

27 May 2010

Sound Oil Plc (“the Company” or “Sound”)

Annual results for the year ended 31 December 2009

The Board of Sound Oil Plc announces its annual results for the year ended 31 December 2009.

Highlights

- § 867 km seismic acquisition program at Citarum on course to finish mid year
- § Bangkanai farmed out in May 2010 for a 5% carry through exploration to first gas
- § Cash of £11 million and no debt

Gerry Orbell, Chairman of Sound Oil, commented: “We have reached agreement to assign 29.99% of our Bangkanai interest to the operator in return for a carry of our remaining 5% through two exploratory wells and the costs of any field developments up to the point of first commercial gas. This clears the way for the operator to accelerate the development of the existing Kerendan gas field as well as drilling the two obligatory wells. Also, this relieves Sound of a significant financial burden which would otherwise have cost us £22 million. We still have the opportunity of drilling two defined prospects which could add 220bcf gas in the success case at no further cost or risk to us.

The Citarum seismic interpretation is anticipated to be complete by August of this year and then we can start selecting well locations for the three upcoming wells. The operator has already identified three exciting prospects from first seismic results and we expect to add to these during the evaluation of the remainder of the seismic. Preparations for drilling will start in August 2010.

During the year we have examined a number of opportunities for acquisition or merger and although none has come up to our requirements, we are continuing to evaluate projects for investment in South East Asia and elsewhere in order to expand the Company.”

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Chairman's Statement

During the year the Company continued with the planned 860 km seismic program in the extensive Citarum Production Sharing Contract (PSC). The original PSC area was reduced by 35% as a result of the mandatory relinquishment involving the non-prospective, volcanic area in the southern part of the PSC. Currently more than 600km of seismic has been recorded in the retained northern part of the original area and the Operator has reported at least three new prospects from the initially processed information. Even so, the seismic acquisition started in November 2008 and will not be finished until mid 2010, some 9 months late. This delay has been caused by adverse surface geology making shot-hole drilling difficult. Since the project was a fixed cost contract the Company's exposure to this overrun is limited. We expect that the first of the three-well program will occur in the second half of 2010 depending on the results from the final seismic data.

In 2010, we have made considerable commercial progress at Bangkanai in Kalimantan, our other non-operated PSC in Indonesia. We have farmed out part of our 34.99% interest to the Operator, Elnusa Bangkanai Energy (EBE), so that we are now carried for 5% through the costs of all outstanding work including the two forthcoming obligatory exploration wells. We are also carried through the costs of developing a gas accumulation on the PSC, including the existing Kerendan Gas Field, up to the point of the first commercial production.

For a number of reasons, EBE has not yet undertaken the Bangkanai obligation drilling programme which was due to be addressed in the three years before end 2006. A number of extensions to the programme have been granted by the authorities up to the end of 2009. Had we not farmed out but paid our way, our share of these well costs and those costs needed to develop the field would have been around £22 million according to our latest internal estimates and those of the Operator. The Bangkanai farm out also insulates the Company from possible liabilities that might have been imposed by the Indonesian authorities because of the partnership's non-fulfilment of working obligations. These penalties might have been more than \$4 million net.

The farm out involves a write down of our carrying value of the asset of £13 million which will appear in the forthcoming Interim Accounts for 2010 but this is more than offset by the £22 million reduction in future capital expenditure. Further details are provided in the Financial Review, the Directors Report and Note 10 of the accounts.

The Board estimates that our 5% carried interest in the Kerendan Gas Field is worth over \$4.5 million assuming the development commences soon and that a gas price has been negotiated in an offtake agreement similar to the average for Indonesia. In addition our 5% interest in the two anticipated exploratory wells gives us an exposure to an unrisks net 220 billion cubic feet gas at no cost or risk to the Company.

The Bangkanai farm out has removed a financial burden from the company allowing it to consider expansion. During the year we have examined a number of opportunities for acquisition or merger and although none has come up to our requirements, we are currently evaluating projects for investment in South East Asia and elsewhere.

Again we have kept tight control of our overheads and at year end had £11 million in cash and no debt at the year end. Based on the budget estimates of the Operator of the Citarum PSC and on our own our experience of the lead times for exploration activity, the Board considers that we have sufficient funds to conduct our activities over the next 12 months and to expand the Company into good opportunities.

Finally I wish to thank our staff, the members of Sound's Board and our shareholders for their continuing support. I would especially like to thank Simon Davies who is leaving the Board after 5 years. His support and advice have been invaluable.

Gerry Orbell
Chairman
26 May 2010

Financial Review

Accounting standards

The Group has prepared its 2009 full year accounts under International Financial Reporting Standards (IFRS).

Income statement

The Group made a loss after tax in 2009 of £2,620,000 compared with a profit of £45,000 in 2008.

There was a trading loss of £1,930,000 which was £2,175,000 lower than in 2008 due to lower exploration expenditure. This reduction was more than offset by an adverse foreign exchange movement of £4,703,000 due to the weakness in the US\$ in the period.

Cash flow/financing

Net cash outflow before foreign exchange movements was £3,086,000 (2008 £3,202,000). Of this, exploration expenditure was £953,000 (2008 £1,638,000). However, there was a foreign exchange loss of £917,000 (2008 gain £4,204,000) due to the fall in the US\$ reducing the sterling value of the cash deposits, most of which are held in US\$, as a result of which the Group's cash balance was £4,003,000 lower at £10,622,000 (2008 £14,625,000).

The Group continues to have no borrowings.

Going concern — Forward cash flow calculations show that the Group would have sufficient financial resources for the foreseeable future. The Group's financial statements have been prepared with the assumption that the Group will be able to realise its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Group currently has no operating revenues and during the year ended 31 December 2009 generated a Group trading loss of £2.0 million from continuing operations. At 31 December 2009 the Group held cash and cash equivalents of £11 million. The directors have considered the Group's cash flow forecasts for the period to the end of June 2011. Forward cash flow projections show that forecast expenditure (12 months through 30 June 2011) will be less than the funds available as at 31 December 2009, and as a result, the Group has sufficient cash resources to undertake its work program in the next 12 months. Management continues to pursue farm-out and financing strategies to reduce/fund Sound's future obligations.

Balance sheet

The reduction of £1,122,000 in the exploration and evaluation asset value was due to expenditure of £953,000 being more than offset by the weakness of the US\$ reducing the sterling value.

Impairment — Under IFRS 6, the cost carried in the balance sheet may be carried forward if exploration activities have not reached a stage to allow reasonable assessment of economically recoverable reserves. As this remains the situation with both of the Group's licences, with only one exploration well having been drilled and extensive prospective areas remaining to be explored, no impairment charge has been recorded and accordingly an update of the estimated monetary value shows that the value exceeds the carrying value of our intangible evaluation and exploration assets and goodwill.

Due to the currency movement, shareholders equity has decreased from £38 million to £33 million.

Post balance sheet event

The value of the Bangkanai assets, as assessed by the Competent Person in November 2009, was based on the eventual development of the Kerendan gas field and the risked value of the exploration prospects. This value was in excess of their carrying value in the Balance Sheet at end 2009 as indicated in Note 6. Subsequently in the Spring of 2010, although the value of the assets had not changed, the likelihood of the continuing delays by the operator in progressing the Kerendan development and exploration wells has led the Board to the conclusion that it is to the Company's benefit for its interest in the PSC to be reduced. The opportunity to assign a 29.99% interest leaving the Company with a 5% carried interest has freed the Company from its financial expenditure commitments which, together with the

operator's inactivity, have hindered the Company's fund raising capability and restrained its ability to develop elsewhere. While this will involve an impairment reduction of £13 million in the Balance Sheet value of the asset as will appear in the Interim Accounts, the effect of this is offset by a £22 million reduction in the capital expenditure which would have been required to realise the value of the asset on an operational basis.

Technical Review

Note: The commentary in this Technical Review reflects the recently announced reduction of Sound's interest in the Bangkanai PSC from 34.99% to a 5% carried interest as referred to in this Chairman's Statement.

Licence Interests

The Group participates in two Production Sharing Contract ("PSC") areas in Java and Kalimantan, Indonesia through its subsidiary company Mitra Energia Limited.

Bangkanai PSC

The Bangkanai PSC came to the end of its six-year Exploration Period in December 2009 without the outstanding firm commitment of two exploration wells being fulfilled by the Operator. The PSC remains in force, however; by the validity of a Plan of Development (POD) for the Kerendan gas field which is valid until July 2011.

The Kerendan field, first discovered in the 1980s, will be developed to supply gas to a local, new-build integrated power plant. The POD calls for the supply of 133 Bscf over 20 years at a maximum rate of 20 MMscfd (note 5). The development plan will include re-entry of existing wells and up to five new development wells.

Independent assessment of Kerendan field contingent recoverable resources by Senergy in December 2009 are:

	Gross	Net to Sound (5%)
Gas Contingent Resources (Bscf (note 4)):		
Low Estimate	189.3	9.5
Best Estimate	243.2	12.2
High Estimate	310.8	15.5
Oil & Liquids Contingent Resources (MMbo (note 6))		
Low Estimate	1.98	0.10
Best Estimate	2.50	0.12
High Estimate	3.17	0.14

Progress on implementation of the POD has been delayed by scheduling difficulties for PLN (note 7) (the state electricity company) to install the necessary transmission link to export the power from Kerendan to the existing grid connection at Tanjung. As a result, discussions are in progress to examine the field development and electricity production costs and gas price structure that may be necessary to finance and accelerate construction of the transmission link. Formal negotiations for a Gas Sales and Purchase Agreement with PLN are ongoing. Assuming a successful conclusion to these negotiations, it is now estimated that first gas could be delivered by 2012. In any event the project is recognised by PLN as part of its 'Phase 2 10,000 MW Crash Program' for implementation across Indonesia, 2010-2014.

Senergy in a Competent Person's Report on Sound Oil's assets in December 2009 identified gross P50 prospective resource potential on Bangkanai PSC of 4,550 Bscf (1,592 Bscf net to Sound) in four prospects. These resources include the Kerendan Deep prospect (P50 1,425 Bcf gross potential) located beneath the Kerendan field which can be drilled cost-effectively by the deepening of a planned development well as already approved by BPMigas as part of the outstanding firm commitment. A separate larger, shallower structure identified as the Jupoi prospect (P50 2,964 Bscf gross potential) will form the target for the other commitment well.

Citarum PSC

A further extension of the First Exploration Period (Contract Years 1-3) to October 2010 has been successfully negotiated with BPMigas (note 1). This will allow completion of outstanding firm work commitments comprising 2D seismic survey and three wells during the coming year.

Work is ongoing on an extensive 2D seismic survey covering a large part of the northern areas of the block. This survey includes the outstanding 750 km firm commitment for Years 1-3 and additional commitment brought forward from the second exploration period. In view of planning and logistical constraints of working in heavily populated areas the scope of the survey has been reduced to 1,020 km on the advice of BPMigas. The survey will initially acquire 867 km in the east of the block in the Subang, Sumedang and Majalengka areas, close to a number of existing oil and gas discoveries and in the area of an active oil seep. A second phase of 153 km will focus on the west of the block. Recording in the Subang and Sumedang areas has been completed and initial results show some interesting leads close to the Pasirjadi gas field immediately north of the block.

The first phase of seismic survey is anticipated to be completed in the second quarter 2010 enabling plans to be presented to BPMigas for drilling the remaining three exploration commitment wells on the PSC in the second half of 2010.

Senergy (note 2) in a Competent Persons Report on Sound Oil's assets identified gross P50 prospective resource potential (note 3) on Citarum PSC of 304 Bscf (note 4) (61 Bscf net to Sound) in three prospects in the Jonggol area covered by existing seismic surveys. These resources are recognised mainly in shallow reservoir objectives and provide additional drilling options to supplement any prospects established by the new survey in eastern areas of the block.

Notes

1. *BPMigas (Badan Pelaksana Kegiatan Hulu Minyak Dan Gas Bumi) is the Indonesian Government regulatory authority for petroleum exploration and production activities.*
2. *Senergy (GB) Limited is an independent petroleum consultancy company providing resource and reserve assessments.*
3. *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. The P10 figure indicates a 10% chance of finding a given volume and is generally used to express the high estimate. The figures quoted in this report have been verified by Sound Oil's Head of Exploration Dr. M. J. Cope BSc PhD CGeol FGS, a qualified petroleum geologist.*
4. *Billion standard cubic feet of gas.*
5. *Million standard cubic feet of gas per day.*
6. *Million barrels of oil.*
7. *PLN (PT Perusahaan Listrik Negara) is the Indonesian state electricity company.*

**Consolidated Income Statement
for the year ended 31 December 2009**

	Notes	2008 £'000's	2009 £'000's
Exploration costs		(2,926)	(334)
Gross loss		(2,926)	(334)
Administrative expenses		(1,179)	(1,596)
Group trading loss		(4,105)	(1,930)
Other income		10	50
Group operating loss from continuing operations	2	(4,095)	(1,880)
Finance revenue	4	250	19
Foreign exchange gain/(loss)		3,917	(786)
Profit/(loss) before income tax		72	(2,647)
Income tax /(charge) or credit		(27)	27
Profit/(loss) for the period attributable to the equity holders of the parent		45	(2,620)
Other comprehensive income/(loss):			
Foreign currency translation income/(loss)		6,494	(2,258)
Total comprehensive income/(loss) for the period attributable to the equity holders of the parent		6,539	(4,878)
Earnings per share basic and diluted for the period attributable to the equity holders of the parent (pence)	5	0.01	(0.38)

**Consolidated Balance Sheet
as at 31 December 2009**

	Notes	2008 £'000's	2009 £'000's
Non-current assets			
Property, plant and equipment		65	32
Intangible assets	6	5,277	4,797
Exploration and evaluation assets	7	23,307	22,185
Other debtors		651	792
		<u>29,300</u>	<u>27,806</u>
Current assets			
Other debtors		414	192
Prepayments		75	108
Current tax receivable		-	27
Cash and short term deposits		14,625	10,622
		<u>15,114</u>	<u>10,949</u>
Total assets		<u>44,414</u>	<u>38,755</u>
Current liabilities			
Trade and other payables		1,188	897
Current tax payable		27	-
		<u>1,215</u>	<u>897</u>
Non-current liabilities			
Deferred tax liabilities		5,277	4,797
Provisions		104	105
		<u>5,381</u>	<u>4,902</u>
Total liabilities		<u>6,596</u>	<u>5,799</u>
Net assets		<u>37,818</u>	<u>32,956</u>
Capital and reserves attributable to equity holders of the Company			
Equity share capital		36,456	36,456
Foreign currency reserve		5,289	3,030
Accumulated deficit		(3,927)	(6,530)
Total equity	8	<u>37,818</u>	<u>32,956</u>

**Consolidated Statement of Changes in Equity
for the year ended 31 December 2009**

	Share capital	Share premium	Accumulated deficit	Foreign currency reserve	Total equity
	£'000's	£'000's	£'000's	£'000's	£'000's
At 1 January 2009	692	35,764	(3,927)	5,289	37,818
Total loss for the year	-	-	(2,620)	-	(2,620)
Total comprehensive loss	-	-	-	(2,259)	(2,259)
Total comprehensive income/(loss)	-	-	(2,620)	(2,259)	(4,879)
Share based payments	-	-	17	-	17
At 31 December 2009	692	35,764	(6,530)	3,030	32,956

	Share capital	Share premium	Accumulated deficit	Foreign currency reserve	Total equity
	£'000's	£'000's	£'000's	£'000's	£'000's
At 1 January 2008	692	35,764	(4,015)	(1,205)	31,236
Total profit for the year	-	-	45	-	45
Total comprehensive income	-	-	-	6,494	6,494
Total comprehensive income/(loss)	-	-	45	6,494	6,539
Share based payments	-	-	43	-	43
At 31 December 2008	692	35,764	(3,927)	5,289	37,818

**Consolidated Cash Flow Statement
for the year ended 31 December 2009**

	Notes	2008 £'000's	2009 £'000's
Cash flow from operating activities			
Cash flow from operations		(1,652)	(2,145)
Interest received	4	250	19
Net cash flow from operating activities		(1,402)	(2,126)
Cash flow from investing activities			
Capital expenditure and disposals		(26)	(7)
Exploration expenditure		(1,638)	(953)
Investment in associate		(136)	-
Net cash flow from investing activities		(1,800)	(960)
Net decrease in cash and cash equivalents		(3,202)	(3,086)
Net cash flow from financing activities		-	-
Net foreign exchange difference		4,204	(917)
Cash and cash equivalents at the beginning of the year		13,623	14,625
Cash and cash equivalents at the end of December		14,625	10,622

Notes to cash flow

	Notes	2008 £'000's	2009 £'000's
Cash flow from operations reconciliation			
Profit/ (loss) after tax		45	(2,620)
Finance revenue	4	(250)	(19)
Foreign exchange (gain)/ loss		(3,917)	786
Exploration expenditure written off		2,295	(63)
Income tax charge/ (credit)		27	(27)
Increase/ (decrease) in accruals and short term creditors		700	(210)
Depreciation	2	58	36
Share based payments charge		43	17
(Decrease)/ increase in long term provisions		(7)	11
Increase in long term debtors		(259)	(204)
(Increase)/ decrease in short term debtors		(387)	148
Cash flow from operations		(1,652)	(2,145)

Notes to the financial information

1. Accounting policies

The principal accounting policies adopted in the preparation of the financial information set out in the announcement are set out in the Company's full financial statements for the year ended 31 December 2009.

The financial statements of the Group have been prepared in accordance with:

(1) International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission (EC) for use in the European Union (EU); and

(2) those parts of the Companies Act 2006 applicable to companies reporting under IFRSs.

The consolidated financial statements have been prepared under the historical cost convention.

The financial position of the Group, its cash flows and available debt facilities are described in the Financial Review above. As at 31 December 2009 the Group had £11 million of available cash. The Directors are required to consider the availability of resources to meet the Group and Company's liabilities for the foreseeable future. As described above, the current business environment is challenging and access to new equity and debt remains uncertain. Based on current management plan, management believe that the Group will remain a going concern for the next 12 months from the date of the authorisation of the financial statements on the basis of forecast expenditure (12 months through 30 June 2011) will be less than the funds available as at 31 December 2009. Management will also continue to pursue farm-out and financing strategies to reduce/fund Sound's future obligations.

2. Operating loss

Operating loss is stated after charging/(crediting):	Notes	2008 £'000's	2009 £'000's
Auditors' remuneration		200	119
Depreciation		58	30
Employee costs	3	970	952
Impairment charge	7	2,295	(63)
VAT recovered		(245)	-

3. Employee costs

	Notes	2008 £'000's	2009 £'000's
Staff costs, including executive directors			
Share based payments		43	18
Wages and salaries		792	824
Social security costs		135	110
Total	2	970	952
Number of employees (including executive directors) at the end of the year			
Technical and operations		5	5
Management and administration		11	11
Total		16	16

4. Finance revenue

	2008 £'000's	2009 £'000's
Interest on cash at bank and short-term deposits	250	19
Total	250	19

5. Profit/(loss) per share

The calculation of basic profit/(loss) per Ordinary Share is based on the profit/(loss) after tax and on the weighted average number of Ordinary Shares in issue during the period. Basic profit/(loss) per share is calculated as follows:

	2008 £'000's	2009 £'000's
(Loss)/profit after tax	45	(2,620)

	2008 million	2009 million
Weighted average shares in issue	692	692

	2008 Pence	2009 Pence
(Loss)/profit per share (basic)	0.01	(0.38)
Profit per share (diluted)	0.01	

The diluted profit per share for 2008 includes the potential ordinary shares resulting from the exercise of the share Options and is calculated on the profit of the year of £45,000 divided by 699 million dilutive potential ordinary shares.

Diluted loss per share has not been disclosed for 2009 as inclusion of unexercised options would be anti-dilutive.

6. Intangible assets

Goodwill

	2008 £'000's	2009 £'000's
Cost		
At 1 January	3,825	5,277
Exchange adjustments	1,452	(480)
Acquisitions	–	–
At 31 December	5,277	4,797
Impairment losses		
At 1 January	–	–
Impairment in the year	–	–
At 31 December	–	–
Net book amount at 31 December	5,277	4,797

The goodwill balance that had arisen on the acquisition of the Mitra group in July 2006 has been allocated to the cash generating unit ('CGU') identified according to business segment. In assessing whether goodwill has been impaired, the carrying amount of the CGU, including goodwill, is compared with the recoverable amount of the CGU.

The recoverable amount of each CGU is based on value in use calculations. The methodology to arrive at the value in use calculation was based on Net Present Value (NPV) for proven contingent resources, in this case the Kerendan field, and Estimated Monetary Value (EMV) for prospective resources on Bangkanai PSC and Citarum PSC. In addition, EMV includes an assessment of risk for the geological uncertainties of undrilled prospects as indicated in the Competent Person's Report in respect of Sound's assets in December 2009.

The calculation of value in use is most sensitive to the assumptions for production and operating expenditure and is entirely reliant on the availability of finance to fund capital expenditure on the development of E&E assets.

These assumptions are based on the assumptions as defined in the Plan of Development for the Kerendan gas field. The 2007 fair value less costs to sell calculations are based on a gas price of \$2.98/MMBtu which was obtained from the Heads of Agreement (HOA) of the sales contract between Elnusa and PT Medco Power. A final sales agreement has not yet been signed. The 2009 calculations are based on a significantly higher expected gas price of \$4.75 per MMBtu, which is based on current negotiations between the Bangkanai Partners and PLN, the Indonesian state electricity utility, and corresponding Capex revisions.

Estimates of the NPV of any project, and particularly of projects like the Group's interests in the Bangkanai PSC and the Citarum PSC, are always subject to many factors and wide margins of error. The directors believe that the estimates and calculations supporting their conclusions have been carefully considered and are a fair representation of the projected financial performance of the projects.

The NPV calculations have been prepared over the period of the PSC and the duration of the sales contract. A discount rate of 10% has been used (2008: 10%), which is standard industry practice.

The EMV for unappraised and undiscovered resources is a risked estimate of the value of prospective resources at \$0.25 per mcf for gas.

7. Exploration and evaluation assets

	2008 £'000's	2009 £'000's
Cost		
At 1 January	15,428	26,248
Additions	3,800	953
Exchange adjustments	7,020	(2,078)
At 31 December	26,248	25,123
Impairment		
At 1 January	–	2,941
Charge for the year	2,295	(63)
Exchange adjustments	646	60
At 31 December	2,941	2,938
Net book amount at 31 December	23,307	22,185

The impairment cost during 2008 of £2,295,000 (2009: £63,000 write back adjustment) related to the cost of the dry well Pasundan 1 well written off. Its exceptionally high cost resulted from technical problems which occurred during drilling. The write-back in the current year refers represents a correction to the estimate made in the prior year. Comparative figures have not been restated as the amount is not considered material. The impairment/write back has been included in the line item, 'exploration costs' in the consolidated income statement.

The recoverable amount is the value in use of the asset. A discount factor of 10% has been used in the current estimate of value in use.

Considerations in relation to potential impairment of E&E assets are similar to those in relation to potential impairment of goodwill described in note 6 above.

The Parent Company has no exploration and evaluation assets.

8. Capital and reserves

	Foreign currency reserve £'000's	Share capital £'000's	Share premium £'000's	Accumulated retained earnings/(deficit) £'000's	Total £'000's
At 1 January 2009	5,289	692	35,764	(3,927)	37,818
(Loss) for the year	–	–	–	(2,620)	(2,620)
Foreign currency translation	(2,259)	–	–	–	(2,259)
Share based payments	–	–	–	17	17
At 31 December 2009	3,030	692	35,764	(6,530)	32,956
At 1 January 2008	(1,205)	692	35,764	(4,015)	31,236
Profit for the year	–	–	–	45	45
Foreign currency translation	6,494	–	–	–	6,494
Share based payments	–	–	–	43	43
At 31 December 2008	5,289	692	35,764	(3,927)	37,818

Foreign currency reserve. Exchange differences relating to the translation of net assets of the Group's foreign operations from their functional currency to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign translation reserve.

9. Commitments and guarantees

At 31 December 2009 the Group had capital commitments of £10,552,000 (2008: £4,900,000) on exploration and development licences.

Under the terms of a farm-out agreement dated 1 October 2004 with Elnusa Bangkanai Energy Limited (Elnusa), the Company has agreed to carry Elnusa's share of the initial minimum work obligation costs. Under the terms of the Bangkanai PSC the Company is required to spend US\$15,100,000 to fulfil its minimum work obligations. Under the terms of the Citarum PSC the Company is required to spend US\$5,650,000 to fulfil its three year minimum work obligations.

The agreement in relation to the Bangkanai PSC referred to in note 10 below entered into after the reporting date includes the assignment of capital commitments of approximately £6.1 million at 31 December 2009 and of the commitment to spend US\$15,100,000 to fulfil the Group's minimum work obligations on the Bangkanai project.

The Company has granted RAB Octane (Master) Fund Limited ("RAB") the option to put to the Company the entire issued and allotted share capital, namely two ordinary shares, of Sound Oil Bangladesh Limited at any time up to 17 May 2086. If the put option is exercised, the maximum price payable by the Company will be 2,195,222 Ordinary Shares of the Company or, with the consent of both the Company and RAB, US\$300,000 in cash.

10. Post balance sheet event

On 25 May 2010, the company announced that it had entered into an agreement under which it has assigned part of its interest in the Bangkanai PSC to Elnusa Bangkanai Energy Limited, the operator of the PSC. Under the agreement, the Group's existing 34.99% interest is reduced to 5% on a carry basis such that the Group is carried through the costs of two forthcoming obligatory exploration wells and also through the costs of developing the Kerendan gas field up to the point of the first production of gas.

The book value of the Company's 34.99% interest in the Bangkanai PSC was approximately £14.9 million as at 31 December 2009. Since the Group will not receive any cash consideration pursuant to the farm out agreement (other than its share of future net revenues receivable under the retained 5% carry) the carrying value of the Company's interest in the Bangkanai PSC will be written down accordingly in the first

half of the financial year ending 31 December 2010. The directors estimate the write down will be approximately £13 million.

However the assignment agreement entered into after the balance sheet date removes the Group's future financial obligation to fund its share of the exploration programme and Kerendan development, which the directors estimate to be approximately £22 million, resolves several areas of potential legal conflict between the partners to the PSC and insulates the Company from potential liabilities arising from the failure to complete the obligated work programme. The removal of this financial burden allows Sound Oil to consider expansion and the Group is currently evaluating projects for investment in South East Asia and elsewhere.

11. Other Matters

The financial information for the year ended 31 December 2009 set out in this announcement does not constitute statutory accounts, as defined in Section 434 of the Companies Act 2006, but is based on the statutory accounts for the year then ended. Those accounts, upon which the auditors have issued an unqualified opinion, will be delivered to the Registrar of Companies.

Copies of the annual accounts will be sent to shareholders in due course and will be available from the Company's website www.soundoil.co.uk.

This announcement was approved by the Board on 26 May 2010.