

# IGas Energy plc

First Energy  
Global Energy  
Conference  
September 2015



# Disclaimer

---



*This presentation and its enclosures and appendices (the “presentation”) have been prepared by IGas Energy plc (the “Company”) exclusively for information purposes. This presentation has not been reviewed or registered with any public authority. This presentation is confidential and may not be reproduced, further distributed to any other person or published, in whole or in part, for any purpose. By viewing this presentation, you agree to be bound by the foregoing restrictions and the other terms of this disclaimer.*

*The distribution of this presentation and the offering, subscription, purchase or sale of securities issued by the Company in certain jurisdictions is restricted by law. Persons into whose possession this presentation may come are required by the Company to inform themselves about and to comply with all applicable laws and regulations in force in any jurisdiction in or from which it invests or receives or possesses this presentation and must obtain any consent, approval or permission required under the laws and regulations in force in such jurisdiction, and the Company shall not have any responsibility or liability for these obligations.*

*This presentation does not constitute an offer to sell or a solicitation of an offer to buy any securities.*

*The contents of this presentation are not to be construed as legal, business, investment or tax advice. Each recipient should consult with its own legal, business, investment and tax adviser as to legal, business, investment and tax advice. In making an investment decision, investors must rely on their own examination of the Company and the terms of any investment in the Company, including the merits and risks involved. Although reasonable care has been taken to ensure that the facts stated in this presentation are accurate and that the opinions expressed are fair and reasonable, the contents of this presentation have not been verified by the Company or any other person. Accordingly, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information and opinions contained in this presentation, and no reliance should be placed on such information or opinions.*

# Disclaimer (continued)



*Further, the information in this presentation is not complete and may be changed. Neither the Company nor any of its respective directors, officers or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of such information or opinions or otherwise arising in connection with this presentation.*

*There may have been changes in matters which affect the Company subsequent to the date of this presentation. Neither the issue nor delivery of this presentation shall under any circumstance create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that the affairs of the Company have not since changed, and the Company does not intend, and does not assume any obligation, to update or correct any information included in this presentation.*

*All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Various factors exist that could cause the Company's actual results, performance or achievements to differ materially from those in the forward-looking statements. These forward-looking statements speak only as of the date of this presentation. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The Company makes no representation or warranty as to the accuracy of any forward-looking statements.*

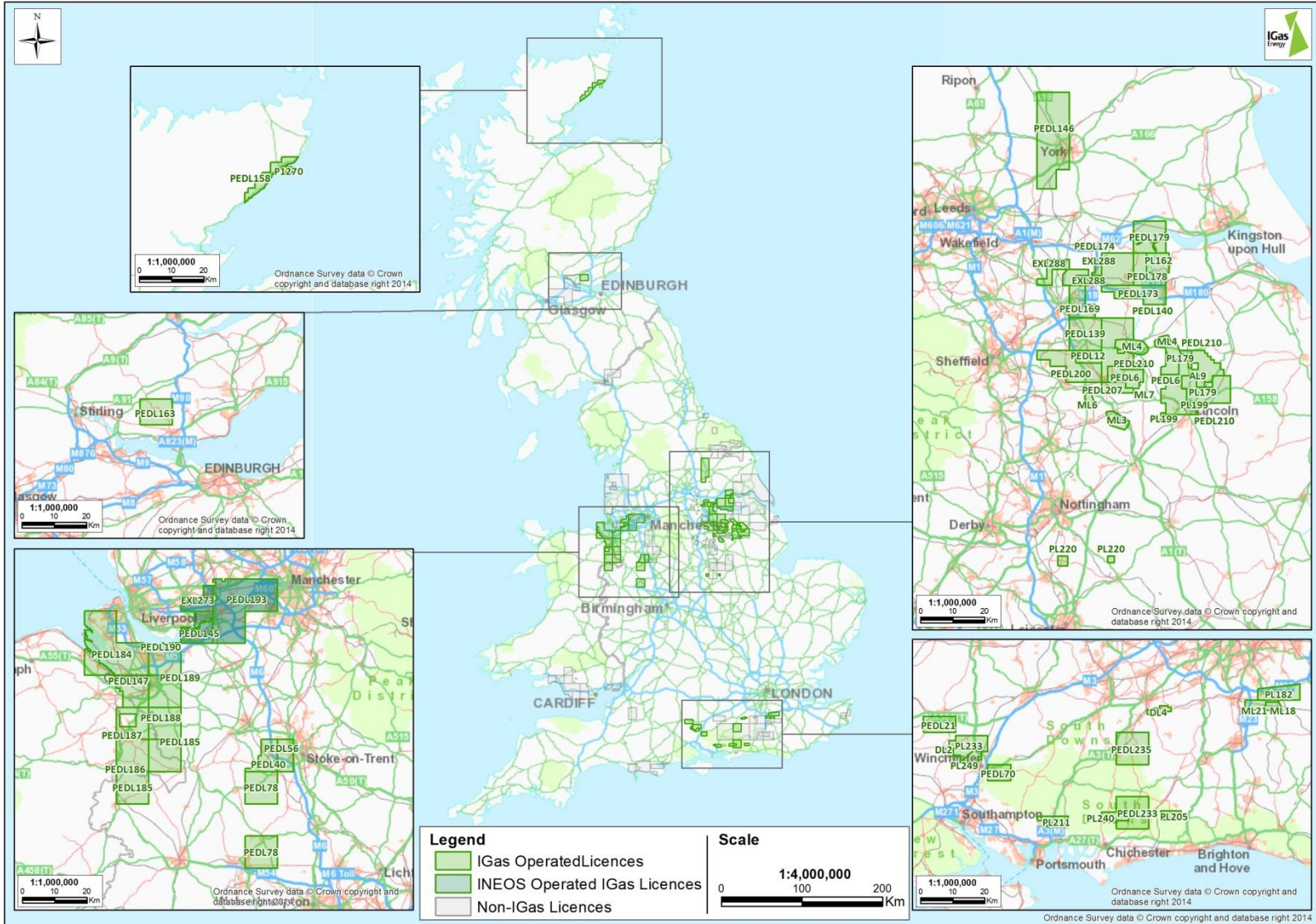
*Any investment in the Company involves risk, and several factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by statements and information in this presentation, including, among others, risks or uncertainties associated with the Company's business, segments, development, growth management, financing, market acceptance and relations with customers, and, more generally, general economic and business conditions, changes in domestic and foreign laws and regulations, taxes, changes in competition and pricing environments, fluctuations in currency exchange rates and interest rates and other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document. The Company does not intend, and does not assume any obligation, to update or correct the information included in this presentation.*



- ✔ IGas is one of Britain's leading onshore oil and gas exploration and production businesses
- ✔ Production footprint in the East Midlands, Weald Basin (in southern England) and the northern coastal area of the Inner Moray Firth in Scotland – 30 conventional fields and over 100 producing wells
- ✔ Extensive acreage in the highly prospective shale basins of the North West and East Midlands (including the Bowland Shale) and Weald Basin
- ✔ IGas estimates Gas Initially In Place ("GIIP") of 80 tcf (most likely case)\*
- ✔ Combined carried gross work programme of up to US\$285m from our farm-in partners – Total E&P UK Limited, GDF Suez E&P UK Limited and INEOS



# IGas - where we operate – c.800 k.acres\*



*\*excluding blocks offered in the 14<sup>th</sup> Onshore Licensing Round*



# Recent Developments

## Addressing the oil price environment

- ✔ Benefitting from rolling hedging programme
- ✔ Cost reduction programme is now complete, with operating costs of c. US\$32 per barrel, excluding reorganisation costs, in the first four months of the year

## Progress on development of shale assets

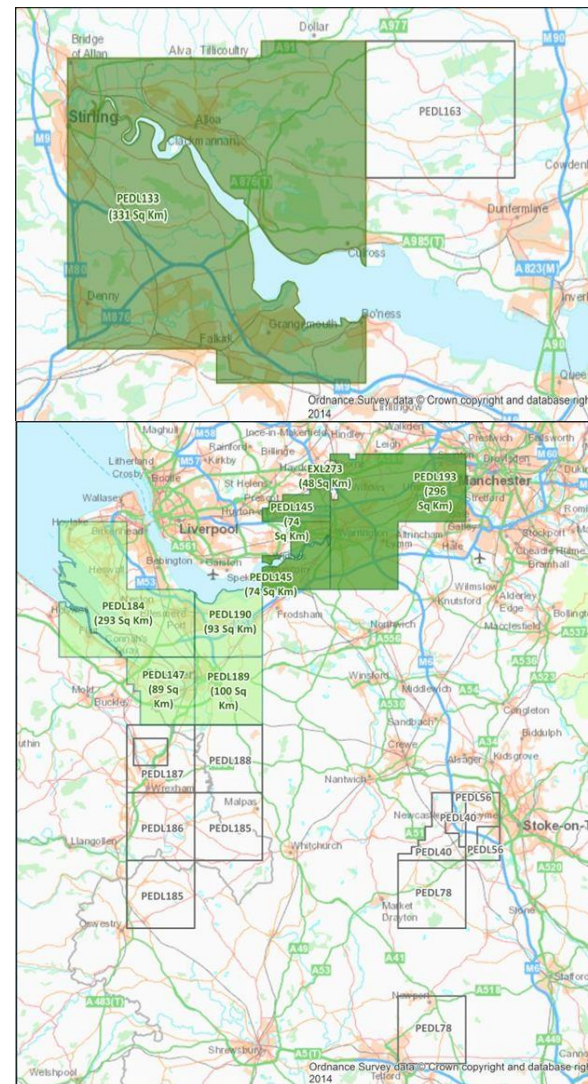
- ✔ Dart acquisition – completed October 2014
  - ✔ Strategically important acreage
  - ✔ GDF partnership
- ✔ INEOS farm-out – completed post balance sheet (May 2015)
  - ✔ £30m cash
  - ✔ Phased carried work programme of up to £138 million
- ✔ Combined gross carried work programme of up to \$285m on behalf of Total, GDF and INEOS

## Conventional assets

- ✔ Average production of 2,550 boepd (net)
- ✔ Number of production enhancement opportunities being pursued

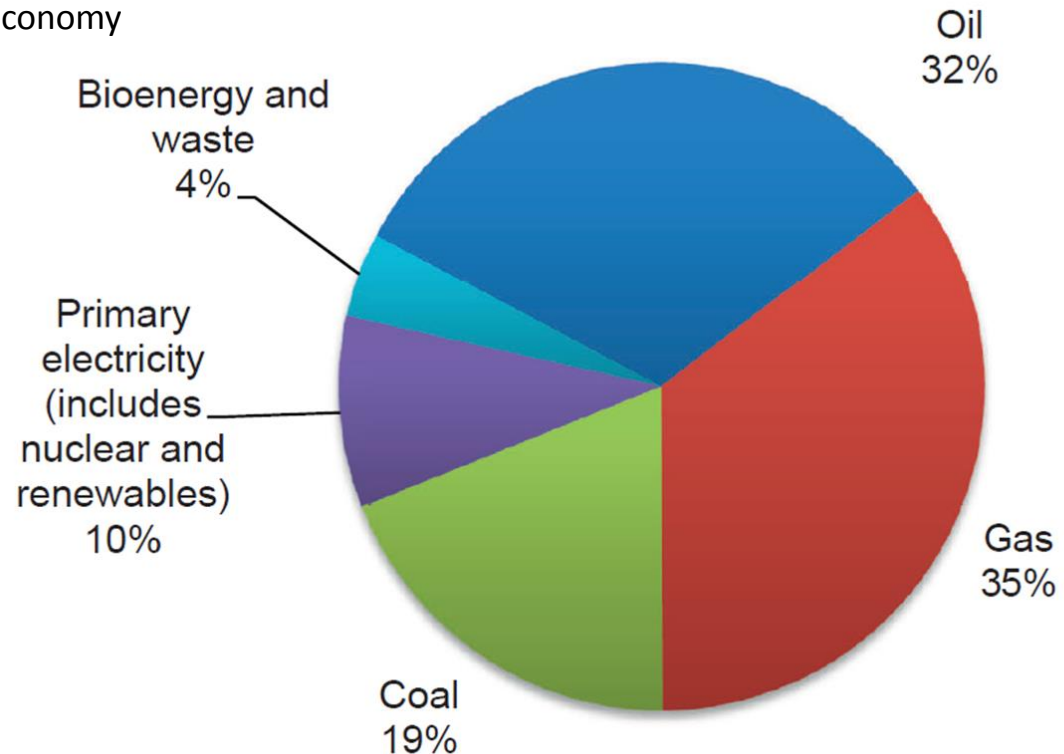
## Financing

- ✔ Amendments to bond terms approved
- ✔ Net debt as at 31 July 2015 £62m (US \$96M)



# Why UK Shale?

- ✔ UK already relies on gas for 1/3 of its energy
- ✔ 84% of UK homes are heated by gas
- ✔ According to National Grid, if Britain doesn't produce shale, import dependency will rise to up to 92% by 2035
- ✔ 6.2m people employed across the UK's modern manufacturing sectors and oil and gas industries
- ✔ Crucial to a more sustainable economy



*Source: Annual Energy Statement, DECC 2014*

# Significant shale resource potential



- ▼ Bowland Shale, Northern England
  - Shale Gas in place estimates - 822 trillion cubic feet (“Tcf”), 1,329 Tcf, 2,281 Tcf (low, mid and high)
  - Shale Oil - no in place volumes for shale oil have been calculated.(source BGS, July 2013)
- ▼ The Weald Basin, Southern England
  - Shale Oil in place estimates - 2.20 billion barrels (“bnbbl”), 4.4 bnbbl, 8.57 bnbbl (low, mid and high)
  - Shale Gas - no significant gas resource. Shales have not reached gas maturity(source BGS, May 2014)
- ▼ The Midland Valley, Scotland:
  - Shale Gas in place estimates - 49.4 Tcf, 80.3 Tcf, 134.6 Tcf (low, mid and high)
  - Shale Oil in place estimates - 3.2 bnbbl, 6.0 bnbbl, 11.2 bnbbl (low, mid and high)(source BGS, June 2014)
- ▼ Total SA, Gaz de France, Centrica and INEOS have farmed into UK licences
- ▼ In 2011 Cuadrilla tested and flowed at 400-500 mscf/day from a fracked vertical section (Source: AJ Lucas ASX announcement)



# Political and Community Engagement

- ▼ Government supportive
  - ▼ “National Priority” status
  - ▼ Clarity around local planning timetable and appeal process
  - ▼ Secondary Legislation (Infrastructure Act 2015)
  - ▼ Mandated to “continue to support the safe development of shale gas”
  - ▼ 14<sup>th</sup> Onshore Round
- ▼ Social licence to operate
  - ▼ Focus on local communities and councils at site
- ▼ Early and comprehensive stakeholder engagement – building strong and sustainable relationships
  - ▼ Dedicated website [www.igas-engage.co.uk](http://www.igas-engage.co.uk)
  - ▼ Community events
  - ▼ Effective community liaison groups
- ▼ Community benefits - IGas Community Fund 2015
- ▼ Wider industry initiatives
- ▼ Industry collaboration/shared learnings



***“This Government is clear that we have a national need to explore shale gas.”***  
*– Amber Rudd, Energy Secretary, 10.08.15*

# Shale Gas - exploration to production schematic

## EXPLORATION

We acquire and interpret seismic and geophysical data to assess the geological structure. We drill exploration wells to determine the size, quality and extent of the geological play.

## APPRAISAL/FLOW TEST

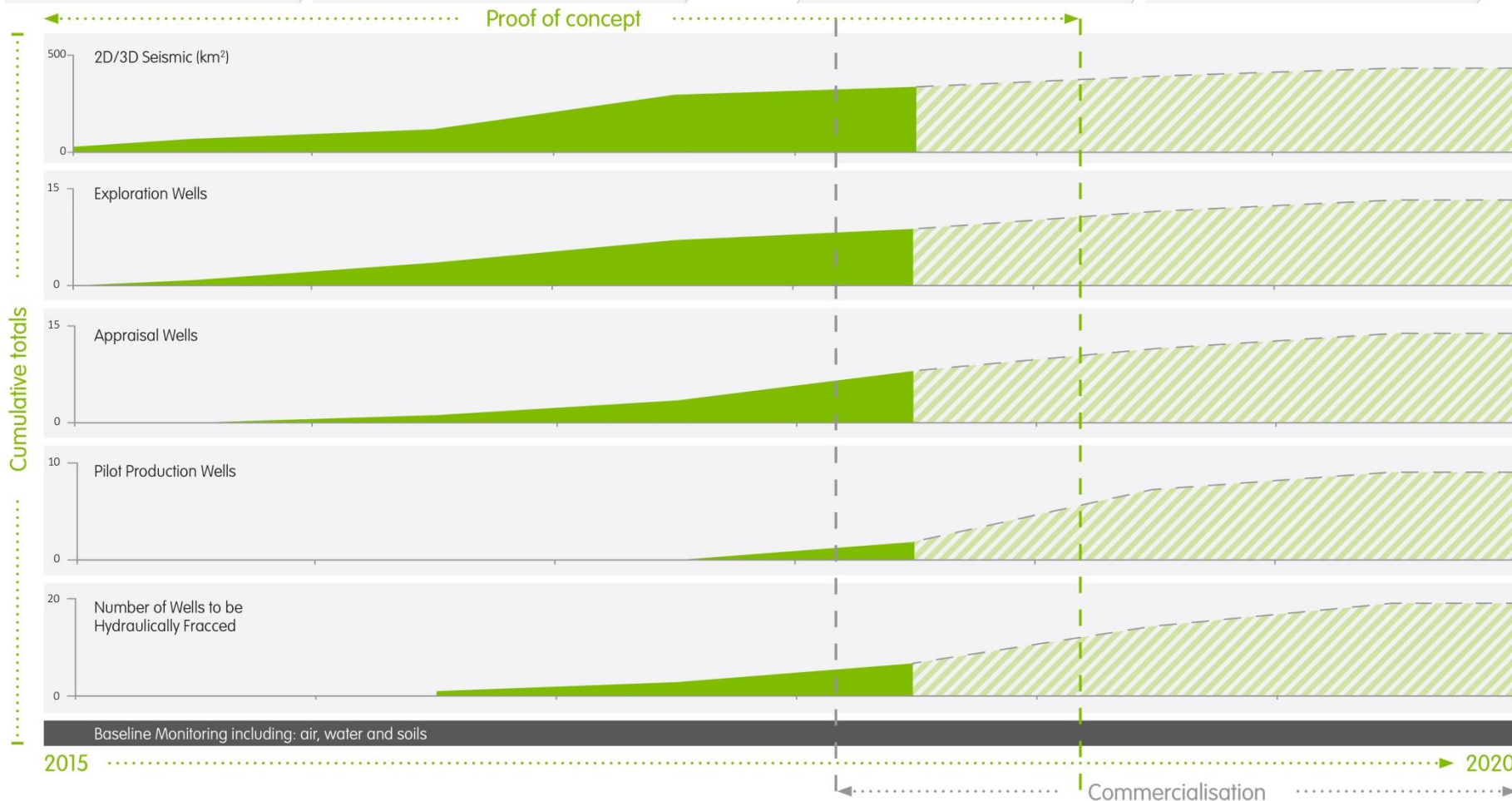
The next stage is designed to acquire further data (logs/cores/geomechanical/etc) to refine estimates and understanding with a view to designing suitable hydraulic fracture programmes.

## PILOT PRODUCTION

The appraisal wells are hydraulically fractured and flow tested to assess gas quality and flow rates helping to establish commercial potential.

## PRODUCTION

Successful developments should be executed in the most cost-effective way, and to the highest safety standards, and with regard for the environment and local communities that may be affected.



\*All timings based on planning consent, as per existing legislation

# Shale development - 12/18 month outlook

- ✔ Secure new sites in North West and East Midlands
- ✔ Acquisition of further seismic data
  - ✔ Acquisition of 3D seismic in North West underway
- ✔ Springs Road, Nottinghamshire, exploration wells
  - ✔ Planning application Q3 2015 for one vertical and one horizontal exploration well
  - ✔ Drilling H1 2016 (subject to planning and permitting)
  - ✔ Subsequent application to hydraulically fracture contingent upon results
- ✔ Developing technologies/applications for shale gas development e.g.
  - ✔ Water recycling
  - ✔ Mini CNG
- ✔ Working with businesses to build a supply chain

## Carried Work Programme Licences



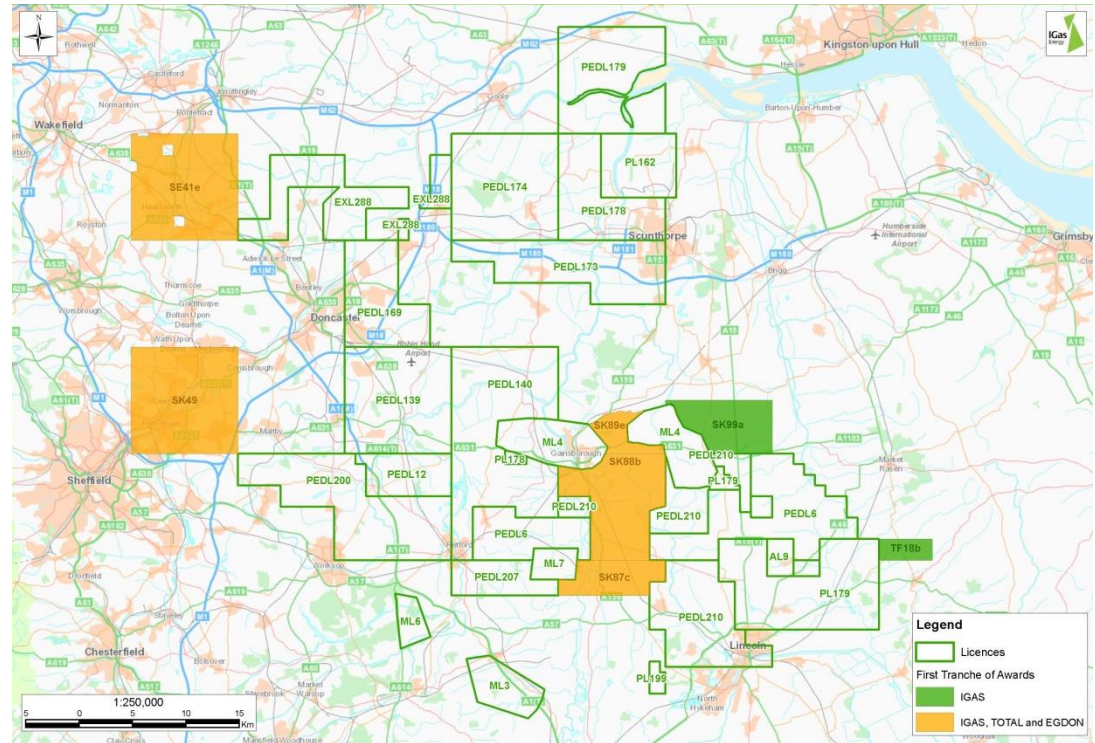
## Partners





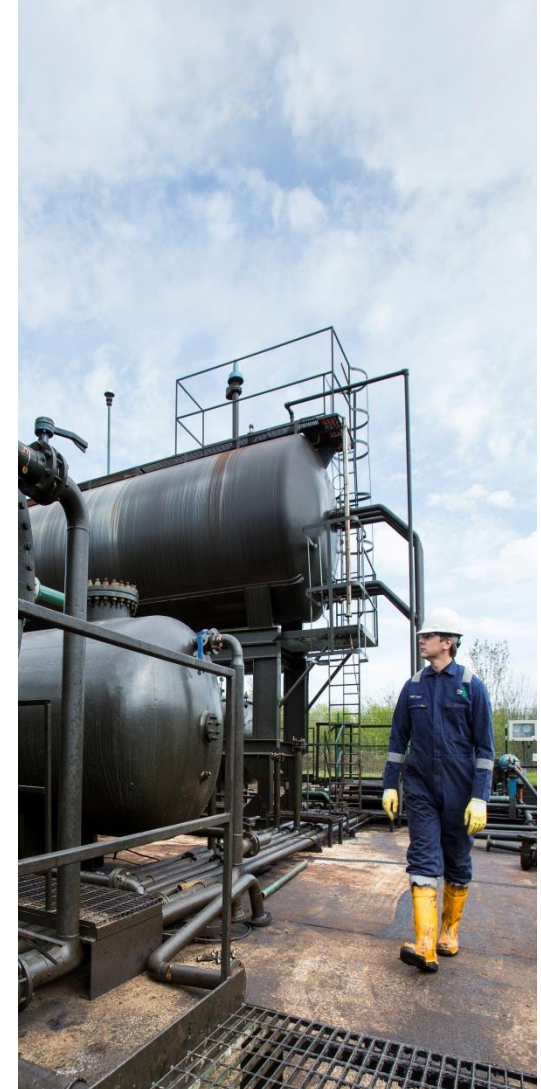
# 14<sup>th</sup> Licencing Round

- 27 licenses offered in the first tranche; 132 to be awarded later in the year
- IGas offered 6 new licences, covering 7 blocks
- 5 of the 7 blocks covered are joint ventures:
  - IGas will be operator of these licences with a 35% interest
  - Total will have a 50% interest
  - Egdon a 15% interest
- IGas has also been offered blocks SK99a and TF18b and would be the operator with a 100% interest
- IGas has also applied for a number of additional licences in the round, expected to be announced later in 2015



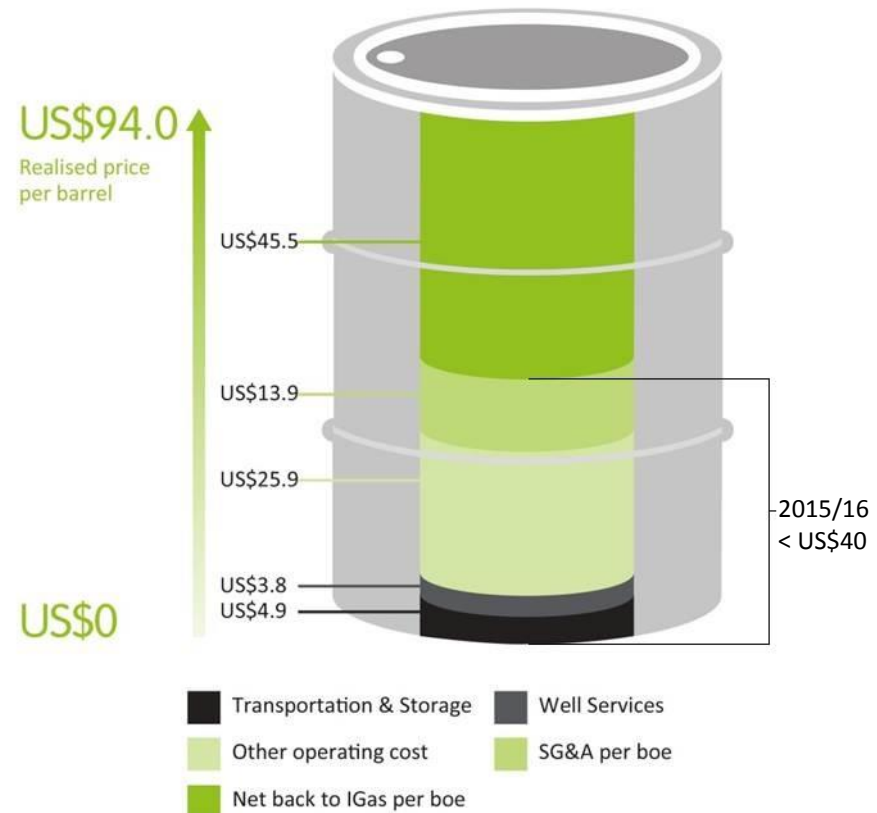
# Conventional Asset Opportunities

- ✓ At 31 March 2015, 2P reserves were 12.63 mmboe\* and 2C was 12.32 mmboe\*
- ✓ Production for the year to 31 March 2016 anticipated to be c.2,700 boepd (currently 2,550 boepd)
- ✓ Focus on sustainable long-term production enhancements
  - ✓ Pilot water injection
  - ✓ Gas monetisation projects – CNG/LNG/Gas to Wire
    - ✓ Planning applications and off-take discussions ongoing
  - ✓ Installation of rod pump controllers successful and initiative being extended
  - ✓ Deployment of "digital oilfield" initiative
  - ✓ Trialling a wax reduction tool in a number of wells
- ✓ Field development studies to identify infill well drilling opportunities and side-tracks
  - ✓ Programme of side-tracks in Weald Basin, commencing Q3 2015
- ✓ Minimum capital expenditure of £10m per annum



# Financial Highlights

- ✔ Currently have 625,000 barrels hedged in the period to 30 September 2016 at an average price of c.US\$63.5 per barrel
- ✔ Cost reduction now complete:
  - ✔ Operating costs of c.US\$32 per barrel, excluding reorganisation costs, in the first four months of the financial period.
  - ✔ Anticipated net operating costs and S,G&A charges to be below \$40/bbl, excluding reorganisation costs, for the year
- ✔ As at 31 July 2015:
  - ✔ Cash and cash equivalents of approximately £43m (US\$67m)
  - ✔ Net debt was approximately £62m (US\$96m)
- ✔ Amendments to the bond terms approved with close to 100% support from holders
  - ✔ Align IGas' reporting periods and budgeting with its operating partners
  - ✔ Provide flexibility in current oil price environment to manage operations successfully
- ✔ Bond buy back of \$17.7m





# Summary and Outlook

- ✔ Maintain production at c. 2,700 boepd for the year
  - ✔ Enhancement opportunities identified
- ✔ Financial flexibility
  - ✔ £43m cash and cash equivalent on the balance sheet as at 31<sup>st</sup> July 2015
- ✔ Appraisal assets
  - ✔ Combined carried gross work programme of up to \$285m from our farm-in partners
  - ✔ Working with partners to execute five year integrated development plan
  - ✔ Focus on early commercialisation
- ✔ Second tranche of 14<sup>th</sup> onshore licensing round expected later in the year



# Q&A