

**IGas**  
Energy

# Interim Results to 30 June 2021

22 September 2021



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# Overview

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Production impacted by COVID-19 but remains robust



Improving cash flow generation boosted by oil price



Geothermal and hydrogen projects advanced



Assets, infrastructure and skill set uniquely position us for low carbon transition

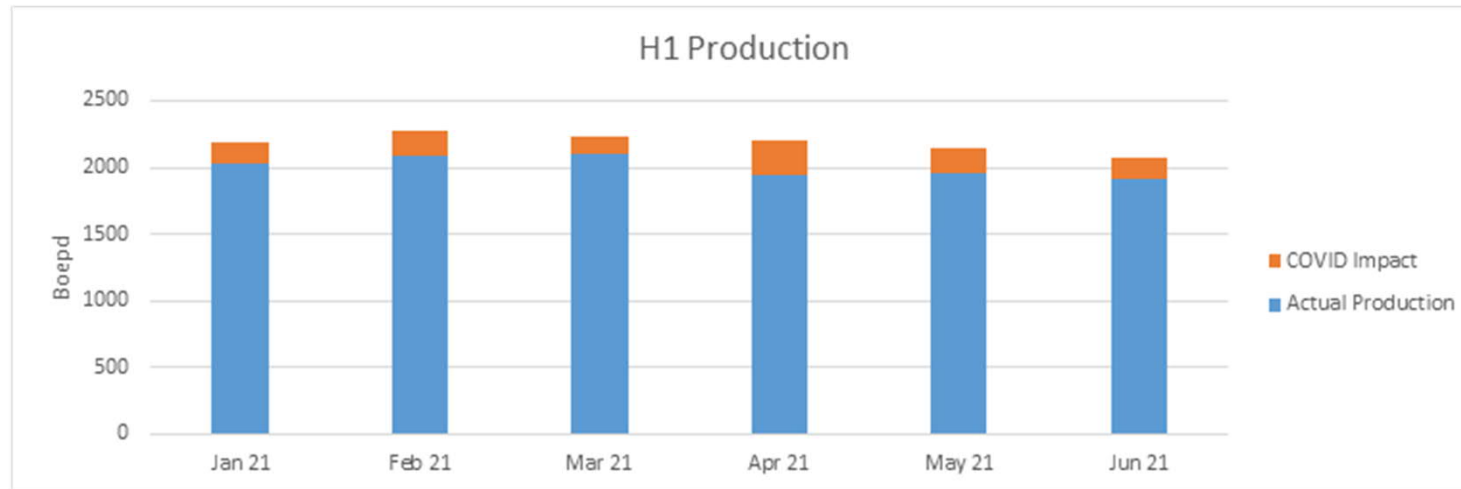
# Production Review

## Direct and indirect COVID impacts



Net production averaged 2,005 boepd in H1 2021 (without COVID-19 impacts it would have averaged 2,185 boepd)

- Operations, maintenance and project activities all being directly and indirectly impacted by COVID-19.
- During H1 we regularly experienced disruption as a result of internal resourcing, external resourcing or supply chain issues.
- Disruptions have varied over the months resulting in a January to June average impact of c.180 boepd.



Three main drivers to "Covid related" production deferral:

- Internal Resourcing issues represented c.23% of the identified losses
- External Resourcing issues represented c.11% of the identified losses
- External Supply Chain issues represented c.66% of the identified losses

Despite challenges continued focus on execution of incremental production opportunities:

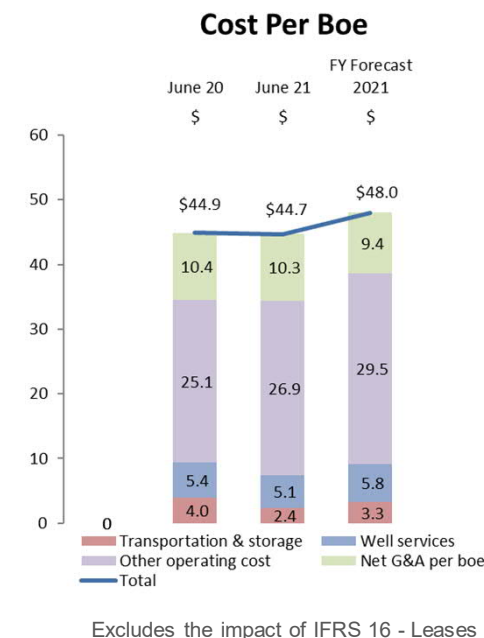
- STK-27 water injection – c.50/bbl day
- Artificial lift optimisation
- Expansion of the beam-gas compressor systems
- Expansion and modernisation of instrumentation



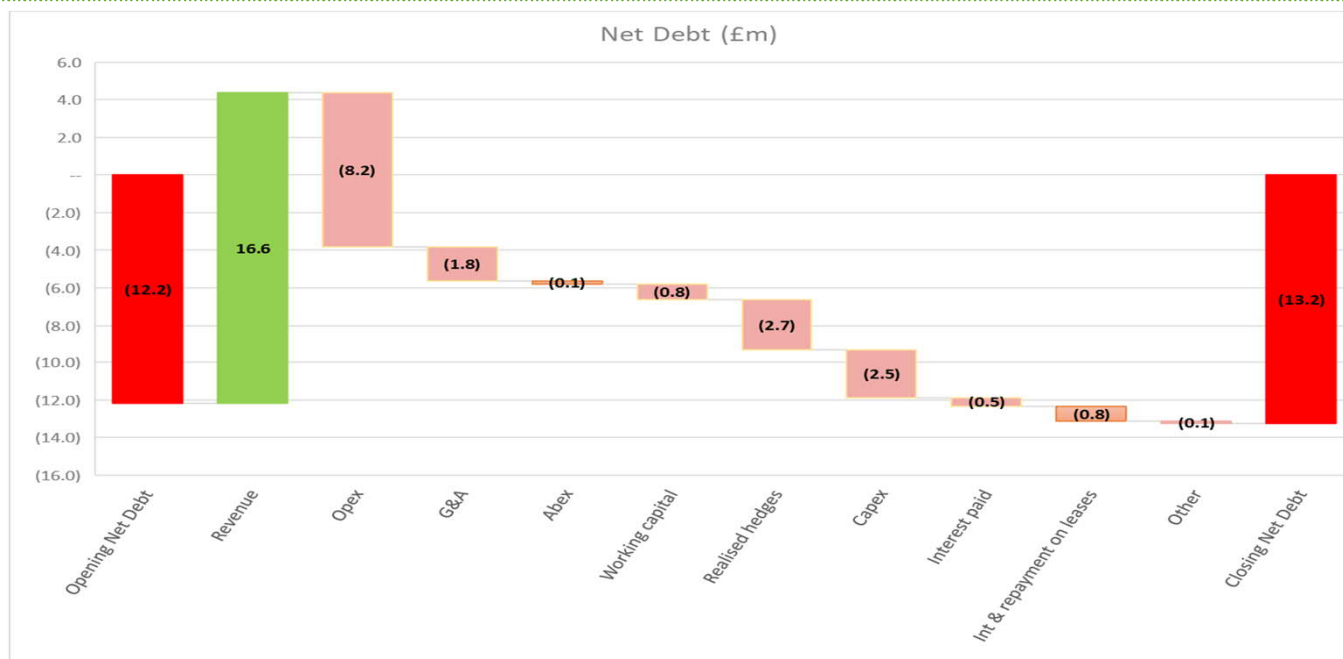
# Financial Overview



- £6.4m operating cash inflow before working capital and realised hedges (H1 2020: cash outflow £1.4m) driven by the improvement in Brent prices and savings in opex and G&A costs and lower spend on abandonment costs
- Increased revenues driven by increased Brent prices - realised price pre hedge price of \$64.9/bbl (H1 2020: \$39.1/bbl)
  - Realised hedging loss of £2.7m in 2021 (H1 2020: £3.3m gain) realised price post hedge of \$51.6/bbl (H1 2020: \$50.0/bbl)
  - 190,800 bbls hedged for H2 2021 at an average price of \$49/bbl (including collar upside) using collars and swaps. 126,000 bbls hedged for 2022 at a price of \$63/bbl using swaps and 114,000 bbls hedged using puts at a guaranteed average minimum price of \$44/bbl net of premiums
- Operating costs (excluding the impact of IFRS 16) of \$34.4/boe (£24.8)/boe (H1 2020: \$34.5 (£27.0)/boe)
  - Decrease in GBP terms from cost savings was offset by the impact a stronger GBP/USD fx rate
- G&A of £2.3m (H1 2020: £2.8m)
  - Lower gross costs due to redundancy programme and closure of the London office in Q1 2021
  - Lower allocation to capital projects in the period
- Impairment of E&E assets of £10.1m – principally the write-off of PEDL 200 licence costs (Tinker Lane)
- Ring fence tax losses >£250m



# Net Debt



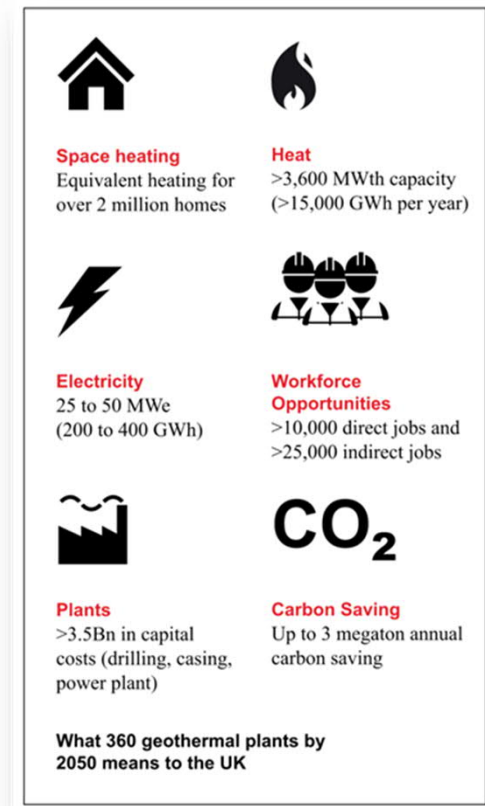
- **Operating cashflow before working capital and realised hedges** – £6.4m cash inflow (H1 2020: cash outflow £1.4m) driven by the improvement in Brent prices and savings in opex and G&A costs and lower spend on abandonment costs
- **Realised loss on hedges** – £2.7m (H1 2020: gain £3.3m). Requirement under RBL to hedge c.50% of production. Losses due to difficult hedging environment during the pandemic
- **Capital expenditure** – IGas invested £2.6m across its asset base in the period (H1 2020: £4.9m) primarily on modernization and optimization of conventional assets
- **Net Debt** – net debt increased by £1.0m from £12.2m to £13.2m during the period to fund capital expenditure. Headroom of £6.3m at 30 June 21

# Geothermal

## Gathering pace



- Planning granted for Stoke-on-Trent Project
  - MoU with SSE to deliver network
  - SSE intends to invest £750m over the next 5 years in distributed energy infrastructure – geothermal is core
- Recent ministerial round table/Westminster Hall Debate
- Working groups within BEIS looking at support mechanisms
  - Several existing funds identified
  - Long term downstream support dedicated to geothermal for the first 30 deep geothermal projects will unlock a geothermal industry
- April 2021 ARUP and the REA publish new report on the economic and environmental importance of UK deep geothermal
  - Geothermal has the backing of business, academics and NGOs
  - Estimates UK could deliver 360 geothermal projects by 2050
- Growing development pipeline of potential projects across the UK
  - Manchester
  - Newcastle
  - Southampton
  - Bournemouth
- Increasing number of enquiries from energy providers and consumers



# Hydrogen

## Small scale distributed hydrogen



Two existing sites identified in the South East:

- Albury – existing GtG and GtW infrastructure
  - Anticipated production = 1000kg/day Hydrogen
  - Planning and permit applications submitted July 2021
- Bletchingley - existing gas processing installation
  - Anticipated production = 2000kg/d initially with potential to rise to 6,000kg/d
  - Planning application submitted August 2021

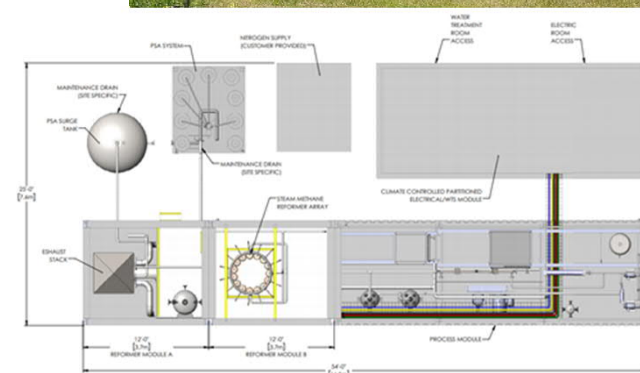
Commercial offtake agreement under negotiation

Community consultation indicates local support

Pathway to blue hydrogen production identified and being accelerated

Future growth potential:

- Existing associated gas
- New (known) gas fields
- Other sources, e.g. biogas



Conceptual module arrangements courtesy of Bayotech Inc.



# CCS Background and Activity

**Fast deployment, geographically distributed**



UKCS offers significant future potential, BUT

- BEIS study indicates that CO<sub>2</sub> transport to port or point of sequestration is a major issue  
Many industrial facilities risk being 'stranded assets'
- Requires extensive development of cutting edge techniques in difficult environments  
Early stage development could de-risk and accelerate deployment

Onshore offers immediate opportunities:

Existing surface sites, wells and infrastructure

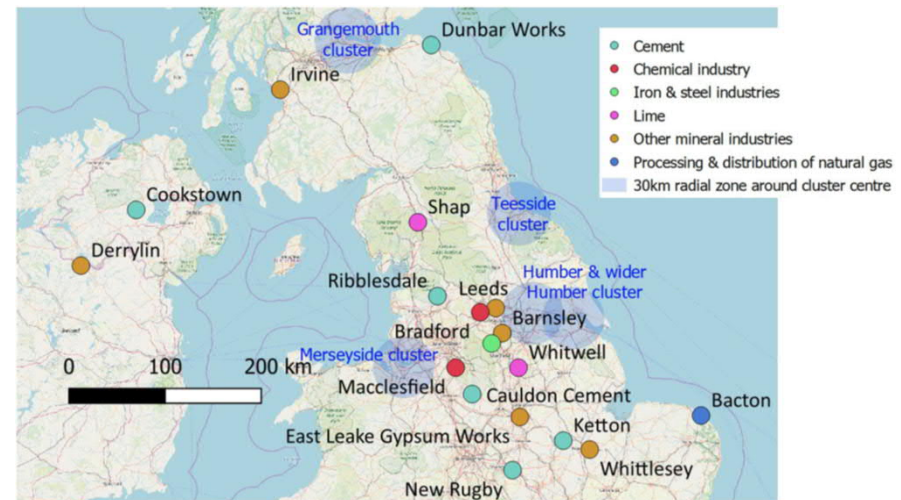
- Depleted oil and gas reservoirs (current)
- Deep saline aquifers (future)

Distributed small scale locations

- Logistically simpler and cheaper
- Closer to emitters

Benefits:

- Significantly reduced transportation (infrastructure) requirements
- Lower infrastructure costs and complexity
- Improved ease of monitoring
- Greater flexibility in operational scenarios and potential for evolution of equipment and techniques

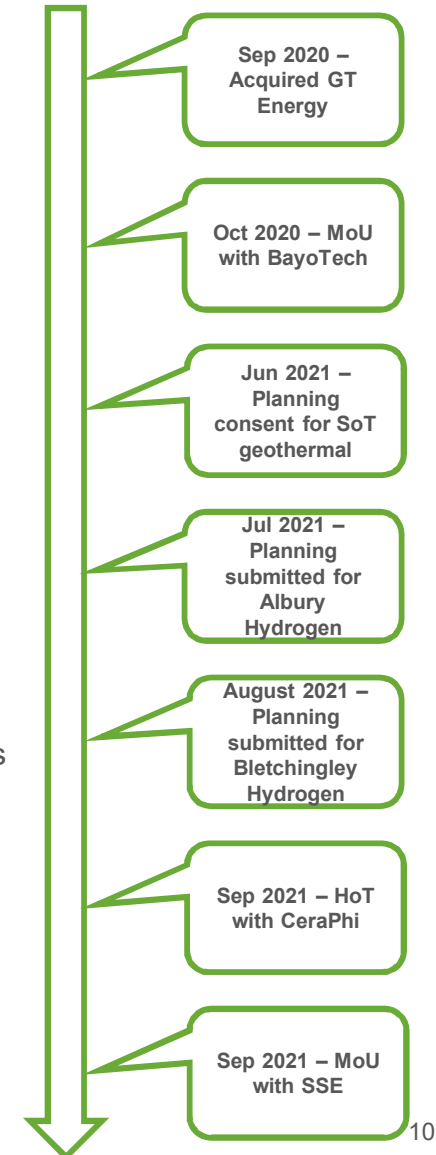


# Progressing Diversification

## Leveraging existing assets and skill set



- Diversify into the wider UK energy market whilst leveraging our core competencies as an UK onshore operator
  - Experts in developing and operating onshore UK
  - Long term landowner relationships, deep community relationships
- Greenfield deep geothermal development
  - Pathfinder Stoke-on-Trent geothermal project will supply Stoke City with renewable heat for generations
  - Rapidly expanding pipeline of developments
- Repurposing existing assets
  - screening & feasibility of repurposing wells for future geothermal energy production
  - initial screening has identified several assets as suitable for carbon sequestration
    - Low cost sequestration solution for otherwise stranded regional carbon emitters
    - Working with consortium including Newcastle, Durham, Oxford and Bristol Universities
- New development on or adjacent to our sites:
  - Renewable energy development at or adjacent to existing sites
  - Energy storage



# Summary and Outlook

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Maintain and grow production – upside opportunities in existing assets



Continued focus on costs and disciplined approach to capital allocation



Low carbon business accelerating and making material progress



Strategy supported by commitment to ESG

# Appendix

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# ESG

## Sustainable and Responsible Business

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- Support United Nations' Sustainable Development Goals and UN Global Compact signatory
- ISO 14001 and 9001 accredited: Environmental Management System and Quality Management System
- Scope 1 & 2 reporting – focus on reducing Scope 2



### Environmental stewardship

- Careful site selection screens out protected areas
- Environmental Impact Assessments
- Baseline monitoring before during and after operations – soil, air and water
- Social licence to operate is key to business success
  - Local engagement with all stakeholders: Community Liaison Groups, newsletters, public consultation
  - IGas Community Fund launched in 2008 over £1m distributed to communities local to our operations

### HSE

- Continuous monitoring (Oshens/ External HSE audits)
- IGas has attained the RoSPA President's (14 consecutive Golds) Award, for health and safety performance
- IGas Energy trading as "Star Energy Weald Basin Ltd" is listed on the public register for COMAH establishments

### Governance

- In 2018 the Board resolved to adopt the Quoted Companies Alliance Corporate Governance Code, 2018 edition (the "QCA Code")
- Key policies in place: Bribery and Anti-corruption; Equality & Diversity