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26 February 2009



MIDMAR ENERGY MARKS ITS INTERNATIONAL EXPANSION WITH HISTORIC SOUTHERN IRAQ JOINT VENTURE AGREEMENT

Midmar Energy Ltd ("Midmar"), the oil and gas exploration and production company, today announces its international expansion with the signature of a joint venture agreement between its associate company, Mesopotamia Petroleum Company ("MPC") and the Iraqi Drilling Company ("IDC") (the Iraqi state-owned drilling company) in Baghdad. The new joint venture, known as the Iraqi Oil Services Company LLC ("IOSCO"), has been created with the objective of drilling a large number of new wells in the Republic of Iraq, thus significantly increasing oil and gas production. This historic agreement is the first joint venture of its kind between the Iraqi Ministry of Oil and a foreign oil company since the fall of the regime of Saddam Hussein in 2003.

In 2005, Midmar formed MPC, alongside its partners, as an oil and gas company established for the specific purpose of undertaking operations in Iraq. Midmar has a 31.70% interest in MPC. The new joint venture, Iraqi Oil Services Company LLC ("IOSCO"), is owned 51% by IDC and 49% by MPC. IOSCO's primary objective is to facilitate the Ministry of Oil's stated targets for boosting hydrocarbon production by approximately 50%, from approximately 2.0 million barrels per day ("bpd") in 2008 to 3.0 million bpd as soon as possible, and to 4.4 million bpd within the next four years.

IOSCO will purchase and operate 12 new drilling rigs in Iraq and secure contracts for drilling programmes in the oil fields controlled by the state owned oil companies. The parties to the joint venture intend to invest a total of \$400m in the Joint Venture. As part of its commitment, MPC intends to supply IOSCO with the necessary integrated drilling and completion methods and technologies to dramatically boost hydrocarbon production volumes.

MPC's role in the venture is focused upon project and business management using the latest techniques developed within the industry, drilling rig procurement and management, and training and resource development programmes to further develop the expertise of IOSCO personnel.

Midmar's associate company, Firstdrill Limited, a global project management company, has extensive international experience in all aspects of project management, including well design and engineering, and will work closely with IOSCO.

MPC personnel bring to IOSCO a wide breadth of experience in the international petroleum industry and MPC's management has collectively been involved in oil and gas exploration, development, drilling, completion and workover throughout a wide range of geologic conditions. They have taken part in operations in a variety of areas including the North Sea, the Central Asian Republics and South East Asia both off and on shore. This combination of this technical expertise and operational experience has been the key reasons behind Iraqi Drilling Company bringing in MPC to act as its joint venture partner in the formation of IOSCO.

MPC has appointed London-based investment bank, JPMorgan Cazenove, as its financial adviser and placement agent in connection with a potential major equity fundraising to support MPC's contribution to the joint venture's drilling operations.

Commenting on the announcement, Dr Thomas Redman, Managing Director of Midmar, said:

"The signature of the agreement between MPC and its Iraqi partners, IOSCO, successfully demonstrates our stated objective of expanding our interests internationally. Our strategy in forming MPC was to focus on oil and gas opportunities, allowing us to apply our expertise to this area, an objective that will be fulfilled through this historic agreement. Our associate company, Firstdrill Limited, will also play an important role alongside MPC and IDC. We are honoured to be working with IOSCO and the Iraqi Ministry of Oil in supporting the future development of the Country's expertise and its oil and gas resources."

Foreign Secretary David Miliband said:

"I welcome the signing of the Joint Venture between Mesopotamia Petroleum Company and the Iraqi Drilling company which was agreed today, the first such joint venture between a UK company and the Ministry of oil.

This is an important signal of the long-term commitment the UK has to Iraq in terms of trade, commerce and economic co-operation. It is also an important message to British business that Iraq is open for business."

His Excellency Dr. Hussein Al Shahrstani, Iraq's Minister of Oil said:

"I am very pleased to see a new company established in Iraq between the Iraqi Drilling Company and Mesopotamia Petroleum Company, and look forward to seeing it actively working on the ground in the very near future.

"This new Company can play a significant role in increasing Iraq's oil production by drilling wells that are needed to develop Iraq's oil fields."

Idriss Al-Yassiri, Director General of IDC, said:

"IDC and its management and administration are happy to have this joint venture signed, and our work starts from today. Our business plan is to follow as a roadmap. This Company (IOSCO) has great potential inside and outside of the

country of Iraq. Both sides are committed to making it successful, and all the circumstances for success are in place.”

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Notes to Editors:

Midmar Energy

Founded in 1995, Midmar Energy, the entrepreneurial oil and gas exploration and production company, has to date, achieved its growth by acquisition of existing onshore oil fields and the enhancement of the reserve potential and recovery rates for these fields.

Midmar Energy is focused upon maximising existing reserves and developing new reserves through the application of its outstanding technical skills and experience. The Company currently has five UK onshore licences, two of which were awarded in the 13th UK Onshore Licencing Round.

Midmar has a strong management and technical team with extensive technical and industry expertise. The Company’s management has extensive international oil and gas exploration and production experience gained over many years in the industry as well as outstanding technical skills. The Company has extensive experience in UK onshore production with two producing fields in the Weald Basin; Brockham Production Licence PL235 and Lidsey Production Licence PL241. Midmar is operator of both fields with 100% interests.

Additionally, the Company was awarded two further onshore licences in the Weald Basin in the 13th UK Onshore Licensing Round – PEDL 248 and PEDL 230. Midmar holds a 100% interest in PEDL230 and a 70% interest in PEDL 248.

Midmar and Ramco founded MPC in 2005 to focus upon opportunities in Iraq.

Midmar intends to continue its expansion in oil and gas exploration and production in both the UK and internationally.

Further information on Midmar can be found on the Company’s website at <http://www.midmar.co.uk>, and further information on MPC can be found at <http://www.mesopotamiapetroleum.com>

IOSCO’s Opportunity within the Iraqi Oil Sector

According to BP’s Statistical Review of World Energy 2008, Iraq has proven reserves¹ of 115 billion barrels of oil, the third largest of any country in the world behind Saudi Arabia and Iran. According to industry sources, only about one quarter of the fields so far discovered in

¹ Falah Al-Amri, DG Iraq’s State oil marketing organisation quoted in ‘Iraq boosts oil exports after re-opening Kirkuk pipeline’ from Agence France Presse, 23 November 2007

Iraq are currently producing and none of those are producing at their full potential. In addition, estimates suggest that the unexplored regions of Iraq (e.g. the Western desert) may yield a further 100 billion barrels of proven reserves.

IOSCO's primary objective is to facilitate the Ministry of Oil's stated targets for boosting hydrocarbon production by approximately 50%, from approximately 2.0 million barrels per day ("bpd") in 2008 to 3.0 million bpd as soon as possible, and to 4.4 million bpd within the next four years.

The expectation is that this growth will be primarily driven by the Southern Oil Company ("SOC") which plans to raise its production by 400,000 bpd by 2010. SOC intends to use available surface facilities in addition to drilling 100-110 new oil wells with the work mainly being done by the IDC. IOSCO has conservatively estimated that production increases from wells it expects to drill should be approximately 5,000 bpd per well.

In the longer term, Iraq's State Oil Marketing Organisation² has put forward a production goal of 6 million bpd by 2013. IOSCO believes it can play an integral role in the achievement of this goal.

Iraq Drilling Company

IDC was established in 1990 as a state oil company to specialise in drilling and well work-over operations in Iraq. It has been the sole drilling company in Iraq owning and operating drilling and work-over rigs, and has worked as a contractor with the Iraqi upstream companies. It owns a group of maintenance workshops specialised in maintaining and rehabilitating all types of rig and also heavy trucks for transporting rigs among sites. It is responsible for providing accommodation for the working personnel in camps equipped with all necessary services, since the majority of the company's work takes place in remote desert locations. Despite the difficult circumstances surrounding its operation between 1991 and 2005, the company still managed to drill 426,344 meters on 259 new wells and 693 wells were worked over. IDC has also succeeded in rehabilitating 20 rigs, and the company has imported spare parts and equipment from various countries. It also plans to purchase different types of rig to implement the proposed programmes and projects as the work volume is developed and expanded.

Iraq's Ministry of Oil has authorised the establishment of IOSCO for the purpose of providing modern, state-of-the-art equipment and services to Iraq's upstream oil companies and international companies granted licences in any forthcoming licensing rounds. IOSCO is to become engaged by the Ministry's upstream oil companies in drilling programmes intended to materially increase production from existing oilfields and lower costs.

² Falah Al-Amri, DG Iraq's State oil marketing organisation quoted in 'Iraq boosts oil exports after re-opening Kirkuk pipeline' from Agence France Presse, 23 November 2007