

# REG-Island Oil & Gas PLC Award of Exploration Permits

Released: 19/06/2009

com:20090619:RnsS1719U

RNS Number : 1719U

Island Oil and Gas PLC

19 June 2009

ISLAND OIL & GAS PLC

Award of Exploration Permits in Morocco

Highlights

- \* Consortium of Island, Serica and ONHYM
- \* 2 Petroleum Agreements of approx 12,700 km offshore Morocco
- \* Commitment to seismic reprocessing: Considerable modern 3-D in place
- \* Over 40 prospects previously identified

Island Oil & Gas Plc, (LSE: IOG) ("Island" or the "Company"), today announces that its wholly owned subsidiary Island International Exploration Morocco ("IIEM") has signed with the Office National des Hydrocarbures et des Mines ("ONHYM") two Petroleum Agreements ("the Agreements") for the contiguous areas of Sidi Moussa Offshore (Sidi Moussa") and Fom Draa Offshore ("Fom Draa").

The Agreements are valid for up to 8 years and together cover a total area of approximately 12,700 square kilometres in the sparsely explored Agadir Basin, about 100 kilometres south west of the Moroccan city of Agadir. The work programmes during the first 30 month period of the Fom Draa agreement and first 18 month period of the Sidi Moussa agreement comprise seismic reprocessing and geological studies.

The areas of Sidi Moussa and Fom Draa are covered by over 5,200 square kilometres of modern 3D seismic data and over 2,000 kilometres of 2D seismic data. A drill or drop decision will be made at the end of the initial phases of the Agreements.

The Agadir Basin lies offshore in the Atlantic margin and is geologically analogous to and on trend with the oil producing salt basins of West Africa. Based on the extensive grid of existing seismic data, over 40 undrilled prospects and leads were identified in Sidi Moussa and Fom Draa by previous operators. The areas extend from the Moroccan coastline into water depths reaching a maximum of 2,000 metres.

The Joint Venture Partners in the Exploration Permits are IIEM (50%), the designated operator, Serica Energy Plc (25%) and ONHYM (25%).

Morocco has an attractive fiscal regime relative to other North and West African oil and gas producing countries - State Participation on production of up to 25%; 10% royalty on oil production (first 300,000 tonnes of production exempt) and 5% royalty on gas production (first 300 million cubic metres exempt). Corporation tax of 35% is only payable after a 10 year tax holiday.

Commenting on the Licence awards, Paul Griffiths Islands CEO said:

"Island is very pleased to have been awarded a substantial exploration asset, covering a sparsely explored potential extension of the West African Atlantic Margin oil play, on favourable terms. Island now holds exploration permits covering a gross area of 48,331 sq. kms. demonstrating that Morocco forms a key component in our future business development strategy. Island is delighted to be in joint venture partnership with Serica Energy plc in these Explorations Permits, particularly as Serica has recently enjoyed a significant exploration success in the Atlantic Margin offshore Ireland."

Madam Benkhadra Minister of Energy, Mines, Water and Environment of Morocco commented:

"I am delighted that Island Oil & Gas Plc and Serica Energy Plc, a new entrant in Morocco, have been awarded Exploration Permits to explore for oil and gas in an important and highly prospective area offshore Morocco. The licensing of these Permits further demonstrates the success of our 'open-door' policy in relation to the promotion of the large number of opportunities for exploration both onshore and offshore Morocco"

19 June 2009

|   |                          |
|---|--------------------------|
| Island Oil & Gas plc<br>Paul Griffiths<br>Carl Kindinger<br>www.islandoilandgas.com | Tel: +353 1 6313755      |
| Davy (NOMAD and broker)<br>Anthony Farrell  | Tel: +353 1 679 6363     |
| Matrix Corporate Capital<br>Louis Castro  | Tel +44 (0) 20 3206 7000 |
| Alexander David Securities<br>David Scott   | Tel + 44 (0)20 7448 9800 |
| College Hill (PR)<br>Paddy Blewer<br>Nick Elwes                                     | Tel: +44 (0)20 7457 2020 |

This information is provided by RNS

The company news service from the London Stock Exchange

END

MSCEASKNFLSNEEE