EMERALD ENERGY PLC

Interim Results Announcement

Emerald Energy Plc, the UK based oil exploration company, with production and exploration activities in South America, announces its Interim Results for the period ended 30 June 2002.

- Period of consolidation
- North American assets sold
- Resources Investment Trust take significant stake
- Llanos Basin to be drilled
- Loss for the period £2.4 million (2001H1: loss £614,000; 2001 Year: loss £3.8m)
- Exceptional items: write down of assets totalling £973,000
- Cost reduction programme underway

Graeme Elliot, Chairman, commented:

"The period under review has been one of further consolidation. After a difficult year the prospects for the Group are improving. We are maximising cash generation and actively reviewing various opportunities to minimise the risk profile.

"Discussions regarding the provision of additional financing are continuing and the combination of cost reductions and strategic disposals gives the Board confidence that the Group retains the opportunity to develop its significant reserve position in Colombia and to take advantage of opportunities outside the region where appropriate."

30 September 2002

ENQUIRIES:

Emerald Energy Plc **Tel: 020 8823 9140**
Iain Alexander, Chief Executive
Alan Brookes, Finance Director

College Hill **Tel: 020 7457 2020**
Michael Padley
Nicholas Nelson

Continued…

CHAIRMAN'S STATEMENT

The period under review has been one of further consolidation. The sale of the North American assets has been completed for a sales price of £962,000 and cash flows were further boosted by the sale of 1,664,691 Resources Investment Trust shares, which produced cash proceeds of £1,527,000 during May 2002. A cost reduction programme is also being implemented.

The Company is actively seeking to farm out a stake in the Matambo block to an industry partner in return for a commitment to fund the drilling of Gigante #2. Data rooms have been established in both London and Bogota and visited by a number of interested parties. We are in active discussions with one of those parties. The Company has applied for commerciality on the Matambo block, which incorporates the Gigante Field and expects Ecopetrol to grant this in the near future. Once commerciality has been granted, the Company will not be at risk of losing the significant reserves in the Matambo Block, currently estimated to be of the order of 100 million barrels. Following several chemical treatments Gigante #1A is currently producing at around 750 bopd.

Over the past year the Company has discussed with Ecopetrol, the Colombian State Oil Company, ways in which it could adjust its exploration portfolio to reduce the level of risk and financial commitment. These discussions have been relatively successful to date and the Company has been awarded two new blocks in the highly prospective Llanos Basin. As part of these discussions the Vuelta Larga Association Contract has been relinquished to Ecopetrol. Negotiations with Ecopetrol to reconfigure commitments under other Association Contracts are continuing.

Subject to the availability of finance (see Note 1) and the agreement of Ecopetrol the Company plans to drill two new wells on one of its recently acquired Llanos Basin blocks, Campo Rico. The first well will be a relatively low risk appraisal well, Centauro #2 and the second an exploration/appraisal well on a different structure within the block, Cimarron Sur #1.

The Centauro #2 well with a targeted total depth of 11,400ft will cost approximately US$3.2 million to drill and test. The well is expected to come on stream with a flow rate of around 1,000 barrels of oil per day. Initial studies on Campo Rico indicate that each of the structures within the block could contain up to 30 million barrels of recoverable reserves. Cimarron Sur #1 is expected to be equivalent to Centauro #1 in terms of design, cost, profile and prospectivity.

As a result of the economic disturbances in Argentina we have been unable to fulfil our obligations on the Ñirihuau block and are currently in discussions with the Argentinean Government as to its future. In the light of the discussions to date, the Board consider it unlikely that we will retain this block. A review of our Danish block is also being conducted and again, it is likely that we will withdraw due to the lack of prospectivity. In both cases these exploration costs have been written off.

With oil prices considerably higher than expected during the period and with the prospect of a Middle East conflict, the attractiveness of oil reserves outside the Middle East is considerably enhanced. The Company is actively reviewing opportunities to acquire additional reserves.

The results of the Group for the half-year to 30 June 2002 show a loss of £2,381,000, compared with a loss of £614,000 for the same period last year and a loss of £3,785,000 for the year ended 31 December 2001. The Group currently pays no UK corporation tax, having tax losses brought forward from previous years.

Group attributable production for the six months totalled 70,000 barrels of oil equivalent compared with 87,000 for the same period last year producing revenue of £1,003,000 compared with £1,571,000. The average price received was US$22 per barrel. Gross loss was £867,000 (2001: Profit £561,000) and arrived after cost of sales of £1,870,000 (2001: £1,010,000). The exceptional item of £973,000 included in cost of sales relates to a write down of Colombian exploration expenses of £497,000 and the writing off of £410,000 and £66,000 in Argentina and Denmark respectively. The £364,000 exceptional item in Other Operating Expenses relates to the write off of the Business Interruption element of the insurance claim.

The Group's balance sheet at 30 June 2002 shows a net decrease in Tangible Fixed Assets of £1,885,000 in the six-month period largely represented by the sale of the USA assets. Debtors include £4,962,000, being the net costs associated with the Matambo Association Contract to be recovered from Ecopetrol over time. All of the debtors due after more than one year relate to Ecopetrol.

Outlook

After a difficult year the prospects for the Group are improving. We are maximising cash generation and actively reviewing various opportunities to minimise the risk profile. We also remain positive regarding the farm out of a stake in the Matambo Block, which will enable Gigante #2 to be drilled.

Discussions regarding the provision of additional financing are continuing and the combination of cost reductions and strategic disposals gives the Board confidence that the Group retains the opportunity to develop its significant reserve position in Colombia and to take advantage of opportunities outside the region where appropriate.

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

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 2002, 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 6. 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 'Review of interim financial information' 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 2002.

Ernst & Young
Isle of Man
27 September 2002

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Half year to 30 June 2002	Half year to 30 June 2001	Year to 31 December 2001
		£'000s	£'000s	£'000s
Turnover		1,003	1,571	2,749
Cost of sales	– excluding exceptional item	(897)	(1,010)	(2,015)
	– exceptional item - write off of fixed assets	(973)	-	(2,351)
Total Cost of Sales		(1,870)	(1,010)	(4,366)
Gross profit		(867)	561	(1,617)
Administration expenses		(1,020)	(1,326)	(2,454)
Exchange (losses)/gains		(19)	83	160
Other operating income		-	-	413
Other operating expense – exceptional item - write off of insurance claim		(364)	-	-
Operating profit/(loss)		(2,270)	(682)	(3,498)
Exceptional Items – profit on disposal of US assets		59	-	-
(Loss) on ordinary activities before interest		(2,211)	(682)	(3,498)
Net interest (payable)/ receivable		(170)	66	(170)
(Loss) on ordinary activities before taxation		(2,381)	(616)	(3,668)
Taxation on (loss)/profit for the financial period		-	2	(117)
(Loss) on ordinary activities after taxation		(2,381)	(614)	(3,785)
Transfer (from) reserves		(2,381)	(614)	(3,785)
(Loss) per ordinary share (pence)		(0.166)p	(0.046)p	(0.285)p
(Loss) per ordinary share on a fully diluted basis (pence)		(0.166)p	(0.046)p	(0.285)p

UNAUDITED GROUP STATEMENT OF RECOGNISED GAINS AND LOSSES

	Half year to 30 June 2002	Half year to 30 June 2001	Year to 31 December 2001
	£'000s	£'000s	£'000s
(Loss) for the financial period	(2,381)	(614)	(3,785)
Currency translation differences on foreign currency net investments	(653)	1,194	391
Total recognised (loss)/gain relating to the period	(3,034)	580	(3,394)
Total recognised (losses)/gains	(3,034)	580	(3,394)

UNAUDITED CONSOLIDATED BALANCE SHEET

	Half year to 30 June 2002 £'000s	Half year to 30 June 2001 £'000s	Year to 31 December 2001 £'000s
Fixed assets			
Intangible assets	-	483	481
Tangible assets	27,118	27,647	29,003
Total fixed assets	27,118	28,130	29,484
Current assets			
Stock	26	116	37
Debtors – due one year	2,894	4,531	4,294
Debtors – more than one year	3,386	5,518	2,810
Cash	884	1,734	809
	7,190	11,899	7,950
Creditors: amounts falling due within one year	(3,224)	(2,799)	(4,190)
Net current assets	3,966	9,100	3,760
Total assets less current liabilities	31,084	37,230	33,244
Creditors: amounts falling due after one year	(392)	(21)	(41)
Provisions for liabilities and charges	-	(934)	(895)
Net assets	30,692	36,275	32,308
Capital and reserves			
Called-up share capital	14,628	13,299	13,299
Share premium account	21,070	20,872	20,872
Profit and loss account	(5,006)	2,104	(1,863)
	30,692	36,275	32,308

UNAUDITED GROUP CASH FLOW STATEMENT

	Half year to 30 June 2002 £'000s	Half year to 30 June 2001 £'000s	Year to 31 December 2001 £'000s
Net cash outflow from operating activities	(2,010)	598	4,591
Returns on investments and servicing of finance			
Interest received	12	68	118
Interest paid	(183)	(2)	(150)
	(171)	66	(32)
Taxation			
Overseas tax paid	-	-	(119)
Capital expenditure and financial investments			
Expenditure on tangible fixed assets	(712)	(2,205)	(140)
Expenditure on intangible fixed assets	-	(131)	(9,031)
Ecopetrol cost recovery	524	1,265	1,762
Sale of proceeds from US Assets disposal	624	-	-
Proceeds from the sale of Resources Investment Trust Shares	1,527	-	-
	1,963	(1,071)	(7,409)
Net cash outflows before financing	(218)	(407)	(2,969)
Financing			
Finance lease payments	-	(35)	(35)
Bank Loans	293	-	1,637
	293	(35)	1,602
Increase/(decrease) in cash	75	(442)	(1,367)

Notes to the Financial Information
Independent Review Report

Fundamental Uncertainty – Going Concern

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 in the short term. The interim financial information does not include any adjustments that would result from failure to secure sufficient funds through the financing negotiations. Details of the circumstances relating to this fundamental uncertainty are described in Note 1.

1. Fundamental Uncertainty – Going Concern

The Group continues to be reliant on the existing and extended support of its bankers and creditors. The Group has been unable to improve oil revenues due to technical problems at Gigante #1A, and because of the ongoing dispute concerning outstanding insurance monies relating to the explosion at Gigante #1A, short term cash flow has come under pressure. In an effort to improve the short term cash position the larger creditors in Colombia were approached and have agreed to extended credit terms, so that payment will be spread over the period from April to December 2002. Without such extended credit terms the Group would have been unable to pay all of its creditors.

The directors are currently in negotiations regarding proposals for financing the Group. In this connection they have reached agreement with a third party that has committed to inject new funds totalling £1.8m, sufficient to meet the Group's immediate cash requirements and enable the Group to meet its existing liabilities as they fall due. The directors have also approved the implementation of significant cost reduction plans in the UK and Colombia.

During 2003 the Group will still need to negotiate further financing totalling at least £4m, in addition to the new funds mentioned above, in order to fund its ongoing operations and fulfil all its current licence commitments in Colombia, including the commitment to drill the Centauro and Cimarron Sur wells described in the Chairman's Statement. The ability of the Group to continue as a going concern for the foreseeable future will depend on the success of these drilling activities. Negotiations are underway with Ecopetrol, the Colombian State Oil Company to extend the timing of commitments under various Association Contracts.

The successful completion of the negotiations for the additional funding combined with the renegotiation of the Group's licence commitments, as well as Brent oil remaining above $23/bbl and continuous production from Gigante #1A of at least 700bbl/d, should ensure that the Group is able to continue in operational existence and meet its liabilities as they fall due.

If the financing negotiations and the renegotiation of the Group's licence commitments are not successful and the Group is unable to secure sufficient funding, the directors would need to consider alternative strategies. The negotiations referred to above need to be successfully concluded within the short term, otherwise the going concern basis would be invalid and adjustments would have to be made to reduce the value of the assets to their realisable amount, to provide for any further liabilities which might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities. The directors have a reasonable expectation as to the success of the negotiations, and therefore believe it is appropriate for the interim financial information to be prepared on a 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 2001 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 Isle of Man Registrar of Companies.

There are no changes to the accounting policies as set out on pages 26 and 27 of the Annual Report and Statement of Accounts for the year ended 31st December 2001.

3. Earnings per Ordinary Share

The calculation of earnings per ordinary share for the six months ended 30th June 2002 is based on the weighted average number of ordinary shares in issue during the period of 1,436,491,298 shares (first half 2001 – 1,329,944,997 shares).

4. Dividends

No dividend was declared in the half year to 30th June 2002 nor in 2001.

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 27th September 2002.

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