

4 December 2009

## **Sound Oil plc**

("Sound Oil" or the "Company")

### **Termination of discussions and lifting of suspension**

Sound Oil, the upstream oil and gas company with assets in Indonesia, announced on 20 October 2009 that it was in discussions about the possible acquisition of a company with oil assets offshore West Africa. As the transaction was expected to represent a reverse takeover under the AIM Rules, trading in the Company's shares was suspended. These discussions reached an advanced stage but have now been terminated; accordingly the Company has requested that the suspension be lifted and trading in its shares is expected to re-commence at 8:00 a.m. this morning.

The Board and management of Sound Oil will now consider other opportunities and also press on with developing its assets at Bangkanai and Citarum and growing the Company in Indonesia. The Company believes it is well-positioned being debt free and with approximately £11 million cash. This cash represents approximately 1.6p per share.

In connection with the proposed transaction, the Company's assets have recently been independently evaluated by industry experts Senergy (GB) Limited<sup>1</sup>. A copy of Senergy's report is available on the Company's website: [www.soundoil.co.uk](http://www.soundoil.co.uk). The report identifies in Sound Oil's portfolio:

- Six prospects which are available for drilling and which may contain in the mid case (P50)<sup>2</sup>, a combined total of 4.8 Tscf<sup>3</sup> of unrisksed gas prospective resources (1.6 Tscf net attributable to Sound Oil). These prospects have varying degrees of risk (chance of success) ranging from 5% to 35%.
- Two of these prospects to be in the giant category with combined mid case (P50) gross gas prospective resources of 4.4 Tscf (1.5 Tscf net to Sound Oil).
- The Estimated Monetary Value<sup>4</sup> at 10% of the six prospects is US\$53 million.
- The Kerendan gas field in Bangkanai PSC contains 243 Bscf<sup>5</sup> (P50) of gross gas contingent resources<sup>6</sup> of which 133 Bscf will be committed to a power station to be built near the field. Senergy estimate the Net Present Value (10%) of Sound Oil's share of this gas field to be \$20 million with a chance of commerciality at 90%.
- A recognition of incremental value in the uncontracted gas at the Kerendan field (101 Bscf gross contingent resources).

The Company is looking to reduce its level of exposure on the Bangkanai production sharing contract (PSC) and continue with its efforts to attract new investors into the licence with a view to re-starting the stalled exploration activity on the block. Also the Company has received notice from Elnusa Bangkanai Exploration Ltd seeking to terminate Sound Oil's interest in the Farm In Agreement due to the delays in completion of the work programme at Bangkanai. The Company has received legal advice that this is unfounded and it intends to contest this vigorously. It is possible that the Bangkanai PSC might lapse at the end of its initial exploration period which expires on 31 December 2009, although the Company believes that an extension will be granted to allow the development of the Kerendan gas field which has an approved plan of development (extant until mid-2011). A further announcement will be made in relation to these matters in due course.

Considerable progress has been made towards completion of the outstanding work commitments on the Citarum PSC and the Company is currently involved in an extensive 1,020 km seismic program over this PSC which extends over 2,878 sq km.

Commenting Gerry Orbell, Sound Oil's Chairman, said:

*"It is unfortunate that this reverse transaction has collapsed as we committed significant time and effort to reaching a successful conclusion. We now intend to pursue vigorously our Indonesian assets and develop opportunities in that area using our cash resources judiciously."*

The geological information above has been reviewed and approved by Dr Michael Cope BSc PhD CGeol, Head of Exploration at Sound Oil, a Chartered Geologist in the United Kingdom and by Senergy Oil and Gas Limited.

Notes:

<sup>1</sup> Senergy (GB) Limited, a subsidiary of Senergy Oil and Gas Limited, has extensive experience in evaluating oil and gas properties and acting as a Competent Person for stock market reporting,

<sup>2</sup> Prospective resources, consistent with SPE (The Society of Petroleum Engineers) guidelines, are quantified in terms of the statistical probability to find a given recoverable hydrocarbon (oil or gas) volume in a prospective structure considering all the geological variables involved. The P50 figure indicates a 50% chance of finding a given volume and is generally considered as the best or most-likely estimate. Separately each prospective structure has an associated risk factor (percentage chance of success) which describes the associated geological uncertainties.

<sup>3</sup> Trillion standard cubic feet of gas.

<sup>4</sup> Estimated Monetary Value is a relative measure that enables projects to be compared taking into account their resource potential, success case value, failure case expense and chance of success. The measure should not be considered as a financial valuation.

<sup>5</sup> Billion standard cubic feet of gas.

<sup>6</sup> Contingent resources, consistent with SPE guidelines, are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Separately each project can be assessed to have a percentage chance of commerciality based on the contingencies involved. In the case of Kerendan, the contingency is signature of the associated gas sales agreement.

Further information on the Company can be found at [www.soundoil.co.uk](http://www.soundoil.co.uk).

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