EMERALD ENERGY PLC

Preliminary Announcement

Emerald Energy Plc, the UK based oil exploration company, with exploration activities in South America, announces its Preliminary Results for the year ended 31 December 2002.

- The loss for the year was £22.6 million after exceptional items amounting to £21.7 million of which £19.9 million relates primarily to exploration in Colombia on blocks subsequently relinquished. This compares with a loss of £3.8 million for the year ended 31 December 2001.
- The operating loss excluding all exceptional items for the year under review was £0.9 million compared with £1.1 million the previous year.
- A cost-reduction programme in both London and Bogota has greatly reduced operating losses.
- Directors are currently in discussion with several financial groups regarding proposals relating to future financing.
- Gigante #1A sole risk area and Matambo reserved exploitation area granted by Ecopetrol.
- 45 kilometres of new seismic shot across Campo Rico.

30 April 2003

ENQUIRIES:

Emerald Energy Plc **Tel: 020 8823 9140**
Iain Alexander, Chief Executive

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

EMERALD ENERGY PLC
PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002

CHAIRMAN'S STATEMENT

The period under review has been one of considerable frustration for the Company's management. The virtual collapse of equity markets around the world has prevented the Company from raising the capital needed to exploit the opportunities open to it within Colombia. On a number of occasions during the past twelve months the Company believed that it had reached agreement with various parties, which would have raised sufficient equity or quasi equity capital, to enable recommencement of the drilling programme. However, primarily due to the level of uncertainty in the capital markets, none of these have been crystallised. As a result the year overall has seen further consolidation for the Company.

During the last twelve months the Company has had a series of commercial and technical discussions with Ecopetrol, the Colombian State Oil Company, to adjust its exploration portfolio to reduce the level of risk and financial commitment in line with the availability of external finance. It is expected that, following these discussions, the Company will retain the Campo Rico Association Contract and relinquish the Vuelta Larga, Capote and La Cabana Association Contracts to Ecopetrol. As a result, the Directors reviewed the carrying value of the assets in the balance sheet and have decided to write off £19.9 million of costs, previously capitalised, primarily in respect of Association Contracts in Colombia in which the Company no longer participates.

The sale of the North American assets has been completed for a sales price of £0.9 million and cash flows were further boosted by the sale of 1,664,691 shares in Resources Investment Trust, which produced cash proceeds of £1.5 million during May 2002. A cost reduction programme was also implemented in both London and Bogota with the result that the Company's operating costs in Colombia have been reduced by 34% and head-office costs for 2003 are now forecast to be 56% of their level in 2002.

Results

The results of the Company for the year ending 31 December 2002 show a net loss including exceptional items of £22.6 million compared with a loss of £3.8 million for the year ended 31 December 2001. The operating loss excluding all exceptional items for the year under review was £0.9 million compared with £1.1 million the previous year. This underlying result reflects a reduction in operating losses prior to the exceptional item of £21.7 million, which includes the write off of £19.9 million mentioned above. This improvement was due to a combination of cost cutting and higher revenues driven by higher oil prices but was partially offset by lower production. The Company's attributable production for the year totalled 251,000 barrels of oil equivalent compared with 325,000 barrels the prior year. The weighted average price received for its oil during 2002 was US$20 per barrel, an increase of 16% on the previous year. Turnover decreased to £1.7 million (2001: £2.7 million), a fall of 37% on last year and a gross loss including exceptional items for the year of £21.5 million (2001: £1.6 million) was posted. Cost of sales (excluding exceptional items) for the year amounted to £1.5 million compared with £2.0 million in the prior year.

Matambo Block

The Company continued to search throughout the year for an industry partner to farm in to the Matambo block. Data rooms were established in both London and Bogota and visited by a number of interested parties. During the year the Company applied for commerciality on the

Matambo block, which incorporates the Gigante field, and Ecopetrol has granted this on a sole risk basis for the area immediately surrounding the Gigante #1A well together with exclusive exploration and development rights within a 5 kilometre radius around the well. This means that the significant reserves in the Matambo block, currently estimated by external petroleum engineers to be of the order of 80-100 million barrels, have been secured without any formal requirement for further appraisal drilling. If the Company were not cash constrained (see Note 1, page 14), the intention would be to drill a further sidetrack of Gigante #1A at a cost of approximately US$4.5 million, to test more adequately the Upper Caballos formation which was damaged by the invasion of drilling mud during the drilling and testing of the first well. In addition, production should also recover to the 3500 bopd level prior to the blow-out in May 2000. During the year Gigante #1A has received four chemical treatments to seek to improve the flow rate and the well is currently producing at approximately 790 barrels of oil per day. Our insurance claim against a Lloyds syndicate in respect of expenditure incurred by the Company attempting to restore Gigante #1A to its condition prior to the blow out in May 2000 is currently before a Court in Texas.

Campo Rico

Subject to the availability of finance the Company plans to drill a new well on its recently acquired Llanos Basin block, Campo Rico. This will be a relatively low risk appraisal well up dip of a discovery well Centauro #1 with a targeted total depth of 11,400ft. The well will cost approximately US$3.2 million to drill and test and is expected to come on stream with a flow rate of around 1,100 barrels of oil per day. A small seismic programme is currently being shot across the western half of the Campo Rico block to confirm our initial studies, which indicate that each of the two identified structures within the block could contain up to 30 million barrels of recoverable reserves.

Argentina and Denmark

As a result of the economic disturbances in Argentina the Company was unable to fulfil its obligations on the Ñirihuau block and the dispute with the Argentinean Government continues as to whether it can be retained if the work programme were to be completed in the future. In the light of the discussions to date, the Board considers it unlikely that this block will be retained. The Danish block 4/99 where Emerald was partnered by Amerada Hess, Northern Petroleum and DONG, was relinquished by all parties due to the lack of prospectivity. In both cases the exploration costs were written off.

Board Changes

Mr P J Viggers resigned as a non-executive director on 5 February 2003. Mr J P Silcock, aged 74, retires by rotation at this year’s Annual General Meeting and will not be seeking re-election. The Board thanks them both for their significant contribution to the Company’s progress. It is the intention of the Company to strengthen the Board by the appointment of new Non-Executive Directors.

Outlook

All costs have been substantially reduced over the past twelve months and at an operational level contributions are being made to the repayment of bank debt, the repayment of creditors and to the payment of overheads in both Bogota and London.

Directors are currently in discussions with several financial intermediaries regarding proposals relating to the future financing of the Group, which would allow Emerald to exploit both new and existing opportunities. Directors believe that additional capital could then be available from the market to finance future operations.

G A Elliot
Chairman
30 April 2003

OPERATIONAL REVIEW

PRODUCTION INTEREST

GIGANTE/MATAMBO ASSOCIATION CONTRACT
69 sq km; 100% working interest

Emerald had an obligation under the Matambo Association Contract to drill Gigante #2 by February 2002. Given the low well productivity, variable oil prices and the funding required for the remedial work on Gigante #1A, it became apparent that Gigante #2 could not be drilled within the required timetable and that Emerald could not finance the project from internally generated cash flow. Accordingly Emerald approached Ecopetrol to discuss ways in which both parties objectives could be achieved. Negotiations resulted in Ecopetrol agreeing in principle that Emerald was not required to drill a second well on the block prior to applying for commerciality. At the same time, Ecopetrol indicated that they were likely to allow Emerald to proceed on a sole risk basis.

Ecopetrol subsequently authorized Emerald to proceed with production from Gigante #1A on a sole-risk basis but elected not to participate in Gigante at this stage because the project does not fit within its current investment profile.

The award of the sole-risk area around the discovery well Gigante #1A and the granting of a further 5 km reserved zone means that the timing of future drilling activity is not subject to any obligation and is in the control of the Company. The reserved zone encompasses the rest of the likely field area.

Emerald continues to seek farm-out partners since a second well is required to confirm the volumetrics and economic viability of the field. A new well would also enhance short-term cash flow. Once a second well has been drilled, a sidetrack of Gigante #1A is contemplated to restore production, since the existing completion is clearly never going to regain its original productivity of some 3,500 barrels of oil per day.

The Company's latest mapping of the Gigante structure as a whole is based on the re-processed PSDM seismic lines and gives an 'anticipated volume' of recoverable reserves in the Caballos of 85 MMbbl and a further 15 MMbbl in the Tobo Limestone based on a notional development programme of some seven to eight wells.

The well continued to produce throughout the year, the only interruptions being for installation of a hydraulic jet pump and a number of chemical treatments on the producing interval. The treatments were primarily solvent washes using xylene: all showed an initial increase in production with a subsequent decline, although treatments including an asphaltene inhibitor showed a slower decline. The precise nature of the impairment remains unknown. Production for the year averaged 644 bopd and at year-end it was producing 790 bopd at a water-cut of 35%. Cumulative production has now reached 1.3 million barrels.

EXPLORATION INTERESTS

Over the past year Emerald's strategy has been to re-focus its exploration from the high risk, high cost for high reward areas of the Middle and Upper Magdalena Valley to lower risk, lower cost opportunities in the Colombian Llanos. The Llanos Basin is the most important area of oil

production in Colombia: in addition to its two super-giants (Cusiana and Cano Limon) there are many other fields whose relatively small size (10-30 MMbbl recoverable) is more than compensated for by very high flow rates and high recovery levels. Flow rates of up to 3,000 bopd from individual wells have been achieved in these smaller fields. These are made possible by high quality reservoirs – the pure quartz sandstones of the Carbonera, Mirador, Barco, Guadalupe Gacheta and Une formations – which all have outstanding porosity and permeability characteristics. An active regional aquifer provides water drive.

The success rate of Llanos wells basin wide is, by worldwide industry standards, very high at around 50 per cent. Well-developed export infrastructure, low production costs, and increased reservoir understanding greatly enhance the economics of Llanos developments. Also, it is a general observation that because of a combination of difficult logs, overbalanced mud, bad hole conditions and equivocal test data in the old wells, re-drills often achieve success.

Emerald's two new Association Contracts in the Llanos Basin are Campo Rico and La Cabana.

CAMPO RICO ASSOCIATION CONTRACT
920 sq km; 100% working interest

The Campo Rico contract was awarded to Emerald with an Effective Date of May 2002, following lengthy discussions with Ecopetrol over Emerald's involvement in the Vuelta Larga block. Both Ecopetrol and the Company agreed that, on technical grounds, there was a high risk that the identified structures within Vuelta Larga did not have satisfactory closure, and the obligation to drill a well within the first contract year was transferred to Campo Rico. Campo Rico is a large divided block straddling one of the most important producing areas of the Llanos and enclosing the Santiago-Entrerios and Rancho Hermoso-La Punta producing fields.

Technical work on Campo Rico has established three drillable prospects – Centauro up-dip, Centauro Sur and Cimarron Sur. The two Centauro prospects most probably run into each other to form a single structure. It is expected that previously un-recognised closures may also emerge through careful re-mapping of the existing additional Ecopetrol dataset. Additionally, a number of abandoned structures should repay modern re-appraisal.

Drilling the Centauro structure is essentially an appraisal project. The Centauro #1 well, drilled by Ecopetrol in the 1980's, tested oil at two intervals in the Mirador. Emerald will re-drill up–dip from the existing well. The oil tested in the original well was heavy, 15° API, and the flow rate was low, but the rates can almost certainly be improved given porosity in excess of 25% and permeability of one Darcy. In the reservoirs below the Mirador there is a reasonable chance of lighter oil. The logs suggest a 200 ft hydrocarbon column, and the Une Formation seems to be oil bearing. The Centauro structure is expected to contain 16 MMbbls recoverable in the Mirador alone.

The other structure, Cimarron Sur, exhibits considerable potential but needs better definition to reduce structural risk. Studies to date suggest it could have 20 MMbbl of reserves. It is expected that other leads and prospects may emerge from further geological and geophysical analysis.

The principal work obligations are, for the western part of the contract area, to drill one well and for the eastern part, to acquire 45 kms of 2D seismic in the first contract year: in view of the limited prospectivity of the eastern part the seismic was acquired over the two main prospects in the western area in April and it is the intention to seek a deferral of the well until year-end.

LA CABAÑA ASSOCIATION CONTRACT
120 sq km; 100% working interest

As part of its negotiations with Ecopetrol in respect of commerciality on the Gigante Field, the Company agreed to transfer the Gigante #2 exploration well obligation for an equivalent but considerably lower cost well on a new block. Ecopetrol proposed several alternatives from its own portfolio and after technical review of the available data, it was agreed that La Cabana in the Llanos Basin appeared the most prospective. The new contract became effective in May 2002, with a commitment to drill one well in the first contract year.

Ecopetrol's contention was that the structural crest at Mirador level is significantly displaced from, and up-dip of, the downhole location of the discovery well drilled on the structure in 1984. However, after access to the full dataset, Emerald's interpretation does not support the Ecopetrol view and thus the prospect is now seen as having considerable risk. As a result of this work and also the relatively high cost of a well, Emerald is now negotiating to relinquish the block without drilling in order to concentrate on the lower cost and probably more prospective acreage in Campo Rico.

In addition to these Llanos blocks, Emerald's other Colombian Association Contract were located in the Middle and Upper Magdalena Valley:

CAMPOALEGRE ASSOCIATION CONTRACT
294 sq km; 100% working interest

The block was granted in February 2001 and is located to the north of the Matambo Block, abutting the Matambo licence/Gigante Field in the Upper Magdalena Valley. The structures along the Eastern boundary of the block appear to resemble those of Gigante but are very deep and apparently limited in size such that any future development is unlikely to be economically viable. Accordingly, after discussions with Ecopetrol, the block has now been relinquished.

CAPOTE ASSOCIATION CONTRACT
151 sq km; 100% working interest

The contract in the Middle Magdalena Valley was granted in February 2001 and the principal obligation was to acquire 55 km of 2D seismic in the first year. Though the area was largely similar to the Apulo contract previously held by Emerald, further study was required before defining the seismic grid. Accordingly, it was agreed with Ecopetrol to conduct studies on the basin evolution and the hydrocarbon system in order to define better the new play concepts. The studies were completed in August 2002 and indicated limited prospectivity which could not justify the cost of the seismic & possibility of drilling thereafter. After discussions with Ecopetrol, the block was terminated without further penalty.

ARGENTINA

NIRIHUAU LICENCE BLOCK, CN-01
9606 sq km; 100% working interest

The block was awarded in February 1999, with a work commitment equivalent to some 165 km of 2D seismic acquisition in the first three-year contract period. The block covers almost the whole of the Ñirihuau Basin – part of the Andean foreland basin complex of Argentina.
In view of the ongoing financial and economic problems in Argentina, the Group requested the Argentine Ministry of Mines and Energy to defer commencement of the seismic programme until terms with seismic contractors and the financial situation could be resolved. The Ministry declined the request, alleging that Emerald had failed to meet its contractual commitments within the licence period and that in consequence, the licence was terminated but no final resolution has yet been reached.

DENMARK

LICENCE 4/99
2300 sq km; 12% working interest

After the withdrawal of the original operator, Amerada Hess, the remaining partners complete some additional geochemical work to test the viability of the play fairways. The work was completed in October 2002 and as the results of this work indicated insufficient grounds to proceed, the licence was not retained.

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 2002, including adjustments for the disposal of the Company's North American interests as at 30 June 2002 were as follows:

	South America		North America		Total		
	Oil	Gas	Oil	Gas	Oil	Gas	Oil Equivalent
	(MMBL)	(Bcf)	(MMBL)	(Bcf)	(MMBL)	(Bcf)	(Mboe)
As at 31 Dec 2001	13,070	-	661	36,996	13,731	36,996	19,896
Revisions	(760)	-	-	-	(760)	-	(760)
Production	(235)	-	(4)	(94)	(239)	(74)	(251)
Sale of Operation	-	-	(657)	(36,902)	(657)	(36,922)	(6,810)
As at 31 Dec 2002	12,075	-	-	-	12,075	-	12,075

A K Lucas
Chief Operating Officer
30 April 2003

FINANCIAL REVIEW

RESULTS SUMMARY

The results of the Group for the year ending 31 December 2002 show a loss of £22.647 million compared with a loss of £3.785 million for the year ended 31 December 2001. The major component of this result is a write down of the South American oil and gas fixed assets amounting to £19.939 million from £30.989 million to £11.050 million. The loss excluding this exceptional item was £2.708 million compared with £3.785 million for the year ended 31 December 2001. The operating loss excluding all exceptional items for the year under review was £0.850 million compared with £1.147 million the previous year. This underlying result reflects a reduction in operating losses prior to the exceptional item of £21.720 million, which includes the write off of £19.939 million mentioned above. This improvement is due to a combination of cost cutting and higher revenues driven by higher oil prices.

The exceptional charge of £19.939 million was arrived at following the application of an impairment review by the Directors where it was considered that the carrying value of the South American cost pool exceeded its recoverable amount at year end as represented by the value in use to the Group. This value was determined using discounted cash flow projections on a pre tax basis using a discount rate of 10%. The £19.939 million impairment charge largely relates to historical exploration licences that the Group has relinquished including the Apulo, Gaitanas, Vuelta Larga and Campoalegre Association Contracts.

The primary benefit of this write off was a reduction in the depletion charge in 2002 of £0.450 million and it is expected that as a result of lower depletion charges, operating profitability will be enhanced in future years.

Group attributable production for the year totalled 251,000 barrels of oil equivalent compared with 325,000 barrels the prior year. The weighted average price received for oil during 2002 was US$20 per barrel, an increase of 16% on the previous year. Turnover decreased to £1.733 million (2001: £2.749 million), a fall of 37% on last year and a gross loss including exceptional items of £21.512 million (2001: £1.617 million) was posted. Cost of sales including exceptional items for the year amounted to £23.245 million compared with £4.366 million the prior year and includes a depletion charge of £0.311 million (2001: £ 0.810 million). Within administrative expenses there is an exchange loss of £0.019 million (2001: gain of £ 0.160 million) reflecting movements in foreign currency transactions.

The Group currently pays no UK corporation tax, having tax losses brought forward from previous years. The non-UK tax charge relates to a Colombian branch income tax accrual.
The Group's balance sheet at 31 December 2002 shows a net decrease in Tangible Fixed Assets of £17.503 million over the twelve month period reflecting the impairment review, the write off of intangibles, and the sale of both Cobham Gas Industries Inc and Emerald Energy Colombia (BVI) Ltd. In 2001 the Group's balance sheet included a debtor of £5.411 million, which represented the net costs associated with the Matambo Association Contract to be recovered from Ecopetrol from future production. As a result of the award of sole risk on the Matambo Association Contract in 2002 there is no longer a requirement to carry this debtor as Ecopetrol ceases to share the costs. However, the Group will be entitled to receive all the revenue after government royalties going forward until it has recovered 100% of its exploration costs and 200% of any future capital expenditure.

We continue to pursue the insurers for settlement of the outstanding insurance claim in respect of the blow out at Gigante #1A in May 2000. A leading firm of US attorneys has agreed to represent the company on a contingency basis therefore the Group is not exposed to significant legal costs.

Directors are currently in discussions with several financial intermediaries regarding proposals relating to the future financing of the Group, which would allow Emerald to exploit both new and existing opportunities. Directors believe that additional capital could then be available from the market to finance future operations.

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 bank credit facilities, 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 currency risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below. These policies have remained essentially unchanged since the beginning of 2002.

INTEREST RATE RISK

Historically, the Group has financed its operations through a mixture of equity issues, internally generated cash flows, bank debt and trade credit. In 2002 a Colombian bank credit facility denominated in Colombian pesos was utilised which carried a floating interest rate linked to the interest rate paid by Colombian banks on certificates of deposit. During 2002, the equivalent of $1.937 million was drawn down against this facility and US$2.254 million repaid. The US$ equivalent interest rate on the facility averaged 14.5% with the Colombian peso devaluing 25% against the US$ over the period. This devaluation resulted in an exchange gain relating to the facility of US$0.552 million.

LIQUIDITY RISK

The Group's policy is to ensure continuity of funding using various financial instruments. During 2002, it was possible to negotiate extended payment terms with the significant Colombian creditors. At present this credit facility is due to be repaid by 2004. Oil sales receipts from Gigante #1A were sufficient to cover both the capital and interest repayments associated with the drawn amount under the bank credit facility.

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 on a basis linked to spot prices and hitherto the Group has not engaged in any form of oil price hedging. However, in view of recent high oil prices and the desire to stabilise revenues, hedging will now be considered.

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.

A J Brookes
Finance Director
30 April 2003

Group Profit and Loss Account

for the year ended 31 December 2002

	Notes	2002 Discontinued Operations	2002 Continuing Operations	2002 £'000	2001 £'000
Turnover		**227**	**1,506**	**1,733**	2,749
Cost of sales - excluding exceptional item		**(706)**	**(819)**	**(1,525)**	(2,015)
- exceptional item	4	-	(21,720)	**(21,720)**	(2,351)
Total cost of sales		**(706)**	**(22,539)**	**(23,245)**	(4,366)
Gross loss		**(479)**	**(21,033)**	**(21,512)**	(1,617)
Administrative expenses - excluding exceptional item		(229)	(829)	**(1,058)**	(2,294)
- exceptional item	4	-	**(354)**	**(354)**	-
Total administrative expenses		**(229)**	**(1,183)**	**(1,412)**	(2,294)
Other operating income		-	-	-	413
Operating Loss		**(708)**	**(22,216)**	**(22,924)**	(3,498)
Gain on disposal of West Virginia operations	4	**620**	-	**620**	-
Loss on ordinary activities before interest		**(88)**	**(22,216)**	**(22,304)**	(3,498)
Net interest payable		-	**(265)**	**(265)**	(170)
Loss on ordinary activities before taxation	3	**(88)**	**(22,481)**	**(22,569)**	(3,668)
Tax on loss on ordinary activities		-	**(78)**	**(78)**	(117)
Loss for the financial year		**(88)**	**(22,559)**	**(22,647)**	(3,785)
Loss per ordinary share	6			**(1.577P)**	(0.285P)
Loss per ordinary share on diluted basis	6			**(1.577P)**	(0.285P)

Group Statement of Total Recognised Gains and Losses

for the year ended 31 December 2002

	2002 £'000	**2001 £'000**
Loss for the financial year	(22,647)	(3,785)
Currency translation differences on foreign currency net investments	(2,080)	391
Total recognised gains and losses	(24,727)	(3,394)

Group Balance Sheet

as at 31 December 2002

	Group	
	2002	**2001**
	£'000	**£'000**
Fixed assets		
Intangible assets	**-**	481
Tangible assets	**11,500**	29,003
	11,500	29,484
Current assets		
Stock	**14**	37
Debtors – amounts falling due in more than one year	**-**	4,294
Debtors – amounts falling due in less than one year	**132**	2,810
Cash at bank and in hand	**355**	809
	501	7,950
Creditors: amounts falling due within one year	**(2,893)**	(4,190)
Net current (liabilities)/assets	**(2,392)**	3,760
Total assets less current liabilities	**9,108**	33,244
Creditors: amounts falling due after one year	**-**	(41)
Provisions for liabilities and charges	**-**	(895)
Net assets	**9,108**	32,308
Capital and reserves		
Called-up share capital	**14,628**	13,299
Share premium account	**21,070**	20,872
Profit and loss account	**(26,590)**	(1,863)
Equity shareholders' funds	**9,108**	32,308

Group Cash Flow Statement

for the year ended 31 December 2002

	Notes	2002	2001
		£'000	£'000
Net cash inflow/ (outflow) from operating activities	7	**(1,288)**	4,591
Returns on investment and servicing of finance			
Interest received		**14**	118
Interest paid		**(241)**	(150)
		(227)	(32)
Taxation			
Overseas tax paid		**(78)**	(119)
Capital expenditure and financial investment			
Expenditure on intangible fixed assets		**(206)**	(140)
Expenditure on tangible fixed asset		**(938)**	(9,031)
Ecopetrol cost recovery		**418**	1,762
		(726)	**(7,409)**
Acquisitions and disposals			
Sale of West Virginia		**868**	-
Sale of Emerald Energy Colombia Limited BVI		**218**	-
		1,086	-
Net cash outflow before financing		**(1,233)**	(2,969)
Financing			
Finance lease payments		**(52)**	(35)
Bank loans		**(696)**	1,637
New share capital		**1,527**	-
		779	1,602
Decrease in cash		**(454)**	(1,367)

Notes:

1. Fundamental Uncertainty

The Group is reliant on the existing and extended support of its bankers and creditors. The Group has been unable to improve oil revenues due to continuing technical problems at Gigante #1A, and short-term cash flow has come under pressure. In an effort to improve the short-term cash position the larger creditors were approached and have agreed to extended credit terms. Without such extended credit terms the Group would be unable to pay its other creditors as they fall due. Additionally, the Group has a bank loan with the Bank of Bogota in Colombia, which it is attempting to renegotiate. The outstanding balance of Colombian Peso 4.4m (£0.9m) at year-end is secured on future production from Gigante #1A.

The ability of the Group to continue as a going concern is dependent on realising oil sales at prices around current levels and maintaining production at current levels. A decrease in either oil prices and/or production would decrease cash inflows to the Group and place short-term cash flow under greater pressure.

Additionally, the Group is currently in negotiations with several third parties regarding proposals relating to the future financing of the Group. These proposals comprise refinancing of the Group's existing debt, and negotiations with potential investors regarding placing of the Group's shares. Such a placing would enable the Group to perform further drilling, which if successful, would lead to increased production and greater cash inflows in the long term.
The support of creditors and bankers, stability of production and average oil prices remaining around current levels, must continue in the foreseeable future, and the financing 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.

However, the Directors have a reasonable expectation of the continuing support of creditors and bankers, stability in production and average oil prices remaining at around current levels, and of success in the financing negotiations referred to above. Therefore, they believe it is appropriate for the financial statements to be prepared on a going concern basis.

2. Basis of Accounting

This preliminary announcement is prepared on the same basis as set out in the 2001 annual accounts. It covers the period from 1 January 2002 to 31 December 2002 and was approved by the Board of Directors on 30 April 2003.

The financial information contained in this statement does not constitute the Group's statutory accounts. The figures for the year ended 31 December 2001 have been extracted from the Group's audited statutory accounts, which have been lodged with the registrar of companies in

the Isle of Man. The report of the auditors on those accounts was modified in respect in respect of the fundamental uncertainty relating to going concern but not qualified.

3. Turnover & Segmental Analysis

During 2002 the Group's area of activity was the exploration for, development and production of oil and gas. The Group's turnover, (loss)/profit on ordinary activities before taxation and net assets relating to these activities are analysed as follows:

	North America (Discontinued)		South America (Continued)		Group	
	2002	**2001**	**2002**	**2001**	**2002**	**2001**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Turnover						
Oil and gas production	**227**	872	**1,506**	1,877	**1,733**	2,749
(Loss)/Profit on ordinary activities before taxation						
Oil and gas production	**(88)**	(2,270)	**(22,481)**	(1,398)	**(22,569)**	(3,668)
Production costs	**370**	600	**484**	604	**854**	1,204
Exploration and Appraisal costs	**-**	301	**861**	8,483	**861**	8,784
Depletion charge	**27**	85	**284**	725	**311**	810
Tax charge	-	-	78	117	78	117
Net assets						
Oil and gas production	**-**	1,441	**9,108**	30,867	**9,108**	32,308

Note: There is no difference between origin and destination of turnover.

4. Exceptional Items

(a) Cost of Sales

	2002	2001
	£'000	£'000
Impairment charges:		
Impairment charge relating to South American Cost Pool	(19,939)	-
Impairment charge relating to North American Cost Pool	-	(2,351)
Impairment charge relating to the Guernsey Group	(1,304)	-
	(21,243)	(2,351)
Gain/(loss) on disposal of subsidiaries		
Emerald Energy Colombia BVI Ltd	(477)	-
	(21,720)	(2,351)

Impairment charges

In the light of the inability to increase production to pre-2000 levels at Gigante #1A, the Directors have revised their expectations of this well and in accordance with FRS 11 "Impairment of Fixed Assets and Goodwill" have determined that the carrying value of the South American cost pool exceeded its recoverable amount at year end, as represented by its value in use to the Group. The value in use has been determined using discounted cash flow projections on a pre-tax basis using a discount rate of 10%.

The impairment charge has been applied against capitalised costs in the South American cost pool relating to licences that have been relinquished by the Group. As such, the only capitalised costs remaining in the cost pool are those directly related to the Matambo block.

The Group has taken steps to wind up the operations of Emerald International Holdings (Guernsey) Ltd ("Guernsey Group") and as a result, the oil and gas assets of £1,304,000 relating to Argentina and Denmark have been written off. There is no cash flow impact of this exceptional charge. There is no tax effect relating to these charges.

In 2001 cost of sales include an exceptional charge for the write down in the value of the North American Assets pending completion of their sale. There is no tax effect relating to these charges and no material cash flows result.

Disposals of Subsidiaries

During the year, Emerald Energy Colombia BVI Ltd was sold for consideration of £218,000. A loss on sale of £477,000 was recorded.

(b) Administration Expenses

	2002 £'000	2001 £'000
Write off of receivable relating to insurance claim	(354)	-

While the group continues to pursue the insurance claim relating to the explosion of the Gigante-1A well in 2000 in the Texas courts, as this process could be lengthy, the insurance receivable has been written off during the year. This resulted in an exceptional charge of £354,000. There is no cash flow or tax effect impact of this write down.

(c) Non-Operating Disposal of West Virginia Operations

The sale of the West Virginian assets, for final consideration of £868,000 as a result, a gain on sale of £620,000 was recorded, which included £293,000 relating to the release of the abandonment provision.

5. Dividend

As was the case last year, no final dividend has been declared

6. Loss per Ordinary Share

The calculation of loss per ordinary share is based on the loss attributable to shareholders of £22,647,000 (2001: loss £3,785,000) and on the weighted average number of ordinary shares in issue during the year of 1,436,491,298 (2001: 1,329,944,997). On a diluted basis the weighted average number of ordinary shares in issue during the year was 1,436,491,298 (2001: 1,329,944,977).

7. Net Cashflow from Operating Activities

	2002 £'000	2001 £'000
Operating (Loss)/Profit	**(22,924)**	(3,498)
Depletion, depreciation and impairment charges	**21,554**	3,340
Decrease in stock	**23**	29
Decrease in operating debtors	**2,069**	5,124
(Decrease) in operating creditors	**(1,115)**	(404)
(Decrease) in provision for abandonment	**(895)**	-
Net cash (outflow) from operating activities	**(1,288)**	4,591

8. Reconciliation of Net Cashflow to Movements in Net Debt

	2002 £'000	2001 £'000
(Decrease) in cash	**(454)**	(1,367)
Cash outflow from finance lease payments	**52**	35
New finance leases	**-**	(57)
Net movement in convertible debt	**-**	-
Cash inflow from bank finance	**696**	(1,637)
Change in net funds from cash flows	**294**	(3,026)
Effect of changes in foreign exchange rates	**-**	-
Movement in net funds/(debt)	**294**	(3,026)
Net funds/(debt) at 1 January 2002	**(885)**	2,141
Net debt at 31 December 2002	**(591)**	(885)

9. External Audit

The group's external auditors, Ernst & Young, have confirmed that they have reviewed this preliminary announcement and they are not aware, at the present time, of any circumstances that would prevent them from issuing an unqualified opinion on the audited report and accounts for the year ended 31 December 2002. It is anticipated that the report will be modified to draw attention to the fundamental uncertainty about going concern, which is set out in Note 1 to this announcement.

10. Annual Report and Accounts

Copies of the annual report and accounts will be posted to shareholders in the near future, and will be available from the Company's registered office: Emerald Energy Plc, Global House, Ashley Avenue, Epsom, Surrey KT18 5AD. The full text of the 2002 Annual Report and up to date information regarding the Company's activities will be available from the Emerald Energy web site: www.emeraldenergy.com