	2000	1999
	£'000	£'000
Provision for decommissioning costs		
At 1 January 2000	821	776
Unwinding of discount	29	39
Exchange difference	67	26
Changes to provision	30	–
Utilised	(13)	(20)
At 31 December 2000	934	821

These costs arise in the US and are expected to be incurred over a period of 25 years.

18 Called-up share capital

	2000 £'000	1999 £'000
Authorised:		
2,400,000,000 ordinary shares of 1p each	24,000	24,000
Allotted, called-up and fully paid:		
1,329,944,997 ordinary shares of 1p each	13,299	12,622

Options to subscribe for 40,000,000 ordinary shares of 3.375p at any time until 31 December 2000 were granted to executive directors on 11 December 1996. The options were released by the executive directors on 8 September 2000.

Options to subscribe for 40,000,000 ordinary shares at 4.5p at any time until 31 December 2002 were granted to executive directors on 11 December 1996.

An option to subscribe for 1,000,000 ordinary shares of 7.5p each at any time until 31 December 2002 was granted to a senior executive on 29 October 1998. This option was released by the senior executive on 8 September 2000.

Options to subscribe for 46,500,000 ordinary shares of 2.5p each at any time until 10 November 2003 were granted to three executive directors on 10 November 1999.

Options to subscribe for 43,500,000 ordinary shares of 4p each at any time until 8 September 2005 were granted to executive directors and senior executives on 8 September 2000 and a further 2,500,000 ordinary shares of 4p at any time until 8 September 2007 were granted to a senior executive.

Between 1 January 2000 and 31 August 2000 the Company issued 67,795,892 ordinary shares of 1p each at an average price of 2.99p for a consideration of £2,026,244 pursuant to conversions of convertible loan notes.

On the dates of issue of the convertible loan notes, 4 March 1999 and 3 September 1999, warrants issued for nil consideration of 6,122,499 and 5,494,505 respectively were issued to GEM Global High Yield Fund Limited (GEM) being such number as would, if they were all exercised at their respective exercise prices result in the aggregate exercise price receivable by the company equalling £600,000. The warrants are exercisable at any time from the business day following their issue until the third anniversary of their issue.

19 Reserves

	Share premium account £'000	Profit and loss account £'000
The Group		
At 1 January 2000	19,518	(4,531)
Retained profit for the year	–	3,820
Profit on currency translation	–	2,242
Share premium on issue of shares	1,354	–
At 31 December 2000	20,872	1,531
The Company		
At 1 January 2000	19,518	(553)
Retained profit for the year	–	4,462
Profit on currency translation	–	2,302
Share premium on issue of shares	1,354	–
At 31 December 2000	20,872	6,211

20 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Opening shareholders' funds	27,609	17,904
New shares issued	2,031	10,687
Profit (loss) for the financial year	3,820	(1,120)
Other recognised gains relating to the year	2,242	138
Closing shareholders' funds	35,702	27,609

21 Net cash flow from operating activities

	2000 £'000	1999 £'000
Operating profit (loss)	2,482	(952)
Depletion and depreciation	1,326	759
(Increase) in stock	(66)	–
(Increase) in operating debtors	(5,708)	(1,251)
Increase (decrease) in operating creditors	604	(1,574)
Net cash (outflow) from operating activities	(1,362)	(3,018)

22 Analysis of net debt

	Cash £'000	Finance leases and hire purchase £'000	Convertible debt £'000	Net funds £'000
At 1 January 2000	2,934	(52)	(1,922)	960
Cash flow	(758)	12	1,922	1,176
Effect of changes in foreign exchange rates	–	5	–	5
At 31 December 2000	2,176	(35)	–	2,141

23 Reconciliation of net cash flow to movements in net debt

	2000 £'000	1999 £'000
Increase (decrease) in cash	(758)	1,040
Cash outflow from finance lease payments	12	32
Net movement in convertible debt	1,922	(1,922)
Change in net funds from cash flows	1,176	(850)
Effect of changes in foreign exchange rates	5	45
Movement in net funds	1,181	(805)
Net funds at 1 January 2000	960	1,765
Net funds at 31 December 2000	2,141	960

The operating cash flow includes £3,188,000 relating to the business interruption insurance receipt.

The only material non-cash transaction is the conversion of the convertible loan notes (see note 16).

24 Operating lease commitments

Annual commitments of the Group under non-cancellable operating leases are as follows:

	Land and Buildings		Other	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
In two to five years	–	54	15	–
In over five years	126	–	–	–
	126	54	15	–

25 Obligations under finance leases and hire purchase contracts

Obligations under finance leases and hire purchase contracts (net of finance charges allocated to future periods) are as follows:

	2000 £'000	1999 £'000
Repayable within one year	35	39
Repayable between one and five years	–	12
	35	51

26 Financial instruments

The Group has taken advantage of the exemption available for short term debtors and creditors.

Financial Assets

The group had no financial assets other than cash at bank and debtors. The cash at bank comprises current accounts and floating rate deposits placed on money markets at call. At 31 December 2000, the group's financial assets amounted to: denominated in UK Sterling – £79,000 (1999: £1,409,000); denominated in US Dollars – £2,007,000 (1999: £1,441,000); and denominated in other currencies – £90,000 (1999: £84,000).

Financial Liabilities

	2000 £'000	1999 £'000
Denominated in UK Sterling		
Convertible loan notes* (see Note 16)	–	1,922
Denominated in US Dollars		
Finance leases and hire purchase contracts	35	51

* In 1999 the weighted average interest rate was 2.5% per annum.

26 Financial Instruments *continued*

Maturity of Financial Liabilities

The maturity of financial liabilities is set out in notes 15, 16 and 25. All financial liabilities mature within 2001.

Fair value of Financial Assets and Liabilities

Where appropriate at 31 December 2000 and 1999, the fair value and the book value of the Group's financial assets and liabilities were materially the same.

Currency Exposure

The Group's reporting currency is UK Sterling. The Group's functional currency is US Dollars. At 31 December 2000, the Group had net monetary assets (liabilities) of £(64,000) (1999: £1,371,000) denominated in UK Sterling and £11,214,000 (1999: £(287,000)) denominated in other currencies. The increase in net monetary assets (liabilities) denominated in other currencies relates to monies receivable from Ecopetrol and Insurers.

Hedging

The Group, from time to time, uses derivative financial instruments to manage its exposure to foreign currency exchange fluctuations. At 31 December 1999, three forward foreign exchange contracts were outstanding and the unrecognised gain on these contracts amounted to £4,000, all of which matured in 2000. At 31 December 2000 the Group had no hedging instruments outstanding.

The Group sells its oil and gas on a basis linked to spot prices and the Group at this stage has no plans to engage in any form of oil price hedging.

Insurance

Where the Group is project operator, it takes responsibility for ensuring that appropriate insurance cover is in place and meets relevant legislation. The Group's insurance policies also contain overall limits and deductibles.

27 Subsequent Events

Under a Plan of Merger dated 21 February 2001 Emerald Energy Campoalegre Limited, Emerald Energy Cunday Limited, Emerald Energy Gaitanas Limited, Emerald Energy Drilling Limited and Emerald Energy Colombia Limited (formerly Emerald Energy Apulo Limited) were merged. The surviving company remains a wholly owned subsidiary of Emerald International Holdings (Guernsey) Limited.

28 Capital Commitments

Commitments for future capital expenditure contracted but not accrued in the accounts at 31 December 2000 were £11.5 million (1999: £8.8 million). These amounts principally relate to exploration and appraisal of oil and gas fields.

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Emerald Energy plc will be held at the offices of College Hill Associates Limited, 78 Cannon Street, London EC4N 6HH on 15 May 2001 at 11.00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive, consider and adopt the Report and Accounts for the year ended 31 December 2000 and the Directors' and auditors' reports thereon.
2. To re-elect Iain Alexander, who retires by rotation, as a Director of the Company.
3. To re-elect Graeme Elliot, who retires by rotation, as a Director of the Company.
4. To reappoint Ernst & Young as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company.
5. To authorise the Directors to fix the remuneration of the auditors of the Company.

By Order of the Board

G S Cole
Secretary

Registered Office
First Floor
Jubilee Building
Victoria Street
Douglas
Isle of Man IM1 2SH

11 April 2001

Notes:

1. Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more persons as his/her proxy to attend and, on a poll, to vote instead of him/her. The proxy need not be a member of the Company. The appointment of a proxy does not preclude any member from attending and voting in person at the meeting.
2. To be valid the instrument appointing a proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy thereof, must be deposited at the Company's authorised agent, Moorgate Registrars Plc, Dukesmead House, 39 High Street, Chelmsford, Essex CM1 1DE, at least 48 hours before the time fixed for the meeting. A proxy card is enclosed.
3. Copies of directors' service contracts together with a statement of transactions of directors and their family interests in the share capital of the Company will be available for inspection at Emerald House, East Street, Epsom, Surrey KT17 1EN being the head office of the Company during business hours on any weekday (excluding Saturdays) from the date of this notice until the date of the Annual General Meeting and will be available for inspection at the Annual General Meeting for a period of 15 minutes before the commencement until the conclusion of the meeting.

Shareholder Information

HEAD OFFICE

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Fax: 01372 840101
Web Site: www.emeraldenergy.com

REGISTERED OFFICE

First Floor
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Victoria Street
Douglas
Isle of Man IM1 2SH

COMPANY NUMBER

15484 C (Isle of Man)

AUDITORS

Ernst & Young
Becket House
1 Lambeth Palace Road
London SE1 7EU

STOCKBROKERS

Teather & Greenwood Limited
Beaufort House
15 St Botolph Street
London EC3A 7QR

SOLICITORS

Memery Crystal
31 Southampton Row
London WC1B 5HT

PRINCIPAL BANKERS

National Westminster Bank Plc
Fenchurch Street Business Centre
PO Box 192
116 Fenchurch Street
London EC3M 5AN

PUBLIC RELATIONS

College Hill Associates Limited
78 Cannon Street
London EC4N 6HH

REGISTRARS

Moorgate Registrars Plc
Dukesmead House
39 High Street
Chelmsford
Essex CM1 1DE

Glossary

API GRAVITY OIL

A reference system by the American Petroleum Institute for the density of crude oil.

ASSOCIATION CONTRACT

A contract for the exploration, development and production of hydrocarbons over a specified area in Colombia.

B OR BILLION

Thousand million.

BARREL OR BBL

42 US gallons of crude oil measured at a temperature of 60 degrees Fahrenheit and at a pressure of 14.7 pounds per square inch.

BARRELS OIL EQUIVALENT

The hydrocarbons in barrels produced per day including oil and gas, with gas being converted at a rate of 6,000 ft³ per one barrel of oil.

bopd

Barrels of oil per day.

CF

One standard cubic foot of gas measured at a temperature of 60 degrees Fahrenheit and at a pressure of 14.7 pounds per square inch.

DIRECT HYDROCARBON INDICATOR

Information from specialised processing of seismic data which indicates the presence of oil or gas in the sub-surface.

ECOPETROL

The State Oil Company of Colombia.

FORMATION

A rock deposit or structure of homogeneous origin and appearance.

HYDROCARBONS

Organic compounds of carbon and hydrogen.

LEAD

Indication of a prospect.

M

Thousand

MM

Million

OIL/GAS FIELD

A group of hydrocarbon reservoirs in a common geological setting.

OIL WELL

A well which can and does produce crude oil.

PROVEN RESERVES

In respect of quantities of oil and gas, those reserves which geological, geophysical and engineering data indicate to be in place and recoverable, under good industry practices, with a high degree of certainty. Proven Reserves are those reserves which, on all the available evidence and taking into account technical and economic factors, have a better than 90 per cent. chance of being produced.

PROBABLE RESERVES

In respect of quantities of oil and gas, Probable Reserves are those reserves which are not yet Proven but which, on all the available evidence and taking into account technical and economic factors, have a better than 50 per cent. chance of being produced.

SPUD

Commence drilling a well.

WELL

A hole drilled in the ground to obtain geological information, find and produce oil and/or gas or provide service to the operation of an oil or gas property.

MATAMBO ASSOCIATION

GIGANTE FIELD

Simplified structure map of the top of the upper Caballos reservoir.

