26 November 2014

IGas Energy plc ("IGas" or "the Group")

Interim Results for the six months ended 30 September 2014

IGas, one of the leading producers of onshore hydrocarbons in the UK, is pleased to announce its interim results for the six months ended 30 September 2014.

Highlights

- Average net production of 2,766 boepd (2013: 2,704 boepd)
- Ellesmere Port exploration well spudded on 15 November and we continue drilling
- Successful completion of Dart Energy acquisition on 16 October – integration on track
    - Group now has approximately 1 million net acres under licence
- IGas now operates on behalf of Total E&P UK Limited ("Total"), GDF SUEZ E&P UK Ltd ("GDF") and INEOS Upstream Ltd ("INEOS")
- Barton Moss well results support reservoir model and help refine appraisal programme
- Updated estimates of GIIP at 148 tcf mid case
- Applications made in 14th Onshore Licensing Round

Financial Highlights

- Revenue of £34.5 million (2013: £36.2 million), impacted by forex
- Gross profit of £12.5 million (2013: £16.4 million)
- Adjusted EBITDA[1] of £14.8 million (2013: £17.3 million)
- Underlying profit before tax[2] of £1.1 million (2013: £6.1 million)
- Net back to IGas, on a pre SG&A basis, averaged US$66.2 per barrel (2013: US$70.3 per barrel)
- Cash and cash equivalents at period end of £29.1 million (2013: £15.4 million)
- Net debt of £80.8 million (31 March 2014: £80.4 million)
- Hedging arrangements contracted to 30 September 2015 for 517,000 barrels of oil, at a blended rate of US$87.7 per barrel

Footnotes:

[1] Adjusted EBITDA relates to earnings before gains/(losses) on oil price derivatives, net finance costs, tax, depletion, depreciation and amortisation, acquisition costs and IFRS 2 charges

[2] Underlying profit before tax excludes the gain on oil price derivatives of £0.3m (2013: £1.6m loss), gain on revaluation of warrants £2.4m (2013: £5.3m loss) and net foreign exchange losses of £2.3m (2013: £5.4m gains)

Commenting on the announcement Andrew Austin, CEO, said: *"The six months to the end of September saw significant work undertaken to materially progress the scale and potential of our operations and position us for further growth.

We have continued to maintain the pace of progress across our assets and, following the Dart acquisition, we are now operating an $80 million gross work programme, funded by partners, to further appraise gas from shale and coal bed methane. Our forward plans on the producing assets will be shaped by the developing oil price environment.

We anticipate drilling two further wells in 2015 which will subsequently be flow tested, subject to the necessary planning and permitting approvals.

The potential of the untapped natural resources onshore offers an opportunity for Britain to increase its energy security, create jobs and support economic growth. We are excited about continuing to be part of that opportunity."

ENQUIRIES

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Interim Statement – six months ended 30 September 2014

Operational Review

During the first half we have made further progress across the business. Since the period end we completed the acquisition of Dart Energy Limited which has confirmed our position as a market leader in UK onshore oil and gas with an enhanced asset base and an area under licence of approximately 1 million net acres across all the major British shale basins.

We now operate an $80 million gross work programme, funded by partners, to further appraise our shale and coal bed methane assets. In relation to our producing assets, despite our hedged position, the uncertainty of the oil price in the short to medium term means that it is prudent to review our capital expenditure and to focus on maximising production rates and revenues.

Existing Producing Assets

The average net production in the six months to 30 September 2014 was 2,766 boepd (2013: 2,704 boepd). We expect net production for the second half of the year to remain broadly flat at ca. 2,700 boepd.

Progress on the 'Chase the Barrels' initiative continues with a focus on sustainable long-term production enhancements as well as identifying further production potential from our existing producing assets.

The installation of the pilot water injection project at Gainsborough is now complete and injection has commenced with the aim of increasing oil recovery from the field. Our focus will now turn to the installation of the Welton pilot water injection scheme which is expected to commence in Q1 2015.

Other projects have included a workover and reinstatement of a well at Singleton, in the Weald Basin, resulting in a 6% increase in average daily production at this site; we continued to roll out the installation of rod pump controllers across the remainder of our fields and are focussed on further deployment of our "digital oilfield" initiative with a goal of utilising, wherever appropriate, IT capability to instrument and control the oil fields and gain both cost savings and efficiencies through the deployment of this technology. As well as enhancing performance in the existing mature fields, our experience of applying this technology can be utilised in deploying similar systems to manage the shale developments when they are implemented.

We have begun trialling a wax reduction tool in a number of wells with encouraging results. The benefits include increased well up-time and a reduction in expensive workovers.

We continue to advance our gas monetisation projects at Albury (LNG), Bletchingley (gas to wire) and Lybster (potential CNG).

Planning permission was granted earlier this year for a change of use for the Albury site, including the installation of a Liquefied Natural Gas (LNG) plant. This will allow natural gas production from the site to be compressed into LNG for transportation off-site. There are many uses for LNG, including use as an alternative road fuel and advanced commercial negotiations are currently under way for the offtake of the LNG from the site. The potential for using this mini LNG technology elsewhere in the portfolio as a means of monetising stranded gas is something we are actively pursuing and evaluating.

A number of field development studies are in progress aimed at increasing ultimate recovery and reserves and identifying infill well drilling opportunities.

Acquisition of Dart Energy Limited

The acquisition of Dart Energy was completed on 16 October. The integration of all its people and assets is on track.

Progress continues to be made in the disposal process of the non-core assets.

In August, INEOS, the world's fourth largest chemicals company, announced its purchase of a 51% share of the shale section of PEDL 133 licence in the Midland Valley of Scotland. The other 49% share of the shale section licence was owned by Dart Energy. IGas is operator of the licence. The area is estimated to contain 4.4 tcf of gas (source: Dart Estimates).

Dart Energy recently won an appeal against a refusal by Wrexham County Borough Council to grant planning permission for a coal bed methane exploration well in Holt, near Wrexham. The Planning Inspectorate of Wales overturned the Council's decision and allowed the appeal.

Appraisal Assets

Following the acquisition of Dart Energy we now have gross funded acreage of 395k. acres and a carried work programme of over US$80m gross for a total of 15 licences funded by Total and GDF.

We operate on behalf of a number of companies including Total, GDF and INEOS.

North West Acreage

In early November, we announced the results from our Barton Moss exploration well. The well encountered 15 gas bearing coal seams in accordance with the pre-drill prognosis. The well also encountered a Namurian Shale section, consisting of the Sabden Shale and the Upper and Lower Bowland Shales. Approximately 400 ft of core was recovered, including from the shale section. The analyses indicate Total Organic Carbon of up to 5.72% with an average of ca. 1.9%. The measured permeabilities are comparatively high for the observed porosities when compared with typical US shale plays. The mineralogy of the Bowland Shales in this area is very comparable with key US plays, notably the Marcellus and Fayetteville, when comparing quartz/clay/carbonate content.

The results of the well are encouraging in respect of the shale potential of the area as they have helped further refine the existing basin models and verify the earlier preliminary prognosis and these results were employed in our 14th licence round applications.

We spudded the well at Ellesmere Port on Saturday 15 November and we continue drilling.

The 2D seismic acquisition in the North West is now complete. We are also planning the acquisition of 3D seismic across some of our acreage with a view to submitting applications for multi-well sites in 2015 for drilling and hydraulic fracturing of gas from shale.

East Midlands Acreage

3D seismic acquisition, on behalf of our partners, was completed in the period and has now been interpreted. The results from this analysis are being used to refine our site selection with a view to a well being drilled in 2015, subject to timely receipt of necessary permits and planning consent.

We submitted applications for the 14th onshore licensing round on 28 October, with Partners, and in our own right. We have applied for a number of licences across a number of key basins.

Community and Industry Initiatives

As a further extension of our community engagement in June, we launched a new community-facing website www.igas-engage.co.uk which gives details of our exploration sites.

We have now launched the 2015 round of our IGas Energy Community Fund. This independently administered fund was established to make a valuable contribution to the communities where we operate. We have extended this year's fund to include a number of the existing Dart sites. Over the past few years we have been able to help a significant number of local groups, who are making a real difference by running pioneering projects in their neighbourhoods.

In early September, IGas was involved in an initiative launched by UKOOG, the representative body for the UK onshore oil and gas industry, called "Let's Talk About Shale" (www.letstalkaboutshale.com) aimed at encouraging people to ask questions about natural gas from shale.

The campaign which was piloted in Blackpool and Preston in the North West and Lincoln and Worksop in the East Midlands, is now in the process of having the questions answered by third party experts, including leading academics. In addition, promotional events took place in town centres where the public submitted their questions to the "Let's Talk About Shale" digi-van. Local clubs and community groups are also being offered the chance to discuss the subject and ask questions of independent local speakers.

Government support for the onshore oil and gas industry is clear, with Energy Minister Matthew Hancock recently announcing a £1.5 million initiative to establish a National College for the industry. Jointly funded by the Department for Business, Innovation and Skills and the industry, the National College will draw together a number of leading education and training institutions and industrial partners to deliver training programmes which will meet the onshore industry's future skills needs and help the UK to become an international centre of excellence for onshore operations. The National College will operate a 'hub-and-spokes' model, and the headquarters will be at Blackpool and The Fylde College. A number of other leading institutions will be participating including University of Chester, Weir Group in association with the University of Strathclyde, Redcar and Cleveland College, and Highbury College Portsmouth.

Financial Review

The first six months of the year have been another busy period for the Group including the announcement of the acquisition of Dart Energy. This acquisition completed on 16 October 2014 on a share for share exchange basis with the issue of 89,997,626 Ordinary IGas Shares of 10p each to Dart Energy shareholders. With the timing of completion of the acquisition being post the balance sheet date, the results presented for the six month period do not include any results from the Dart Group.

The Group is protected to a material degree against short term oil price volatility. Over the six months to 31 March 2015, 367,000 barrels are hedged using options with a strike price of US$90 per barrel and for the six months to 30 September 2015, 150,000 barrels of production are hedged using zero-cost collars. Those collars protect against downside risk at a blended rate of US$82 per barrel, with a maximum average payment of US$12 per barrel in that period.

Income statement

The Group recognised revenues of £34.5m in the period (2013: £36.2m). Group production in the period was 489,389 barrels of oil, with ca. 7,730 Mwh of electricity sold, which together represents an average of 2,766 boepd (2013: 2,704 boepd). Revenues for the period also included £4.5m (2013: £3.4m) relating to the sale of third party's oil, the bulk of which is processed through our gathering centre at Holybourne in the Weald Basin. The strengthening of sterling to US dollar in comparison to prior periods (2014: US$1.68:£1 vs 2013: US$1.55:£1) was the principal reason for the reduction in revenue.

The Group uses zero cost collars. The cash cost to the Group for hedging was £nil in the period (2013: US$2.90 per barrel). The realised price per barrel pre and post hedge averaged £62.9 (US$104.2) (2013: pre-hedge £67.4 (US$104.2) and post hedge £65.6 (US$101.3)).

Cost of sales for the period were £21.9m (2013: £19.8m) including depreciation, depletion and amortisation (D,D&A) of £5.7m (2013: £4.9m), and operating costs of £16.2m (2013: £14.9m). Operating costs include a £4.2m charge (2013: £3.3m) in relation to processing third party oil, an increase of £0.9m from the comparative period due to the increased number of barrels purchased and processed by us from third parties. The contribution received from processing this third party oil was £0.4m. Excluding the costs of processing third party oil, operating costs increased by £1.3m on prior period of which £1.0m relates to the increased costs relating to Caithness, which was acquired by the Group on 6 December 2013.

Operating costs per barrel of oil equivalent were £22.8 per barrel, excluding the third party costs (2013: £21.8 per barrel).

Adjusted EBITDA[1] in the period was £14.8m (2013: £17.3m). Gross profit of £12.5m was recognised in the period (2013: £16.4m). Administrative costs increased by £0.3m to £4.4m (2013: £4.1m) principally due to the continued investment we have made in our subsurface team.

Net back per boe (on an Income Statement basis)[2] was US$51.5 (£30.7), (2013: US$57.5 (£37.2)) and on a pre SG&A basis was US$66.2 (£39.5) (2013: US$70.3 (£45.5)).

Net finance costs were £6.2m in the period (2013: £6.2m), including interest on borrowings of £6.1m (2013: £5.9m), gain on fair value of warrants £2.4m (2013: loss of £5.3m) and net foreign exchange losses of £2.3m (2013: gains of £5.4m).

Cash flow

Net cash generated from operating activities in the period amounted to £12.4m (2013: £9.3m). The prior period amount included a payment of taxation of £3.0m which related to tax payable for the Star group for the period to 31 December 2011. The Group expended £5.3m across its asset base in the period (2013: £4.3m), of which £2.3m was invested in the conventional assets, where we continue to see the benefits of this investment in our current production levels.

IGas repaid £2.5m (US$4.1m) of principal on borrowings to bondholders in the period in accordance with the terms of the bonds (2013: £2.7m (USD$4.1m)), which represents a repayment of 2.5% of the original principal amount of the secured bonds. IGas paid £5.6m (US$9.3m) in interest (2013: £5.5m (US$8.3m)). Cash and cash equivalents were £29.1m at the period end (2013: £15.4m).

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[1] Adjusted EBITDA relates to earnings before gains/(losses) on oil price derivatives, net finance costs, tax, depletion, depreciation and amortisation, acquisition costs and IFRS 2 charges

[2] Net back per boe on an Income Statement basis is realised oil price, less operating costs and SG&A

Balance sheet

The Group's non-current assets were £246.7m at the period end (31 March 2014: £245.7m) with net assets remaining broadly in line at £73.7m (31 March 2014: £74.3m).

Net current assets improved by £4.9m to £23.2m, which continues to include, for technical accounting reasons under IAS39, a current liability of £3.3m (31 March 2014: £6.8m) in relation to the Company's outstanding warrants which, if exercised, would result in a nil or positive cash impact for the Company.

Net current assets include a derivative financial asset in respect of the Group's zero cost collars of £0.2m (31 March 2014: liability of £0.1m). The gain of £0.3m in the six months ended 30 September 2014 was recognised in the income statement.

Net debt, being borrowings less cash, at the period end amounted to £80.8m (31 March 2014: £80.4m).

Principal Risks and Uncertainties

The Group constantly monitors the Group's risk exposures and management reports to the Audit Committee and the Board on a regular basis. The Audit Committee receives and reviews these reports and focuses on ensuring that the effective systems of internal financial and non-financial controls, including the management of risk, are maintained.

The principal risks for the Group remain as previously detailed on page 25 of the 2013-2014 Annual Report and Accounts and can be summarised as:

- Planning, environmental, licensing and other permitting risks associated with its operations and, in particular, with drilling and production operations
- Risks associated with geological uncertainty
- Market price risk through variations in the wholesale price of oil in the context of the production from oil fields it owns and operates
- Market price risk through variations in the wholesale price of gas and electricity in the context of its future unconventional production volumes
- Exchange rate risk through both its major source of revenue and its major borrowings being denominated in US$
- Liquidity risk
- Capital risk resulting from its capital structure
- Political risk
- A variety of other risks including those related to:
  - competition;
  - key personnel;
  - litigation.

Responsibility statement

The directors confirm that to the best of their knowledge:

a) The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting',
b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the six months and description of principal risks and uncertainties for the remaining six months of the year).

By order of the Board,

Andrew Austin	Stephen Bowler
Chief Executive Officer	Chief Financial Officer
26 November 2014	26 November 2014

INDEPENDENT REVIEW REPORT TO IGAS ENERGY PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2014 which comprises Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Cash Flow Statement and the related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

London

26 November 2014

IGas Energy plc
Interim results for the six months ended 30 September 2014

Condensed Consolidated Income Statement

	Note	Unaudited 6 months ended 30 September 2014 £000	Unaudited 6 months ended 30 September 2013 £000
Revenue	4	34,463	36,214
Cost of sales:			
Depletion, depreciation and amortisation		(5,751)	(4,904)
Other cost of sales		(16,181)	(14,879)
Total cost of sales		(21,932)	(19,783)
Gross profit		12,531	16,431
Administrative costs		(4,408)	(4,106)
Other income		144	88
Gain/(Loss) on oil price derivatives		283	(1,573)
Operating profit		8,550	10,840
Exceptional item			
Costs relating to acquisitions	14	(876)	-
Finance income	5	2,468	5,462
Finance cost	5	(8,638)	(11,685)
Net finance cost		(6,170)	(6,223)
Profit on ordinary activities before tax		1,504	4,617
Income tax charge	6	(5,320)	(4,940)
Loss from continuing operations attributable to equity shareholders of the Group		(3,816)	(323)
Basic and diluted loss per share (pence/share)	7	(1.87p)	(0.17p)
Adjusted basic and adjusted diluted (loss)/earnings per share (pence/share)	7	(2.77p)	3.48p

Condensed Consolidated Statement of Comprehensive Income

	Unaudited 6 months ended 30 September 2014 £000	Unaudited 6 months ended 30 September 2013 £000
Loss for the period	(3,816)	(323)
Other comprehensive income for the period	-	-
Total comprehensive loss for the period	(3,816)	(323)

Condensed Consolidated Balance Sheet

	Note	Unaudited at 30 September 2014 £000	Audited at 31 March 2014 £000
Non-current assets			
Intangible exploration and evaluation assets		95,452	90,997
Property, plant and equipment		111,989	115,478
Goodwill		39,227	39,227
		246,668	245,702
Current assets			
Inventories		1,363	1,344
Trade and other receivables		9,825	11,403
Cash and cash equivalents		29,051	28,301
Derivative financial instruments	10	233	-
		40,472	41,048
Current liabilities			
Trade and other payables		(8,917)	(10,960)
Borrowings		(5,089)	(4,948)
Other liabilities	10	(3,250)	(6,804)
Derivative financial instruments	10	-	(50)
		(17,256)	(22,762)
Net current assets		23,216	18,286
Total assets less current liabilities		269,884	263,988
Non-current liabilities			
Borrowings		(104,724)	(103,753)
Deferred tax liabilities		(62,984)	(57,665)
Provisions		(28,470)	(28,248)
		(196,178)	(189,666)
Net assets		73,706	74,322
Capital and reserves			
Called up share capital	12	17,392	17,226
Share premium account	13	60,915	58,933
Capital redemption reserve		41,239	41,239
Other reserves		385	(667)
Accumulated deficit		(46,225)	(42,409)
Shareholders' funds		73,706	74,322

IGas Energy plc
Interim results for the six months ended 30 September 2014

Condensed Consolidated Statement of Changes in Equity

	Called up share capital	Share premium account	Capital redemption reserve	Other Reserves	Retained earnings / (accumulated deficit)	Total
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013 (audited)	**15,407**	**37,747**	**41,239**	**(797)**	**(34,478)**	**59,118**
Change in equity for the six months to 30 September 2013						
Total comprehensive loss for the period	-	-	-	-	(323)	(323)
Employee share plans – cost under IFRS 2	-	-	-	291	-	291
Employee share plans – treasury shares issued under SIP				(275)		(275)
Warrants exercised (note 8)*	797	9,691	-	-	-	10,488
Issue of shares during the period (notes 12 and 13)*	55	373	-		-	428
Balance at 30 September 2013 (unaudited)	**16,259**	**47,811**	**41,239**	**(781)**	**(34,801)**	**69,727**
Balance at 31 March 2014 (audited)	**17,226**	**58,933**	**41,239**	**(667)**	**(42,409)**	**74,322**
Change in equity for the six months to 30 September 2014						
Total comprehensive loss for the period	-	-	-	-	(3,816)	(3,816)
Employee share plans – cost under IFRS 2	-	-	-	1,167	-	1,167
Employee share plans – treasury shares issued under SIP	-	-	-	(115)	-	(115)
Warrants exercised (note 8)*	150	1,804	-			1,954
Issue of shares during the period (notes 12 and 13)*	16	178	-	-	-	194
Balance at 30 September 2014 (unaudited)	**17,392**	**60,915**	**41,239**	**385**	**(46,225)**	**73,706**

*In prior periods share capital issued for warrants was included in 'issue of shares during the period'. In the current period, those amounts have been disclosed as 'warrants exercised' as the group considers that to be a more appropriate description. The comparative amounts have been restated for consistency.

IGas Energy plc
Interim results for the six months ended 30 September 2014

Condensed Consolidated Cash Flow Statement

	6 Months ended 30 September 2014 Unaudited £000	6 Months ended 30 September 2013 Unaudited £000
Operating activities:		
Profit before tax for the period	1,504	4,617
Depreciation, depletion and amortisation	5,823	4,995
Share based payment charge	667	277
Gain on derivative financial instruments	(283)	(400)
Finance income	(2,468)	(5,462)
Finance costs	8,638	11,685
Decrease/(increase) in trade and other receivables	1,536	(2,184)
(Decrease) in trade and other payables, net of accruals related to investing activities	(2,981)	(854)
(Increase) in inventories	(19)	(235)
Abandonment costs incurred	(35)	(112)
Other non-cash adjustments	-	(70)
Taxation paid*	-	(3,006)
Net cash from operating activities	12,382	9,251
Investing activities		
Acquisition of exploration and evaluation assets	(2,965)	(1,364)
Acquisition of property, plant and equipment	(2,344)	(2,890)
Interest received	31	59
Net cash used in investing activities	(5,278)	(4,195)
Financing activities		
Cash proceeds from issue of Ordinary Share Capital	910	3,240
Interest paid	(5,614)	(5,464)
Cash proceeds from loans and borrowings**	-	6,615
Loan issue costs	-	(73)
Repayment of loans and borrowings	(2,484)	(2,667)
Net cash (used in)/from financing activities	(7,188)	1,651
Net (decrease)/increase in cash and cash equivalents in the period	(84)	6,707
Net foreign exchange difference	834	(1,149)
Cash and cash equivalents at the beginning of the period	28,301	9,831
Cash and cash equivalents at the end of the period	29,051	15,389

*Tax paid related to the tax payable of the acquired Star Group as at 18 December 2011.
** 30 September 2013 - Cash proceeds from loans and borrowings are shown net. The £6.6 million presented above consist of £108.6 million less repayment of Macquarie loan of £90 million and hedges and early cancellation fees of £12 million.

1 Corporate information

The interim condensed consolidated financial statements of the Group for the six months ended 30 September 2014, which are unaudited, were authorised for issue in accordance with a resolution of the directors on 26 November 2014.

IGas Energy plc is a public limited company incorporated and domiciled in England whose shares are publicly traded. The Group's principal area of activity is exploring for, appraising, developing and producing oil and gas resources in Great Britain.

2 Accounting policies

Basis of preparation

These condensed consolidated financial statements have been prepared under the historical cost convention and in accordance with International Accounting Standard ('IAS') 34 - Interim Financial Reporting as adopted by the European Union. Accordingly the interim financial statements do not include all of the information or disclosures required in the annual financial statements, and therefore should be read in conjunction with the consolidated financial statements and the notes thereto in the Group's annual report and accounts for the year ended 31 March 2014.

The financial information contained in this document does not constitute statutory accounts as defined by Section 435 of the Companies Act 2006 (England & Wales). The financial information as at 31 March 2014 is based on the statutory accounts for the financial period ended 31 March 2014. A copy of the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union up to 31 March 2014, has been delivered to the Register of Companies and is available on the Company's website at www.igasplc.com. The auditors' report in accordance with Chapter 3 Part 16 of the Companies Act 2006 in relation to those accounts was unqualified and did not contain any matters on which the auditors are required report on exception in accordance with section 498 (2) and (3) of the Companies Act 2006.

In May 2014, amendments were made to the AIM rules with relation to the interim reporting in order to align these to accounting standards. Specifically, the rule regarding comparative periods has changed such that the comparative balance sheet as at the prior year interim date is no longer required. The Group has prepared its interim statements on this basis.

Going concern

The Group's principal activity and principal risks and uncertainties are set out in the Financial Review. The ability of the Group to operate as a going concern is dependent upon the continued availability of future cash flows and the availability of the monies drawn under its Bond, which in turn is dependent on the Group not breaching covenants (for further information on the covenants refer to Note 18 of the annual report and accounts).

The Group regularly monitors forecasts to determine that breaches are not anticipated to occur in the future. On the basis of the Group's current forecasts, no breaches in covenants are anticipated based on our current assumptions. However these forecasts are based on certain assumptions particularly in relation to oil prices, production rates, operating costs, capital and general expenditure. Despite the significant recent reduction in oil price the Group is protected to a material degree against short term volatility. Over the six months to 31 March 2015, 367,000 barrels are hedged using options with a strike price of US$90 per barrel and for the six months to 30 September 2015, 150,000 barrels of production are hedged using zero-cost collars. Those collars protect against downside risk at a blended rate of US$82 per barrel.

Should the forecast not be achieved management can implement a number of short term actions that will mitigate any immediate EBITDA and cashflow impacts and which would enable to the Group to continue to trade in accordance with the Bond covenants.

The Directors consider that the expected operating cash flows of the Group combined with the current Bonds give them confidence that the Group has adequate resources to continue as a going concern. The half yearly results have, therefore, been prepared on the going concern basis.

Accounting policies

The accounting policies applied in these condensed financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2014, except for the adoption of new standards, interpretations and amendments effective as of 1 April 2014.

		Effective date*
IAS 32	IAS 32 – Amendments to IAS 32 - Offsetting Financial assets and Financial liabilities – These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. The Group has concluded that these amendments have no impact on the financial statements.	1 January 2014

IAS 36	IAS 36 – Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial assets disposal – These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognized or reversed during the period. The Group has considered the effect of this amendment and concluded that it has no impact on the disclosures in the financial statements.	1 January 2014

Accounting policies (cont'd)

IAS 39	IAS 39 – Amendments to IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting – These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the Group.	1 January 2014
IFRIC 21	IFRIC 21 – Levies –IFRIC 21 clarifies that an entity recognises a liability for a levy ("a non-refundable fixed fee imposed by a Government") when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Group has concluded that this interpretation has no impact on the financial statements.	1 January 2014

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory only for the Group's accounting periods beginning on or after 1 April 2015 or later periods and which the Group has not adopted early. Those that may be applicable to the Group in future are as follows:

		Effective date*
IFRS 9	IFRS 9 – Financial Instruments (2014)	1 January 2018
IFRS 11	IFRS 11 – Amendment - Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 15	IFRS 15 – Revenue from Contracts with Customers	1 January 2017
IAS 16 and IAS 38	IAS 16 and IAS 38 – Amendments - Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016

* The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to early adopt standards.

The Group is currently assessing the impact that these amendments will have on its financial position. The Group does not anticipate adopting these standards and interpretations ahead of their effective date.

3 Basis of consolidation

The condensed consolidated financial statements present the results of IGas Energy plc and its subsidiaries as if they formed a single entity. The financial statements of subsidiaries used in the preparation of consolidated financial statements are based on consistent accounting policies to the parent. All intercompany transactions and balances between Group companies, including unrealised profits arising from them, are eliminated in full. Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, it is treated as an extension of the entity.

4 Revenue and segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance, and for which financial information is available. In the case of the Group the CODM are the Chief Executive Officer and the Board of Directors and all information reported to the CODM is based on the consolidated results of the Group as one operating segment as the Group's activities relate to UK oil and gas. Therefore the Group has one operating and reportable segment as reflected in the Group's condensed consolidated financial statements.

All revenue, which represents turnover, arises within the United Kingdom and relates to external parties

All the Group's non-current assets are in the United Kingdom.

5 Finance income and costs

	Unaudited 6 months ended 30 September 2014 £000	Unaudited 6 months ended 30 September 2013 £000
Finance income:		
Interest on short-term deposits	**31**	59
Gain on fair value of warrants (note 8)	**2,437**	-
Foreign exchange gains	**-**	5,403
Finance income recognised in income statement	**2,468**	5,462
Finance expense:		
Other interest paid	**-**	129
Interest on borrowings	**6,111**	5,912
Interest expense	**6,111**	6,041
Foreign exchange losses	**2,269**	-
Unwinding of discount on provisions	**258**	345
Loss on fair value of warrants (note 8)	**-**	5,299
Finance expense recognised in income statement	**8,638**	11,685

6 Tax on profit on ordinary activities

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings. The major components of income tax expense in the interim condensed statement of profit or loss are:

	Unaudited 6 Months ended 30 September 2014 £000	Unaudited 6 Months ended 30 September 2013 £000
Income Taxes		
Current tax charge	**-**	-
Deferred tax:		
Current year charge relating to the origination of reversal of temporary differences	**5,320**	4,940
Deferred tax charge	**5,320**	4,940
Tax charge on profit or loss on ordinary activities	**5,320**	4,940

7 Earnings per share (EPS)

The calculation of the basic and diluted profit/loss per share is based on the following data:

Basic EPS amounts are calculated by dividing the profit/loss for the period attributable to ordinary equity holders of the Group by the weighted average number of Ordinary Shares outstanding during the period.

Diluted EPS amounts are calculated by dividing the profit/loss attributable to the ordinary equity holders of the parent by the weighted average number of shares outstanding during the period plus the weighted average number of Ordinary Shares that would be issued on the conversion of all the potentially dilutive Ordinary Shares into Ordinary Shares, except where these are anti-dilutive.

Adjusted basic EPS amounts are calculated by dividing the profit/loss for the period, after adjusting for one-off costs relating to acquisitions and "mark to market" valuation adjustments which do not reflect the trading of the Group, attributable to the ordinary equity holders of the parent by the weighted average number of shares outstanding during the period.

Adjusted diluted EPS amounts are calculated by dividing the profit/loss for the period, after adjusting for one-off costs relating to acquisitions and "mark to market" valuation adjustments which do not reflect the trading of the Group, attributable to the ordinary equity holders of the parent by the weighted average number of shares outstanding during the period plus the weighted average number of Ordinary Shares that would be issued on the conversion of all the potentially dilutive Ordinary Shares into Ordinary Shares, except where these are anti-dilutive.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Unaudited 6 months ended 30 September 2014	Unaudited 6 Months ended 30 September 2013
Basic EPS - Ordinary Shares of 10p each (pence)	(1.87p)	(0.17p)
Diluted EPS - Ordinary Shares of 10p each (pence)	(1.87p)	(0.17p)
Adjusted basic EPS - Ordinary Shares of 10p each (pence)	(2.77p)	3.48p
Adjusted diluted EPS - Ordinary Shares of 10p each (pence)	(2.77p)	3.48p
Loss for the period attributable to equity holders of the parent (£000)	(3,816)	(323)
Add back:		
(Gain)/loss on oil price derivatives	(283)	1,573
Acquisition costs	876	-
(Gain)/loss on revaluation of warrants	(2,437)	5,299
	(5,660)	6,549
Weighted average number of Ordinary Shares in the period – basic EPS, diluted EPS and adjusted EPS	204,203,369	187,934,261

There are 13,865,298 potentially dilutive warrants and options over the Ordinary Shares at 30 September 2014 (2013: 15,004,061) which are not included in the calculation of diluted earnings per share and adjusted diluted earnings per share because they were anti-dilutive for the period as their conversion to Ordinary Shares would decrease the loss per share.

8 Other liabilities

Warrants issued can be exercised in three different ways and, although the cost to the Group would be the same under each exercise option, these warrants do not qualify as equity instruments under IAS 39 due to the variable number of shares that would be issued in each case. Accordingly they have been accounted for as financial liabilities.

During the six months ended 30 September 2014, 1,500,000 warrants (30 September 2013: 10,286,645) with a value of £1.1 million (2013: £7.4 million) were exercised. During the six months ended 30 September 2014, there was a revaluation gain on the warrants of £2.4 million (30 September 2013: £5.3 million loss).

All warrants vested on grant and accordingly the key assumptions made in arriving at the Black–Scholes valuations were: share price on date of valuation, adjusted for subsequent consolidations where appropriate and the length of time for which the warrants were expected to remain exercisable. A risk free interest rate of 1.09% and an implied volatility of 35% were used in valuing the warrants at the time of grant, and an interest rate of 1.27% (30 September 2013: 1.21%) and an implied volatility of 44.9% (30 September 2013: 40.11%) were used at the period end. It was also assumed that no dividends (30 September 2013: no dividends) would be paid during the life of the warrants.

9 Commitments

The Group's outstanding capital commitments at 30 September 2014 were £1.6 million (31 March 2014: £1.3 million).

10 Financial Instruments – Fair value disclosure

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For financial instruments there are no non- recurring fair value measurements nor have there been any transfers between levels of the fair value hierarchy.

The financial assets and liabilities measured at fair value are categorised into the fair value hierarchy as at the reporting dates as follows:

Financial assets and liabilities measured at fair value

	Level 1	Level 2	Level 3	Total
At 30 September 2014	**£000**	**£000**	**£000**	**£000**
Financial assets				
Derivative financial assets				
Commodity price derivatives	-	233	-	233
Total	-	233	-	233
Financial liabilities				
Derivative financial liabilities				
Warrants	-	3,250	-	3,250
Total	-	3,250	-	3,250

	Level 1	Level 2	Level 3	Total
At 31 March 2014	**£000**	**£000**	**£000**	**£000**
Financial assets	-	-	-	-
Financial liabilities				
Derivative financial liabilities				
Commodity price derivatives	-	50	-	50
Warrants	-	6,804	-	6,804
Total	-	6,854	-	6,854

The fair values of the derivatives were determined from counterparties with whom the trades have been entered into. Derivative financial assets consist of Asian style put and call options to sell/buy oil. The options are valued using a Black-Scholes methodology; however, certain adjustments are made to the spot-price volatility of oil prices due to the nature of the options. These adjustments are made either through Monte Carlo simulations or through statistical formulae. The inputs to these valuations include the price of oil, its volatility, and risk free interest rates.

The warrants whose fair values include the use of level 2 inputs are valued using Black-Scholes method, which incorporates the inputs as detailed in note 8.

Fair value of financial assets and financial liabilities
The carrying values of the financial assets and financial liabilities are considered to be materially equivalent to their fair values.

11 Employee Share Plans – Equity Settled

	LTIP		VCP	
	Number of Options	Weighted average exercise price (pence)	Number of Units	Weighted average exercise price (pence)
Outstanding at 31 March 2013	3,179,027	-	-	-
Exercisable at 31 March 2013	-	-	-	-
Movement in the six months to 30 September 2013				
Granted during the period	466,203	-	-	-
Forfeited during the period	(48,730)	-	-	-
Exercised during the period	-	-	-	-
Outstanding at 30 September 2013	3,596,500	-	-	-
Exercisable at 30 September 2013	-	-	-	-
Outstanding at 31 March 2014	3,596,500	-	-	-
Exercisable at 31 March 2014	-	-	-	-
Movement in the six months to 30 September 2014				
Granted during the period	2,401,238	-	80	-
Forfeited during the period	(40,000)	-	-	-
Exercised during the period	-	-	-	-
Outstanding at 30 September 2014	1,155,262	-	80	-
Exercisable at 30 September 2014	-	-	-	-

LTIP

The LTIPs outstanding at 30 September 2014 had both a weighted average remaining contractual life and maximum term remaining of 7.3 years (31 March 2014: 7.8 years).

The total charge for the six months ended 30 September 2014 was £353 thousand (2013: £114 thousand). Of this amount, £146 thousand was capitalised (2013: £14 thousand) and £207 thousand (2013: £100 thousand) was charged to the income statement in relation to the fair value of the awards granted under the LTIP scheme measured at grant date using a Monte Carlo Simulation Model.

VCP

In July 2014, the Company adopted the IGas 2014 Value Creation Plan (“VCP”). Under the VCP, performance units will be granted which convert into a certain number of shares at end of 3 year performance period. The VCP requires creation of shareholder value in excess of threshold hurdle of 10% annualised share price growth from 1 April 2014. If this hurdle is met at the end of performance period, participants will receive in aggregate 12.5% of the shareholder value created above the hurdle. 50% of this value will vest in shares of equivalent value at end of the performance period and 25% at the end of each of the following two years.

The total charge for the period was £726 thousand. Of this amount, £341 thousand was capitalised and £385 thousand was charged to the income statement in relation to the fair value of the awards granted under the VCP scheme measured at grant date using a Monte Carlo Simulation Model.

Other share based payments

During the six months ended 30 September 2014, the Company issued 160,643 (2013: 545,936) Ordinary shares of 10p each under the IGas Energy plc Share Incentive Plan (“SIP”).

There were no other share based payments issued in the six months ended 30 September 2014 (2013: 190,710 with a fair value of £177 thousand). There were no options exercised during the period.

The options outstanding at 30 September 2014 had both a weighted average remaining contractual life and a maximum term of 8.1 years (31 March 2014: 8.6 years).

The total charge for the period was £88 thousand. Of this amount, £17 thousand was capitalised and £71 thousand was charged to the income statement in relation to the fair value of the awards granted under the SIP scheme measured at the fair value at the grant.

12 Share capital

	Ordinary Shares	
	No.	£000 Nominal value
Issued and fully paid		
31 March 2013, Ordinary Shares of 10p each	**186,535,639**	**18,653**
22 April 2013 shares issued under the SIP at a price of 77p each	475,002	48
22 June 2013 shares issued for warrants exercised at a price of 55.8p each	3,000,000	300
23 July 2013 shares issued under the SIP at a price of 83p each	70,934	7
26 July 2013 shares issued for warrants exercised at a price of 10p	2,975,656	297
15 August 2013 shares issued for warrants exercised at a price of 55.8p	2,000,000	200
30 September 2013, Ordinary Shares of 10p each	**195,057,231**	**19,505**
31 March 2014, Ordinary Shares of 10p each	**204,724,762**	**20,472**
15 April 2014 shares issued for warrants exercised at a price of 55.8p each	1,500,000	150
22 April 2014 shares issued under the SIP at a price of 124p each	91,239	9
23 July 2014 shares issued under the SIP at a price of 117p each	69,404	7
30 September 2014, Ordinary Shares of 10p each	**206,385,405**	**20,638**

Accordingly, the Group share capital account comprised:

	£000
Share capital account	
At 31 March 2013	**15,407**
Shares issued during the period	852
At 30 September 2013	**16,259**
At 31 March 2014	**17,226**
Shares issued during the period	166
At 30 September 2014	**17,392**

13 Share premium account

The share premium account of the Group arises from the capital that the Company raises upon issuing shares for consideration in excess of the nominal value of the shares, net of the costs of issuing the new shares. During the period the Company issued 1,660,643 ordinary shares with a nominal value of 10p each (31 March 2014: 18,189,123 shares issued). The cost of these issues was £nil (31 March 2014: £nil). Together these events resulted in a net movement in the Share Premium reserve of £1.9 million (31 March 2014: £11.7 million).

14 Subsequent Events

Acquisitions
On 16 October 2014, the Company acquired the entire issued share capital of Dart Energy Limited ("Dart") on a share for share exchange basis and for a consideration of 89,997,626 Ordinary Shares of 10p each (the "Acquisition"). The fair value of that consideration was £67.3 million.

As part of its strategy to secure access to more resources, IGas believes that the acquisition of Dart will create a market-leading onshore British oil and gas company with the largest area in Britain under licence of over one million net acres, including a presence in each of Britain's major shale basins.

The combination created a market leading onshore UK oil and gas Company with the largest area in the UK under licence of over 1 million net acres including major UK shale basins.

The Group has not completed the fair value exercise of the acquired assets and assumed liabilities of Dart due to the timing of the completion of the Acquisition and the approval of the interim report.

Costs related to the Dart acquisition of £0.9 million were incurred in the period and recognised in the income statement. These costs related to professional services of advisors to the transaction.

Hedging
The Group entered into new hedging arrangements to hedge its exposure to oil price fluctuations by entering into a combination of US dollar put and call options at zero cost. Since the period end, the Group entered into a combination of put and call options, covering 75,000 barrels for the period April to June 2015, providing downside protection at US$84/barrel, and for the period July to September 2015, 75,000 barrels at US$80/barrel, with an average maximum payment of US$12 per barrel.

Issued Shares
On 15 October 2014, the Company issued 89,997,626 new ordinary 10p shares pursuant to the acquisition of Dart.

On 22 October 2014, the Company issued 99,100 Ordinary 10p shares in relation to the Groups SIP scheme.