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**Capital Oil and Ukgazvydobuvannya are jointly producing gas in Ukraine.**

Today actual production of gas is about 29 Million SCF ( Standard cubic feet ) per day which corresponds to about 4.800 BOE per day ( Barrel of oil equivalent ). This production is the total production for the Joint Activity signed between the parties.

A meeting last week in Kiev was held between the parties where the Director of Ukgazvydobuvannya, Mr Jurii Borysov, and the Chairman of the Board of Capital Oil, Mr Tore Sandvold, participated. At the meeting Mr Tore Sandvold, elected for this position in December 2011 presented the new Board of Capital Oil and the strategy for the cooperation was discussed.

According to the Joint Activity Agreement signed between the parties, Capital Oil via its wholly owned subsidiaries Misen and Karpatygas together with Ukgazvydobuvannya will be implementing gas production projects with the aim to increase production at the operating fields of Ukgazvydobuvannya in Poltava and Lviv regions by implementing new technologies, nitrogen injections into the formation, hydro fracturing and high viscosity oil production .

The wholly owned subsidiary of Capital Oil, Misen Enterprises AB, has the responsibility for the financing of the project and during 2012 the parties expect to invest up to 230 Million USD, which mainly will be covered from the Joint Activity production. The main investment discussed and to be agreed is the purchase and construction of modern booster compressor stations ( BCS ).

Ukgazvydobuvannya is the largest gas production company in Ukraine. By the end of 2011 the company produced 14,9 billion cubic meter of gas, which is about 75 per cent of the total gas production in Ukraine. The company conducts its activity in 11 regions of Ukraine .

“For us the cooperation with Capital Oil first of all means implementation of the leading edge technologies that will provide for additional production of more than one billion cubic meter of gas in the next three ( 3 ) years” the Director of Ukgazvydobuvannya Mr Jurii Borisov said.

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Capital Oil is a Swedish oil and gas exploration and extraction company with operations in Ukraine. Capital Oil was founded in 2004 and the Capital Oil share is since 12 June 2007 traded on NasdaqOMX First North.

In 2011 Svenska Capital Oil AB acquired Misen Enterprises AB and its Ukrainian subsidiary, Karpatygas, including the rights of 50,01 % of the revenue and profit from a gas production project in Ukraine, which will provide Capital Oil with essential gas and oil assets. As consideration of this acquisition a new share issue was performed.

The gas extraction assets are acquired by production cooperation via a joint activity project governed by a Joint Activity Agreement (the "JAA") between the wholly owned subsidiaries of Capital Oil, i.e. Misen Enterprises AB and Karpatygas and Ukgazvydobuvannya, the largest producer of natural gas in Ukraine and subsidiary of the publicly owned company Naftogaz Ukraine. The value of the assets has been assessed by PwC in Ukraine and is estimated to be essentially more than the purchase price for Misen.

The purpose of the project is to significantly increase production of gas and oil by implementing new technology and a large-scale investment program.

The residence of Capital Oil is in Gothenburg and the shares are traded on First North under identification COIL. The Certified Adviser of the company at NasdaqOMX First North is Thenberg & Kinde Fondkommision AB.

For further information please visit our web site [www.capitaloil.se](http://www.capitaloil.se).