

EMERALD ENERGY PLC

Interim Results Announcement

Emerald Energy Plc, the UK based oil exploration company, with exploration activities in South America and Denmark plus operations in the USA, announces its Interim Results for the period ended 30 June 2001.

- In discussion with several parties re the farming out of Gigante field
- Final decision on location of Gigante #2 delayed until the results from Iskana #1 well on the adjacent TotalElfina block are available
- Problems with the production from Gigante #1A continue to affect profitability and cashflow
- Loss before tax £616,000 (2000 H1: Profit £1.2m), Loss per share 0.046p
- Group looking to dispose of non-core assets to focus on production and exploration in South America

Graeme Elliot, Chairman, commented:

“We had planned to move forward this year with the drilling of Gigante #2. Instead we have been faced with a series of technical problems on Gigante #1A which has affected our cash flow. Therefore we have commenced negotiations to farm out an interest in the Gigante field to an industry partner.”

“Despite the disappointment with current production levels at Gigante #1A we remain optimistic about the future for the block. Negotiations for a farm-in are continuing and if successful will enable us to commence the drilling of Gigante #2 and move towards the full commercialisation of the Gigante field. Perhaps more importantly this would give an independent value to our main asset.”

28 September 2001

ENQUIRIES:

Emerald Energy Plc
Iain Alexander, Chief Executive
Alan Brookes, Finance Director

Tel: 01372 840 100

College Hill
Michael Padley
Nicholas Nelson

Tel: 020 7457 2020

Continued...

Emerald Energy
Interim Financial statement for the six months ended 30 June 2001

CHAIRMANS STATEMENT

The period under review has been a disappointing one for the Company. Instead of moving forward with the drilling of Gigante #2 as envisaged, we have been faced with a series of technical problems on Gigante #1A. The major problem was the influx of water into the Gigante #1A production stream, shown by electric logs to be sourced from aquifers at around 13,500 feet, behind damaged casing and with poor cement bonding.

During this half-year, we have spent 87 days working on the well, with the inevitable impact on production, cash flow and profitability. We announced on 31 July that we believed that the water ingress problem had been solved after conducting a cement “squeeze” job, but this remedial action has proved to be only partially successful, although water production has been reduced substantially. The main problem with Gigante #1A was that it was originally drilled in 1992. Probably as a result of the workovers, the well productivity has declined from original levels and thus most recently we have been working with Halliburton Energy Services to apply the best chemical treatment to reduce the damage and regain some of the lost productivity. At present the well is producing at 1,100 bopd and the decision has been taken to defer the installation of the electrical submersible pump to allow time for the well to stabilise.

The main consequence of our inability to bring Gigante #1A back on stream at the 4,000 bopd seen when the pump was previously installed is that we are now unable to fund the drilling of Gigante #2 from internal sources, as was the original intention. Consequently, we are now looking to farm out an interest in the Gigante field to an industry partner in exchange for their commitment to finance at least the drilling of the next well on the field. A data room has been opened in Bogota and several major oil companies are in the process of evaluating the data; other companies are due to attend over the next few weeks.

In preparing the information for the data room we have been once again reminded of the scale of our discovery at Gigante. It is currently estimated that the field has ‘oil in place’ of around 930 million barrels, 230 million barrels in the formation that is currently producing, the Tetuan/Upper Caballos, and 700 million barrels in the deeper Middle Caballos. Assuming the drilling of some eight development wells and at least three water injection wells, a 30% recovery factor would give proven and probable reserves of around 280 million barrels, of which approximately 80 million barrels would be attributable to Emerald after Ecopetrol back-in and payment of a 20% government royalty.

Of major interest to shareholders will be the progress of the Iskana #1 exploration well currently being drilled on the adjacent block by TotalFinaElf. This well, which in many ways can be regarded as a step-out well from Gigante #1A, is some 8 kilometres to the east. We have agreed with Ecopetrol that, given the importance of the results from Iskana to the future development of the Gigante field, the location of Gigante #2 will not be finalised until after we have had the opportunity to incorporate the new data later this year. There may be structural connection between Iskana and Gigante and success in the former might suggest increased reserves in our field.

The results of the Group for the half-year to 30 June 2001 show a loss of £614,000, compared with a profit of £1,168,000 for the same period last year and a profit of £3,820,000 for the year ended 31 December 2000. The result for the first half of 2001 reflects a combination of disruptions to production in Colombia resulting from the series of workovers on Gigante #1A, combined with the absence of any contribution from the business interruption element of the insurance claim.

Emerald Energy
Interim Financial statement for the six months ended 30 June 2001

Group attributable production for the six months totalled 87,000 barrels of oil equivalent compared to 139,000 for the same period last year producing revenue of £1,571,000 compared with £1,945,000. The average price received for oil after royalties was US\$19.62 per barrel and US\$7.15 per million cubic feet for gas. Gross profit was £561,000 (2000: £821,000) and arrived after cost of sales of £1,010,000 (2000: £1,124,000).

Part of our insurance claim in respect of the blow out at Gigante #1A last year remains outstanding. At present we are in dispute with the underwriters in respect of US\$2,210,000 and we have now instructed legal counsel to pursue a resolution of this issue.

The Group's balance sheet at 30 June 2001 shows a net increase in Tangible Fixed Assets of £2,560,000 in the six month period reflecting the cost of the Gigante #1A workovers during the period less the recovery of prior period costs from Ecopetrol. Debtors include £6,890,000, being the net costs associated with the Matambo Association Contract to be recovered from Ecopetrol over time.

The interim financial information is prepared on a going concern basis as discussed in more detail in Note 1.

It remains of paramount importance to the future of the Company that Gigante #2 be financed and drilled as soon as possible. In addition to pursuing a farm out of an interest in the Gigante field to an industry partner, we have reviewed the Company's asset portfolio and taken the decision to sell or farm out non-core assets. We expect to dispose of our interest in block 4/99 in Denmark and have been approached to sell our interests in North America.

In Argentina we intend to continue with a seismic programme planned for the turn of the year. In Colombia, we are reviewing our exploration portfolio and are in discussions with Ecopetrol to acquire a more prospective block in exchange for Vuelta Larga. As the Campoalegre block is adjacent to the Matambo block, which incorporates the Gigante field and could be a beneficiary of a positive result in Iskana, it is our intention to retain 100% of this block for the time being.

During the period there has been a number of changes in the composition and structure of the Board. Iain Alexander has relinquished his dual role as Executive Chairman and become Chief Executive and I have taken over as non-executive Chairman. Alan Lucas has joined the Board and been appointed Chief Operating Officer. For a variety of reasons Peter Winton, Keith Hewitt and Martin Keeley have left the Board. Additionally, several senior management appointments have been announced which will strengthen our technical capability.

We had planned to move forward this year with the drilling of Gigante #2. Instead we have been faced with a series of technical problems on Gigante #1A which has affected our cash flow. Therefore we have commenced negotiations to farm out an interest in the Gigante field to an industry partner.

Emerald Energy
Interim Financial statement for the six months ended 30 June 2001

Independent Review Report to Emerald Energy plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2001, which comprises the Profit and Loss Account, Balance Sheet, Cash Flow Statement, Statement of Total Recognised Gains and Losses and the related notes 1 to 4. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Fundamental uncertainty

We have reviewed the disclosures made in the interim financial information concerning their preparation on a going concern basis. The validity of this basis depends on the successful outcome of negotiations to finance the Group and sufficient funds being raised. The interim financial information does not include any adjustments that would result from a failure to secure sufficient funds through the financing negotiations. Details of the circumstances relating to this fundamental uncertainty are described in Note 1.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2001.

Ernst & Young
Isle of Man
28 September 2001

Emerald Energy
Interim Financial statement for the six months ended 30 June 2001

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Half year to 30 June 2001 £'000s	Half year to 30 June 2000 £'000s	Year to 31 December 2000 £'000s
Turnover	1,571	1,945	4,040
Cost of sales	(1,010)	(1,124)	(2,699)
Gross profit	561	821	1,341
Administration expenses	(1,326)	(1,019)	(2,163)
Exchange gains/(losses)	83	124	115
Other operating income	-	284	3,188
Other operating expenses	-	(165)	-
Operating profit/(loss)	(682)	45	2,482
Exceptional Items - profit on disposal	-	1,175	1,464
Profit/(loss) on ordinary activities before interest	(682)	1,220	3,946
Net interest receivable/(payable)	66	(45)	(82)
Profit/(loss) on ordinary activities before taxation	(616)	1,175	3,864
Taxation on profit/(loss) for the financial period	2	(7)	(44)
Profit/(loss) on ordinary activities after taxation	(614)	1,168	3,820
Transfer to/(from) reserves	(614)	1,168	3,820
Earnings/(loss) per ordinary share (pence)	(0.046)p	0.090p	0.292p
Earnings/(loss) per ordinary share on a diluted basis (pence)	(0.046)p	0.081p	0.290p

UNAUDITED GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES

	Half year to 30 June 2001 £'000s	Half year to 30 June 2000 £'000s	Year to 31 December 2000 £'000s
Profit/(loss) for the financial period	(614)	1,168	3,820
Currency translation differences on foreign currency net investments	1,194	1,713	2,242
Total recognised gains/(losses) relating to the period	580	2,881	6,062
Prior period adjustment	-	-	-
Total recognised gains/(losses)	580	2,881	6,062

Emerald Energy
Interim Financial statement for the six months ended 30 June 2001

UNAUDITED CONSOLIDATED BALANCE SHEET

	Half year to 30 June 2001 £'000s	Half year to 30 June 2000 £'000s	Year to 31 December 2000 £'000s
Fixed assets			
Intangible assets	483	23	332
Tangible assets	27,647	24,982	25,087
Total fixed assets	28,130	25,005	25,419
Current assets			
Stock	116	-	66
Debtors – due one year	7,755	8,967	11,951
Debtors – more than one year	2,294	-	-
Cash	1,734	2,366	2,176
	11,899	11,333	14,193
Creditors: amounts falling due within one year	(2,799)	(2,968)	(2,976)
Net current assets	9,100	8,365	11,217
Total assets less current liabilities	37,230	33,370	36,636
Creditors: amounts falling due after one year	(21)	(414)	-
Provisions for liabilities and charges	(934)	(883)	(934)
Net assets	36,275	32,073	35,702
Capital and reserves			
Called-up share capital	13,299	13,103	13,299
Share premium account	20,872	20,620	20,872
Profit and loss account	2,104	(1,650)	1,531
	36,275	32,073	35,702

Emerald Energy
Interim Financial statement for the six months ended 30 June 2001

UNAUDITED GROUP CASH FLOW STATEMENT

	Half year to 30 June 2001 £'000s	Half year to 30 June 2000 £'000s	Year to 31 December 2000 £'000s
Net cash outflows from operating activities	598	(704)	(1,362)
Returns on investments and servicing of finance			
Interest received	68	47	80
Interest paid	(2)	(5)	(30)
	66	42	50
Taxation			
Overseas tax paid	-	-	(41)
Capital expenditure and financial investments			
Expenditure on tangible fixed assets	(2,205)	(1,690)	(110)
Expenditure on intangible fixed assets	131	-	-
Expenditure on tangible fixed asset disposals	-	1,975	(4,157)
Ecopetrol cost recovery	1,265	-	1,952
Insurance receipt – drilling rig	-	-	2,922
			607
Net cash outflows before financing	(407)	(377)	(746)
Financing			
Finance lease payments	(35)	(28)	(12)
	(35)	(28)	(12)
Increase/(decrease) in cash	(442)	(405)	(758)

Emerald Energy
Interim Financial statement for the six months ended 30 June 2001

Notes to the Financial Information

1. Fundamental Uncertainty

The Group is reliant on the existing and extended support of its bankers and creditors. The directors are currently in negotiations regarding proposals for financing the group.

If the financing negotiations are not successful and the group is unable to secure sufficient funding, the directors would need to consider alternative financing strategies. The directors are confident as to the success of the negotiations, and therefore believe it is appropriate for the interim financial information to be prepared on the going concern basis.

The interim financial information does not include any adjustments that would result if the financing negotiations are not successfully concluded.

2. Accounting Policies and Presentation of Financial Information

The financial information presented above does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The financial information for the year ended 31st December 2000 has been derived from the statutory accounts for that year. The statutory accounts, upon which the auditors issued an unqualified opinion, were delivered to the Registrar of Companies.

There are no changes to the accounting policies as set out on pages 29, 30 and 31 of the Annual Report and Statement of Accounts for the year ended 31st December 2000.

3. Earnings per Ordinary Share

The calculation of earnings per ordinary share for the six months ended 30th June 2001 is based on the weighted average number of ordinary shares in issue during the period of 1,329,944,997 shares (first half 2000 – 1,291,818,426 shares).

4. Dividends

No dividend was declared in the half year to 30th June 2001 nor in 2000.

5. Auditors' Review

These interim accounts (unaudited) have been reviewed by the Group's auditors, Ernst & Young.

6. Approval of Accounts

These interim accounts (unaudited) were approved by the Board of Directors on 28th September 2001.

The text of the last Annual Report and up to date information regarding the Company's activities is available from the Emerald Energy website: www.emeraldenergy.com