

18 March 2008

Sound Oil plc

Citarum Production Sharing Contract, Java, Indonesia

Sound Oil plc announces that it has served default notices, through its subsidiary Mitra Energia Citarum Ltd ("Mitra"), to its partners in the Citarum Production Sharing Contract ("PSC") in respect of unpaid cash calls totaling US\$5.9 million. The defaulting parties are the Operator, Bumi Parahyangan Ranhill Energia Citarum Pte. Ltd. ("BPREC") and Bumi Parahyangan Energi Pte. Ltd. ("BPE").

BPREC has a 60% participating interest in the PSC and is in default for US\$4,398,148. BPE has a 20% participating interest and is in default for US\$1,466,049. Mitra has a 20% participating interest.

The default took effect at midnight 17th March 2008. If after 60 days the defaulting parties have not cured their default in all respects, they will forfeit their participating interest to the non-defaulting party. Since BPREC is the Operator and is in default, Mitra as the only non-defaulting party has assumed the interim Operatorship function under the terms of the Joint Operating Agreement. During the default period, the defaulting parties have no vote at the Operating Committee and no right to attend Operating Committee meetings. Mitra as the non-defaulting party is required to pay all outstanding cash calls and as the interim Operator, to settle outstanding invoices with contractors and other third parties. In order to cure their default, the defaulting parties are required to pay to the non-defaulting party their share of any such outstanding cash calls. All such reimbursements are subject to interest at the monthly LIBOR dollar rate plus 5%.

Commenting on the above Gerry Orbell, Sound Oil Chairman said:

"Sound has been very sympathetic and understanding to the difficulties faced by its partners in paying their share of the Citarum cash calls. The majority of these calls relate to contractors who are claiming money for services supplied in drilling last year's Pasundan well. We undertook this serious action of default only after other alternatives which had been under negotiation were not realized, and when it was evident that the approved seismic work programme for 2008 was not occurring because of unpaid cash calls by the defaulting parties. We intend to work with partners and contractors to resolve this situation amicably while at the same time protecting our shareholders' interests through our rights of first refusal under the Joint Operating Agreement, in respect of any transfer of BPREC's and/or BPE's participating interest. As a result of the potential increased financial exposure relating to this default, Sound is making a strategic review of its assets".

Notes to the press release:

a) The Citarum Production Sharing Contract is an exploration area of over 4000 sq km, situated to the south and east of Jakarta, Java. The Pasundan 1 well was drilled between 9th May and 27th September 2007.

b) The Citarum PSC was awarded on 7th October 2005 to Bumi Parahyangan Ranhill Energia Citarum Pte Ltd ("BPREC") 100%. This company was originally owned by West Java Energy Pte Ltd. 60% (a Ranhill Bhd 100% subsidiary); by Mitra 20% (a Sound Oil 100% subsidiary); and by BPE 20%. In February 2008 BPMIGAS approved the withdrawal of BPE and Mitra from BPREC. BPE and Mitra now hold a direct participating interest in the PSC of 20% each and BPREC holds the 60% balance. BPREC is now entirely owned by West Java an affiliate of Ranhill Berhad. BPE and Mitra do not retain any residual rights or liabilities in BPREC.