

TomCo Energy plc

Letter of Intent

TomCo Energy Plc (“TomCo” or the “Company”) (AIM: TOM) is pleased to announce that it has today signed a Letter of Intent (“LOI”) with Avenue Group Inc (AVNU.OB), a NY based US listed Oil & Gas Company, and its wholly-owned subsidiary Avenue Energy Israel Limited (“AEI”); to acquire a 50 per cent. interest in the Heletz-Kokhav License (the “License”) awarded to AEI by the Israel Petroleum Commission.

The Heletz-Kokhav field, located 55km south of Tel Aviv and 12km east of the Mediterranean, is Israel’s only producing onshore oil and gas field. The 60,000 acre license has produced in excess of 17 million barrels of oil to date from Cretaceous sands, with peak production of approximately 3,000 to 4,200 barrels per day (“bpd”) between 1959 and 1967. The original oil-in-place (OOIP) for the field was estimated at 50.7 million bbls; the Israeli Government estimates that there are 2 million bbls of primary recoverable oil remaining, and studies suggest 5 -10 million bbls of secondary recovery potential. A number of undrilled, deeper exploration prospects have estimated potential of over 30 million bbls. Recent production for the field was around 60 bpd, although TomCo expects that the implementation of modern production and recovery methods and the drilling of additional wells on the License will significantly increase production, resulting in the granting of a 30 years Production Lease.

TomCo and AEI will now work to finalise the terms of a binding contract.

Under the terms of the LOI, TomCo undertakes to:

1. within 5 days of signing the LOI, pay a non-refundable security deposit of US\$75,000, granting TomCo 45 days exclusivity in which to sign a definitive agreement (“Closing”). This period can be increased to 60 days by TomCo paying an additional deposit of US\$25,000;
2. at Closing, pay AEI US\$1 million in cash;
3. at Closing, issue to AEI TomCo ordinary shares (“Shares”) valued at US\$0.5 million at a price per Share equivalent to the average middle market price for the seven days prior to Closing;
4. at Closing pay to AEI 50 per cent. of AIE costs incurred to date in relation to the License, which have been confirmed at US\$108,000;
5. over the three year Phase 1 period of the License pay up to US\$4.5 million of development costs;
6. pay a further US\$1.5 million to AEI after a 30 years production lease is issued, which lease may be issued once production at the field reaches 300 bpd; and
7. pay a further US\$5 million to AEI after the recoverable reserves are declared to be more than 10 million barrels by an internationally acceptable geologist.

Further updates regarding the acquisition of the 50 per cent. interest in the Licence will be announced in due course.

Howard Crosby, TomCo’s Chief Executive Officer, commented:

“Whilst our main focus, of course, remains the implementation of our core investment strategy in North America and we are stepping up our infill drilling programme at our Texas Saratoga and Abel leases, we are increasingly finding, through our extensive evaluation of many oil & gas situations, some extremely attractive “special situations”

outside the USA. Heletz-Kokhav is an excellent opportunity to join with the US public company, Avenue Group, to develop the highly potential Heletz field in Israel and will create new horizons and will be an important investment for us. We will continue to expand our portfolio, both in the USA and outside, in order to build TomCo into an oil company with both significant production and an aggressive exploration programme.”

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Notes:

TomCo is an AIM listed company which continues to actively develop a conventional oil production profile in the South-Western United States. The Company also owns leases on approximately 3000 acres of shale oil holdings in Utah, estimated by SRK (an independent firm of mining consultants) to contain some 230 million barrels of oil.