

# IGAS ENERGY PLC

26 November 2013

## IGas Energy plc (“IGas” or “the Company”)

### Interim Results for the six months ended 30 September 2013

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 2013.

#### Operational Highlights

- Exploration drilling programme at Barton site underway in line with plans following extensive community engagement
- Good progress on Chase the Barrels initiative with September production rate net to IGas at 2,874 boepd
- Acquisition of Caithness Oil Limited anticipated to complete imminently

#### Financial Highlights

- Revenue £36.2m (2012: £33.4m)
- Gross profit £16.4m (2012: £16.0m)
- EBITDA<sup>1</sup> £17.3m (2012: £17.6m)
- Underlying profit before tax<sup>2</sup> £6.1m (2012: £7.7m)
- Net back to IGas<sup>3</sup> averaged US\$57.47 per barrel in the period (2012: \$61.84/bbl)
- Cash and cash equivalents £15.4m (31 March 2013: £9.8m)
- Net debt<sup>4</sup> of £81.3m (31 March 2013: £77.4m)
- Successful listing of Bond on Oslo main market

Footnotes:

1 EBITDA is before loss on oil price derivatives of £1.6m (2012: gain £6.3m)

2 Underlying profit before tax excludes the loss on oil price derivatives of £1.6m (2012: gain £6.3m), loss on revaluation of warrants £5.3m (2012: £3.9m), loss on interest rate swaps £nil (2012: £0.2m) and net foreign exchange gains of £5.4m (2012: £0.3m)

3 Net back to IGas is realised oil price less operating costs and administrative costs

4 Net debt is total borrowings less cash

Commenting on the announcement Andrew Austin, CEO, said: *“We have had a productive six months across the business with our exploration well underway at Barton, demonstrable progress on our Chase the Barrels initiative and the acquisition of Caithness.*

*It remains our priority to engage with local communities as fully as possible to ensure we maintain our social licence to operate.”*

# **IGAS ENERGY PLC**

## **ENQUIRIES**

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# **IGAS ENERGY PLC**

## **Interim Statement – six months ended 30 September 2013**

### **Operational Review**

The six months ended 30 September 2013 has been another productive period for IGas in all areas of our business. We are making good progress on the development of our assets with exploration work now underway at Barton in the North West. The results of this activity will provide us with data to help us further understand the potential of this area. As we announced in June, we have estimated the volume of Gas Initially In-Place (GIIP) associated with the shales in the North West, including the Bowland Shale, at up to 170 Tcf.

We have also made good progress with our Chase the Barrels initiative as well as identifying further appraisal potential from our existing producing assets.

We are imminently due to complete the acquisition of Caithness Oil Limited (Caithness Oil), a producing asset in Scotland, with upside potential through the monetisation of associated gas.

### **Production and Progress on Chase the Barrels initiative**

The average net production in the six months to 30 September 2013 was 2,704 boepd (2012: 2,513 boepd).

We have made good progress on our Chase the Barrels initiative and are now seeing the benefits of our investment with average net production in September at 2,874 boepd.

During the period, the technical team has investigated a number of opportunities to increase oil production through relatively low cost well intervention and production enhancement operations. Comprehensive subsurface studies were carried out to identify and rank the most attractive short term well entry opportunities, including for example re-perforation, water shut off and recompletions.

We have enjoyed success at a number of locations. A typical example of our initiatives included a workover at Scampton North B1. The well had been identified as a good candidate for a workover having been shut-in for a considerable period of time. The well was worked over and re-completed using a beam pump. It now produces 20 bopd. At Welton B22, the objective was to return a suspended well to production. Post workover, we realised an additional production of 28 bopd and 60,000 scf/d of gas for gas generation. A workover at WB-30 at Welton was carried out and an increase of 10 bopd has been achieved there.

We re-instated a shut-in well, GO3 at Goodworth. The well had been shut-in due to downhole mechanical issues, and production prior to shut-in had been ca. 30 bopd. The well was worked over and re-completed and production has resumed at ca. 50 bopd.

The total direct cost of the work on these four initiatives was ca. £500,000, with a payback period of less than three months.

A campaign of similar opportunities is now being pursued. We are also trialling the installation of a wax reduction tool in a number of wells and, if successful, this will increase well up-time and reduce the need for costly workovers.

Over the summer, we undertook a programme of work for the installation of technology to optimise rod pumping wells using Rod Pump Off Controllers (RPOC). To date we have installed nine systems and so far this has led to a reduction in well down time due to rod wear, as well as enabling remote monitoring of well conditions. The reduction in rod breakages will result in greater uptime of the wells and reduced operating expenditure due to a reduction in well interventions as well as power savings of up to 30%. Due to the success of the initial installations,

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we are looking to extend this across the portfolio where appropriate and the phase I installation of up to 50 units is proceeding according to plan, with completion expected in the Spring of 2014.

There are a number of stranded gas monetisation projects that are being evaluated including Albury. 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. 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 Caithness Oil Limited**

Further to the announcement on 9 September 2013, we have now signed the sale and purchase agreement to acquire Caithness Oil (which includes a 100% interest in the Lybster field), a subsidiary of Caithness Petroleum Limited, a privately-owned British independent oil and gas exploration and production company. Total consideration amounts to ca. £8.5million, with completion expected to take place imminently.

The Lybster field was discovered in 1996 by Premier Oil and was put into production in May 2012. Prior to being temporarily shut-in for a routine workover, it was producing approximately 200 bopd gross. The oil is currently transported and sold to facilities at Nigg. As well as increasing our current production, the acquisition offers us additional upside through the potential utilisation of significant existing tax losses and the monetisation of 2 mmscf/d of associated gas.

This acquisition represents a good opportunity to increase our existing production and one that offers significant upside potential through gas monetisation. The transaction is in line with our strategy to grow our production base in order to fund our exploration activities and to take advantage of synergistic acquisition opportunities.

### **Industry and Regulatory backdrop**

During the period, IGas, alongside the industry and Government have made significant progress in developing the regulatory and associated framework to support shale gas development. The Government has now put its full support behind shale gas and there is a broad cross party consensus in favour of its development in Britain.

Confidence in UK shale has been demonstrated by Centrica's investment into Cuadrilla's acreage, which is situated close to our licences in the North West, and most recently by GDF Suez' farm-in transaction with Dart Energy, whose acreage is located immediately to the South of our acreage in the North and adjacent to our licences in the East Midlands.

At the time of the Budget, the Government announced a package of measures including community incentives, guidelines on permitting and planning and it launched a consultation on taxation.

In June, the Department for Energy and Climate Change (DECC) announced a benefits package for communities near new shale gas drilling sites. Under the proposals operators will offer local communities £100,000 per hydraulically fractured well at the exploratory stage, as well as one per cent. of revenues once sites become commercial.

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In June, the United Kingdom Onshore Operators Group (UKOOG), the representative body for UK onshore oil and gas companies, published a binding industry charter for its members covering the minimum standards of engagement required with local communities alongside a community benefits scheme designed for the next phase of shale oil and gas exploration and production. The Charter sets out the minimum standards that communities should expect from operators that display the UKOOG logo. The Charter covers how operators will communicate and engage and also makes commitments with respect to local logistics, adherence to health and safety, compliance with environmental regulation and local needs, including jobs. This is in addition to the UKOOG Shale Gas Guidelines for Exploration Drilling that lays out the best practice to be adopted by UK operators. IGas fully supports these initiatives and is a signatory to the Charter.

The Environment Agency has published draft technical guidance for onshore oil and gas exploration drilling, covering both conventional and unconventional targets. This consultation closed on 23 October 2013. The Environment Agency has announced that it will develop a single application pack for all Environmental Permit Regulators including mining waste and NORM (naturally occurring radioactive materials), to streamline the existing processes.

The tax consultation, to which we have contributed, continues, with further clarity expected as part of the Autumn Statement. In September, the Government published the Mackay Stone report compiled by Professor David MacKay, chief scientific advisor at DECC, and Dr Tim Stone, Special Advisor to the Secretary of State, into the subject of greenhouse gas emissions from shale gas operations. The report concluded that, with the right safeguards in place, the net effect on greenhouse gas emissions from shale gas production in the UK will be relatively small and is likely to have a greenhouse gas footprint similar to other fossil fuels that society currently depends on.

Following the period end, Public Health England released a report on the potential public health risks from shale gas production. The report states that properly run and regulated shale gas extraction represents a low risk to public health.

### **IGas in the Community**

Communicating with our neighbours is an essential part of our everyday operations. Accordingly, we have been working with a community liaison group in the Barton area since we were originally granted planning permission back in 2010. We have put in place a comprehensive relationship programme including a community information day in September and the launch of a microsite [www.igas-barton.co.uk](http://www.igas-barton.co.uk) to ensure that as many people as possible can understand the work that we are carrying out in the area. We believe the onus is on operators to ensure that the public are informed as to the safe extraction of oil and gas resources. During the exploration project at Barton we continue to inform and educate with regular newsletters, updates to the microsite and a drop-in community Q&A surgery session.

In addition, we have now launched the 2014 round of our IGas Energy Community Fund. This independently administered fund was established to help local communities located close to the oil and gas exploration and production sites where we operate.

### **Current Trading**

As part of our drilling programme, in the North West, operations have commenced at our exploration site at Barton. This vertical exploration well is designed to evaluate the gas bearing potential of the formations by taking both core samples and wireline logs which will enable us to gather geological data to establish what hydrocarbons are present. Equipped with this data we will be able to better determine what lies beneath the surface and refine the resource potential in the underlying rock formations. The exploration drilling process is expected to be

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completed in Q1, 2014 with analysis of the core and log data beginning thereafter. Full analysis of the geological cores is likely to take up to six months to complete with early results expected by fiscal year end. We are also working towards the permitting of our second appraisal well.

We continue to implement and evaluate further projects under the Chase the Barrels initiative and following completion of the acquisition of Caithness Oil, look forward to working with the team there and to exploring further potential on that asset, including monetising the gas.

### Financial Review

IGas' financial results and the strengthening of its financial position in the period come from its strong operational activity, as explained above, and through the successful refinancing of Macquarie debt through the completion of the US\$165m five year term bond in April 2013. Prior to the half year end, the bonds were listed on the Oslo stock exchange.

### Income statement

The Group recorded revenues of £36.2m in the period (2012: £33.4m). Group production in the period was 475,118 barrels of oil, with ca. 9,400 Mwh of electricity sold, which together represents an average of 2,704 boepd (2012: 2,513 boepd). Revenues for the period also included £3.4m (2012: £2.4m) 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 realised price per barrel (pre-hedge) averaged £67.4 (US\$104.2) (2012: £67.56 (US\$106.93)) per barrel with narrow discounts to Brent crude prices achieved. After taking into account the cash cost of acquiring hedging instruments for production in the period, which equated to US\$2.90/barrel, the realised price per barrel averaged £65.6 (US\$101.3) (2012: £60.40 (US\$95.60)).

Cost of sales of £19.8m (2012: £17.4m) includes depreciation, depletion and amortisation (D,D&A) of £4.9m (2012: £5.0m), and operating costs of £14.9m (2012: £12.4m). Operating costs include a £3.3m charge (2012: £2.3m) in relation to processing third party oil, an increase of £1.0m 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 £0.1m in line with prior periods. Operating costs also increased due to a £1.1m cost in the period for Singleton, acquired on 28 February 2013, of which ca. £0.3m was incurred due to a two week planned shut down for maintenance at that site.

Operating costs per barrel of oil equivalent were £21.8 per barrel, excluding the third party costs (2012: £20.4/bbl).

EBITDA in the period was £17.3m (2012: £17.6m), before the loss on oil price derivatives £1.6m (2012: gain £6.3m). Gross profit of £16.4m was recognised in the period (2012: £16.0m). Administrative costs increased by £0.7m to £4.1m (2012: £3.4m) principally due to the investment we have made in our subsurface team.

The net back to IGas, being revenues less operating costs and administrative costs averaged US\$57.47 per barrel in the period (2012: \$61.84/bbl).

Net finance costs were £6.2m in the period (2012: £8.7m), including interest on borrowings of £5.9m (2012: £4.7m), loss on fair value of warrants £5.3m (2012: £3.9m) and net foreign exchange gains of £5.4m (2012: £0.3m).

The effective tax rate for the period was 112.8% (2012: 98%). This effective rate continues to be impacted by the blend of the Group's activities between those which are subject to the combined tax rate of ring fence corporation tax and supplementary charge in the UK (62%) and those subject to corporation tax only (23%). The extent to which the Group's taxable income and deductible expenses are impacted by respective rates directly affects the Group's

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effective tax rate. It is anticipated that the Group's effective tax rate will reduce as the Group's profits increase in the future.

### Cash flow

Net cash generated from operating activities in the period amounted to £9.3m (2012: £15.5m). The current period amount is after 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 £4.3m across its asset base in the period (2012: £2.2m), of which ca. £3.0m was invested in the conventional assets, where we are now starting to see the benefits of this investment in our current production levels. During the period, IGas acquired hedging instruments for ca.1m barrels of oil at US\$90 per barrel (or sterling equivalent) for the period from May 2013 to June 2014 at a total cost of ca. £2.0m.

IGas repaid £2.7m (US\$4.1m) of principal on borrowings to bondholders in the period in accordance with the terms of the bonds (2012: £8.9m (USD\$14.0m)). This represents a repayment of 2.5% of the original principal amount of the bonds and paid £5.5m (US\$8.3m) in interest. Cash and cash equivalents were £15.4m at the period end (31 March 2013: £9.8m).

### Balance sheet

The Group's balance sheet has been strengthened during the period. Net assets increased by £10.6m to £69.7m (31 March 2013: £59.1m) and non-current assets remained broadly constant at £230.7m compared to 31 March 2013. Net current assets improved by £13.2m to £5.1m, which continues to include, for technical accounting reasons under IAS39, a current liability of £6.1m (31 March 2013: £8.2m) in relation to the Company's outstanding warrants which if exercised would result in a nil or positive cash impact for the Company.

Net debt at the period end amounted to £81.3m (31 March 2013: £77.4m).

### Principle 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 27 of the 2012-2013 Annual Report and Accounts and can be summarised as:

- 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 shale and coal bed methane production volumes
- Exchange rate risk through both its major source of revenue and its major borrowings being denominated in US\$
- Risks through its operations, including cost increases, availability of equipment and successful project execution
- Risks associated with geological uncertainty
- Planning, environmental, licensing and other permitting risks associated with its operations and, in particular, with drilling and production operations
- Liquidity risk
- Capital risk resulting from its capital structure
- A variety of other risks including those related to:
  - competition;
  - key personnel;
  - litigation.

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## 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  
Chief Executive Officer  
25 November 2013

Stephen Bowler  
Chief Financial Officer  
25 November 2013



# IGAS ENERGY PLC

## 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 2013 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 19. 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 IFRSs 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 2013 have not been 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

25 November 2013

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## Condensed Consolidated Income Statement

		Unaudited 6 months ended 30 September 2013 £000	Unaudited 6 months ended 30 September 2012 £000	Audited year ended 31 March 2013 £000
	Note			
Revenue	4	36,214	33,375	68,304
<b>Cost of sales:</b>				
Depreciation, depletion and amortisation		(4,904)	(4,950)	(9,975)
Other cost of sales		(14,879)	(12,454)	(28,067)
<b>Total cost of sales</b>		(19,783)	(17,404)	(38,042)
<b>Gross profit</b>		16,431	15,971	30,262
Administrative costs		(4,106)	(3,414)	(8,351)
Costs relating to acquisitions		-	-	(59)
Impairment of exploration and evaluation assets		-	-	(1,093)
Other income		88	137	225
(Loss)/gain on oil price derivatives		(1,573)	6,251	938
<b>Operating profit</b>		10,840	18,945	21,922
Finance income	5	6,681	578	447
Finance cost	5	(12,904)	(9,273)	(28,368)
Net finance cost		(6,223)	(8,695)	(27,921)
<b>Profit/(loss) on ordinary activities before tax</b>		4,617	10,250	(5,999)
Income tax charge	6	(4,940)	(11,343)	(12,356)
<b>Loss from continuing operations attributable to equity shareholders of the Group</b>		<u>(323)</u>	<u>(1,093)</u>	<u>(18,355)</u>
Basic and diluted loss per share (pence/share)	7	<u>(0.17p)</u>	<u>(0.68p)</u>	<u>(11.11p)</u>
Adjusted basic and adjusted diluted earnings/(loss) per share (pence/share)	7	<u>3.48p</u>	<u>(1.94p)</u>	<u>(1.91p)</u>

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## Condensed Consolidated Statement of Comprehensive Income

	Unaudited 6 months ended 30 September 2013 £000	Unaudited 6 months ended 30 September 2012 £000	Audited year ended 31 March 2013 £000
<b>Loss for the period/year</b>	(323)	(1,093)	(18,355)
Other comprehensive income for the period/year	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total comprehensive loss for the period/year</b>	<u>(323)</u>	<u>(1,093)</u>	<u>(18,355)</u>

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## Condensed Consolidated Balance Sheet

		Unaudited at 30 September 2013 £000	Restated (Note 18) Unaudited at 30 September 2012 £000	Audited at 31 March 2013 £000
	Note			
<b>Non-current assets</b>				
Intangible exploration and evaluation assets		60,057	58,288	58,668
Property, plant and equipment		136,337	96,020	138,378
Goodwill		34,339	23,515	34,339
		<hr/>	<hr/>	<hr/>
		230,733	177,823	231,385
<b>Current assets</b>				
Inventories		1,291	792	1,056
Trade and other receivables		10,753	9,269	8,569
Cash and cash equivalents		15,389	8,637	9,831
Other financial assets – Restricted cash		-	-	102,865
Derivative financial instruments		400	-	-
		<hr/>	<hr/>	<hr/>
		27,833	18,698	122,321
		<hr/>	<hr/>	<hr/>
<b>Current liabilities</b>				
Trade and other payables		(11,560)	(7,284)	(14,056)
Current tax liabilities		-	(3,167)	(3,006)
Finance lease liability		-	(15)	-
Borrowings – Macquarie	9	-	(15,187)	(89,710)
Borrowings – Bond	9	(5,094)	-	(5,466)
Other liabilities	10	(6,106)	(6,674)	(8,208)
Derivative financial instruments		-	(4,541)	(10,001)
		<hr/>	<hr/>	<hr/>
		(22,760)	(36,868)	(130,447)
		<hr/>	<hr/>	<hr/>
<b>Net current assets/(liabilities)</b>		5,073	(18,170)	(8,126)
		<hr/>	<hr/>	<hr/>
<b>Total Assets less current liabilities</b>		235,806	159,653	223,259
<b>Non-current liabilities</b>				
Borrowings – Macquarie	9	-	(51,714)	-
Borrowings – Bond	9	(91,634)	-	(94,942)
Derivative financial instruments		-	(3,346)	-
Deferred tax liabilities		(45,134)	(31,894)	(40,194)
Provisions		(29,311)	(18,651)	(29,005)
		<hr/>	<hr/>	<hr/>
		(166,079)	(105,605)	(164,141)
		<hr/>	<hr/>	<hr/>
<b>Net assets</b>		69,727	54,048	59,118
		<hr/>	<hr/>	<hr/>
<b>Capital and reserves</b>				
Called up share capital		57,498	54,213	56,646
Share premium account		47,811	18,036	37,747
Other reserves		(781)	(987)	(797)
Accumulated deficit		(34,801)	(17,214)	(34,478)
		<hr/>	<hr/>	<hr/>
<b>Shareholders' funds</b>		69,727	54,048	59,118
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## Condensed Consolidated Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Other Reserves £000	Retained earnings / (accumulated deficit) £000	Total £000
<b>Balance at 1 April 2012 (audited)</b>	<b>54,213</b>	<b>18,036</b>	<b>(1,140)</b>	<b>(16,151)</b>	<b>54,958</b>
<b>Change in equity for the six months to 30 September 2012</b>					
Loss for the period	-	-	-	(1,093)	(1,093)
Employee share plans – cost under IFRS2	-	-	153	30	183
<b>Balance at 30 September 2012 (unaudited)</b>	<b>54,213</b>	<b>18,036</b>	<b>(987)</b>	<b>(17,214)</b>	<b>54,048</b>
<b>Change in equity for year ended 31 March 2012</b>					
<b>Balance at 1 April 2012 (audited)</b>	<b>54,213</b>	<b>18,036</b>	<b>(1,140)</b>	<b>(16,151)</b>	<b>54,958</b>
Loss for the period	-	-	-	(18,355)	(18,355)
Employee share plans – cost under IFRS2	-	-	343	28	371
Issue of new shares during the period	2,433	19,711	-	-	22,144
<b>Balance at 31 March 2013 (audited)</b>	<b>56,646</b>	<b>37,747</b>	<b>(797)</b>	<b>(34,478)</b>	<b>59,118</b>
<b>Change in equity for the six months to 30 September 2013</b>					
Loss for the period	-	-	-	(323)	(323)
Employee share plans – cost under IFRS2	-	-	291	-	291
Warrants exercised (Note 10)	-	7,401	-	-	7,401
Issue of new shares during the period (Notes 14,15 and 16)	852	2,663	(275)	-	3,240
<b>Balance at 30 September 2013 (unaudited)</b>	<b>57,498</b>	<b>47,811</b>	<b>(781)</b>	<b>(34,801)</b>	<b>69,727</b>

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## Condensed Consolidated Cash Flow Statement

	6 Months ended 30 September 2013 Unaudited £000	6 Months ended 30 September 2012 Unaudited £000	Year ended 31 March 2013 Audited £000
<b>Operating activities:</b>			
Profit/(loss) before tax for the period	4,617	10,250	(5,999)
Depreciation, depletion and amortisation	4,995	5,055	10,152
Share based payment charge	277	97	347
Oil price derivatives	(400)	(9,012)	(6,939)
Finance income	(6,681)	(71)	(447)
Finance costs	12,904	9,273	28,368
(Increase)/decrease in trade and other receivables	(2,184)	2,844	4,473
Increase in trade and other payables	(854)	(2,490)	(2,287)
(Increase)/decrease in inventories	(235)	(76)	17
Impairment of E&E assets	-	-	1,093
Abandonment costs incurred	(112)	(5)	(29)
Other non-cash adjustments	(70)	(390)	(122)
Bad debt provision	-	-	252
Taxation paid*	(3,006)	(1)	(1)
<b>Net cash from operating activities</b>	<b>9,251</b>	<b>15,474</b>	<b>28,878</b>
<b>Investing activities</b>			
Acquisition of exploration and evaluation assets	(1,364)	(1,569)	(2,453)
Acquisition of property, plant and equipment	(2,890)	(650)	(1,123)
Acquisitions	-	-	(13,877)
Interest received	59	71	25
<b>Net cash used in investing activities</b>	<b>(4,195)</b>	<b>(2,148)</b>	<b>(17,428)</b>
<b>Financing activities</b>			
Cash proceeds from issue of Ordinary Share Capital	3,240	-	23,114
Share issue costs	-	-	(970)
Interest paid	(5,464)	(3,457)	(6,727)
Cash proceeds from loans and borrowings**	6,615	-	21,410
Loan issue costs	(73)	-	(1,887)
Repayment of loans and borrowings	(2,667)	(8,965)	(16,735)
Repayment of assumed borrowings and associated fees relating to acquisitions	-	-	(28,286)
Repayment of finance lease/hire purchase agreement	-	(36)	(51)
<b>Net cash from/(used in) financing activities</b>	<b>1,651</b>	<b>(12,458)</b>	<b>(10,132)</b>
Net increase in cash and cash equivalents in the period/year	6,707	868	1,318
Net foreign exchange difference	(1,149)	(146)	598
Cash and cash equivalents at the beginning of the period/year	9,831	7,915	7,915
<b>Cash and cash equivalents at the end of the period/year</b>	<b>15,389</b>	<b>8,637</b>	<b>9,831</b>

# IGAS ENERGY PLC

## NOTES TO THE INTERIM REPORT

for the six months ended 30 SEPTEMBER 2013

\*Tax paid related to the tax payable of the acquired Star Group as at 18 December 2011.

\*\*Cash proceeds from loans and borrowings are shown net. The £6.6 million presented above consists of gross proceeds from bond borrowings of £108.6 million less repayment of Macquarie loan of £90 million and hedges and early cancellation fees of £12 million. Further details on the repayment of the Macquarie loan can be found in Note 9.

### 1 Corporate information

The interim condensed consolidated financial statements of the Group for the six months ended 30 September 2013, which are unaudited, were authorised for issue in accordance with a resolution of the directors on 25 November 2013.

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

#### Statement of compliance

These condensed consolidated financial statements have been prepared 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 2013.

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 for the period ended 31 March 2013 is based on the statutory accounts for the financial period ended 31 March 2013. 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 2013, has been delivered to the Register of Companies and is available on the Company's website at [www.igasplc.com](http://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.

The financial information has been prepared under the historical cost convention.

#### 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 9). 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. However these forecasts are based on certain assumptions particularly in relation to oil prices, production rates, operating costs, capital and general expenditure. The Group is protected to a material degree against volatility in the oil price, by having a significant proportion of its production hedged at US\$90 and £58 per barrel until 30 June 2014. Despite this, there can be no certainty that these forecasts will be achieved, in which case the financial covenants could be breached. Should any breach be anticipated to arise, the Group would manage its working capital profile, reduce discretionary expenditure where necessary and, if applicable, take additional mitigating actions that have already been identified as a precautionary measure. 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.

# IGAS ENERGY PLC

## NOTES TO THE INTERIM REPORT

for the six months ended 30 SEPTEMBER 2013

### Accounting policies

The accounting policies applied in the preparation of the financial information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 March 2013, except for the adoption of new standards and interpretations effective as of 1 April 2013.

Effective date\*

IAS 1	Amendment to IAS 1 – Financial Statement Presentation –The amendment affects presentation only and had no impact on the Group's financial position or performance.	1 July 2012
IFRS 13	IFRS 13 – Fair Value Measurement –The Group has considered the effect of this amendment and has concluded that there has not been a material impact on the condensed financial statements.	1 January 2013
IAS 34	IAS 34 – Interim financial reporting and segment information for total assets and liabilities (Amendment) –The Group has considered the effect of this amendment and has concluded that there has not been a material impact on the condensed financial statements.	1 January 2013
IFRS 7	IFRS 7 Financial Instruments: Disclosures –The Group has considered the effect of this amendment and has concluded that there has not been a material impact on the condensed financial statements.	1 January 2013

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 2014 or later periods and which the Group has not adopted early. Those that may be applicable to the Group in future are as follows:

IFRS 9	IFRS 9 – Financial Instruments: Classification and Measurement.	1 January 2015
IAS 32	IAS 32 – Financial Instruments: Presentation.	1 January 2014
IFRS 10	IFRS 10 – Consolidated Financial Statements.	1 January 2014
IFRS 11	IFRS11 – Joint Arrangements.	1 January 2014
IFRS 12	IFRS 12 - Disclosures of involvement with other entities.	1 January 2014
IAS 28	IAS 28 – Investments in Associates and Joint Venture.	1 January 2014
IAS 27 Revised	IAS 27 Revised – Consolidated and Separate Financial Statements.	1 January 2014

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. Currently the effect of IFRS 9, would not yet be applicable due to the delay in endorsement by the EU.

The Group is currently assessing the impact that these amendments will have on the 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.



# IGAS ENERGY PLC

## NOTES TO THE INTERIM REPORT

for the six months ended 30 SEPTEMBER 2013

### 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

	Period ended 30 September 2013	Period ended 30 September 2012	Year ended 31 March 2013
	£000	£000	£000
Finance income:			
Interest on short-term deposits	59	3	26
Foreign exchange gains	6,622	575	421
Finance income recognised in income statement	6,681	578	447
Finance expense:			
Other interest paid	129	23	25
Interest on borrowings - Macquarie	-	4,660	8,882
Interest on borrowings - Macquarie debt costs written off under amortised cost*	-	-	7,647
Interest on borrowings - Bond	5,912	-	322
<b>Interest expense</b>	<b>6,041</b>	<b>4,683</b>	<b>16,876</b>
Loss on interest rate swaps	-	207	573
Foreign exchange losses	1,219	224	3,696
Unwinding of discount on provisions	345	291	457
Loss on fair value of warrants (note 10)	5,299	3,868	5,402
Finance charges – early settlement fees for assumed Singleton loan	-	-	1,364
Finance expense recognised in income statement	12,904	9,273	28,368

\* Costs are in relation to the Group refinancing, further details can be found in note 9.

**IGAS ENERGY PLC**  
**NOTES TO THE INTERIM REPORT**

**for the six months ended 30 SEPTEMBER 2013**

**6 Tax on loss on ordinary activities**

The Group calculates the period income tax expense using the tax rate that would be applicable to expected total annual earnings, i.e. the estimated average annual effective income tax rate of 112.77% is applied to the pre tax income (2012: 98%.)

	Unaudited 6 Months ended 30 September	(Restated Note 18) Unaudited 6 Months ended 30 September	Audited year ended 31 March
	2013	2012	2013
	£000	£000	£000
<b>Income Taxes</b>			
Current tax charge/(credit)	-	-	(161)
Deferred tax:			
Deferred income tax charge/(credit)	4,940	10,045	13,274
Change in tax rate on decommissioning	-	1,298	(757)
Income tax charge/(credit)	4,940	11,343	12,517
Tax charge/(credit) on profit or loss on ordinary activities	4,940	11,343	12,356

# IGAS ENERGY PLC

## NOTES TO THE INTERIM REPORT

for the six months ended 30 SEPTEMBER 2013

### 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 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 2013	Unaudited 6 Months ended 30 September 2012	Audited year ended 31 March 2013
Basic EPS - Ordinary Shares of 10p each (pence)	(0.17p)	(0.68p)	(11.11p)
Diluted EPS - Ordinary Shares of 10p each (pence)	(0.17p)	(0.68p)	(11.11p)
Adjusted EPS- Ordinary Shares of 10p each (pence)	3.48p	(1.94p)	(1.91p)
Adjusted diluted EPS – Ordinary Shares of 10p each (pence)	3.48p	(1.94p)	(1.91p)
Loss for the period attributable to equity holders of the parent (£000)	(323)	(1,093)	(18,355)
Add back:			
Loss/(gain) on oil price derivatives	1,573	(6,251)	(938)
Loss on interest rate swaps	-	374	573
Acquisition costs	-	-	59
Impairment of exploration and evaluation assets	-	-	1,093
Loss on revaluation of warrants	5,299	3,868	5,402
Early settlement fees for assumed Singleton loan	-	-	1,364
Debt costs written off	-	-	7,647
	6,549	(3,102)	(3,155)
Weighted average number of Ordinary Shares in the period – basic EPS, and adjusted EPS	187,934,261	160,190,953	165,257,078
Weighted average number of Ordinary Shares in the period – diluted EPS and adjusted diluted EPS	187,934,261	160,190,953	165,257,078

There are 15,004,061 potentially dilutive warrants and options over the Ordinary Shares at 30 September 2013 (2012: 24,856,067) 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 Business combinations

#### Acquisition of P.R. Singleton Limited (Renamed Island Gas (Singleton) Limited)

On 28 February 2013, the Group acquired the entire issued share capital of P.R.Singleton Limited ("Singleton"), an unlisted oil and gas exploration and production Company for a cash consideration of £13.9 million and assumed borrowings of £28.3 million. The acquisition of Singleton added 100% of PEDL 240, 50% of PEDL 233, bringing a number of development opportunities and an experienced execution team.

The Singleton acquisition has been accounted for as a business combination by the acquisition method of accounting with an effective date of 28 February 2013, being the date the Group gained control of Singleton.

# IGAS ENERGY PLC

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for the six months ended 30 SEPTEMBER 2013

### 9 Borrowings

	Unaudited at 30 September 2013			Unaudited at 30 September 2012			Audited at 31 March 2013		
	Within 1 year	Greater than 1 year	Total	Within 1 year	Greater than 1 year	Total	Within 1 year	Greater than 1 year	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Facility A	-	-	-	15,187	25,696	40,883	38,673	-	38,673
Facility B	-	-	-	-	26,018	26,018	29,634	-	29,634
Facility C	-	-	-	-	-	-	21,403	-	21,403
Sub total	-	-	-	15,187	51,714	66,901	89,710	-	89,710
Issued Bonds*	5,094	91,634	96,728	-	-	-	5,466	94,942	100,408
Sub total	5,094	91,634	96,728	-	-	-	5,466	94,942	100,408
Total	5,094	91,634	96,728	15,187	51,714	66,901	95,176	94,942	190,118

\*Transaction costs of raising debt of £3.1 million (31 March 2013: £2.6 million) have been netted off against the liability.

#### Bond issuance

On 21 March 2013, the Group and Norsk Tillitsmann ("Bond Trustee") entered into a Bond Agreement for the Group to issue up to 165 million US\$1 Bonds (the "Bond"). At 31 March 2013 US\$156.2 million of bonds had been sold with the funds paid into escrow.

By 10 April 2013, the conditions precedent under the Bond Agreement were met, with the related cash then released from escrow to the Group. Part of the net proceeds of the Bond were used to repay the outstanding loan balance with Macquarie Bank Ltd, plus outstanding interest and all associated break fees, termination fees and to pay costs associated with closing out hedges. The remainder is being used for general corporate purposes by the Group.

The Bond carries a coupon of 10% per annum (where interest is payable semi-annually in arrears) and semi-annual amortisation of 2.5% of initial loan amount. Final maturity on the notes will be 22 March 2018.

The Bond Agreement contains certain representations, warranties and covenants customary for an instrument of this nature. Such covenants include the provision of financial and reporting information, compliance with environmental law, maintenance of financial ratios and certain restrictions on mergers, acquisitions, joint ventures, granting of security, disposals, issuances of loans, incurrence of financial indebtedness and on payments of dividends by the Group and its operating subsidiaries. The Bond Agreement also contains customary events of default, the occurrence of which allows The Bond Trustee (on behalf of the bond holders) to accelerate outstanding bonds and terminate the commitments.

# IGAS ENERGY PLC

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for the six months ended 30 SEPTEMBER 2013

### Macquarie financing

On 21 November 2011, the Group and Macquarie entered into a senior secured facility agreement (the "Credit Agreement"), consisting of three separate facilities (Facility A, B and C). On 14 December 2011, the Group drew down on facilities A and B. These were both repaid on 10 April 2013. On 11 February 2013 the Group signed an expansion of the existing loan facility with Macquarie to increase the amount available to draw down from Facility C, which was repaid on 10 April 2013.

In accordance with IAS 1 the Macquarie facilities were re-classified as current liabilities as at 31 March 2013 as the Group had intended to repay these facilities upon completion of the Bonds. The facilities were re-measured at 31 March 2013 to take into account the change in the estimated future cashflows. The re-estimation resulted in a difference of £7.6 million which was recognised in finance costs in the income statement for the year ended 31 March 2013.

On 10 April 2013, the loan with Macquarie (Facility A, B and C) was repaid in full. This was funded by the cash raised from the issuance of the Bonds. The table below summarises the Macquarie loan balance upon repayment.

	£000
Macquarie debt at amortised cost as at 31 March 2013	(89,710)
Accrued interest to 10 April 2013	(305)
Repayment of borrowings and accrued interest from restricted cash	90,015

### 10 Other liabilities

	Unaudited at 30 September 2013 £000	Unaudited at 30 September 2012 £000	Audited at 31 March 2013 £000
Opening balance	8,208	2,806	2,806
Warrants issued during period	-	-	-
Warrants exercised during period*	(7,401)	-	-
Revaluation	5,299	3,868	5,402
Closing balance	6,106	6,674	8,208

\*During the period the Company issued 7,975,656 ordinary shares with a nominal value of 10p each upon the exercise of £7.4 million warrants (31 March 2013:nil shares issued).

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.

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 0.62% and an implied volatility of 37.04% were used in valuing the warrants at 31 March 2013 and an interest rate of 1.21% and an implied volatility of 40.11% were used at 30 September 2013. It was also assumed that no dividends would be paid during the life of the warrants.

# IGAS ENERGY PLC

## NOTES TO THE INTERIM REPORT

for the six months ended 30 SEPTEMBER 2013

### 11 Commitments

The Group's outstanding capital commitments are in line with those reported at the year end.

### 12 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 techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: 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 they been any transfers between levels of the fair value hierarchy.

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

#### Financial assets measured at fair value

	30 September 2013	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000	£000
Derivative financial assets	400	-	400	-	400
Total	400	-	400	-	400

#### Finance Liabilities measured at fair value

	30 September 2013	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000	£000
Warrants	6,106	-	6,106	-	6,106
Total	6,106	-	6,106	-	6,106

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 options to sell 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 10.

#### Fair value of financial assets and financial liabilities

The carrying values of the financial assets and financial liabilities (excluding current assets, current liabilities and derivative financial instruments), are considered to be materially equivalent to their fair values.

# IGAS ENERGY PLC

## NOTES TO THE INTERIM REPORT

for the six months ended 30 SEPTEMBER 2013

### 13 Employee Share Plans – Equity Settled

	2010 LTIP		2011 LTIP		Share Option Plan	
	Number of Options	Weighted average exercise price (pence)	Number of Options	Weighted average exercise price (pence)	Number of Options	Weighted average exercise price (pence)
<b>Outstanding at 1 April 2012</b>	50,000	-	2,107,485	-	411,274	70
<b>Exercisable at 1 April 2012</b>	-	-	-	-	-	-
Movement in the six months to 30 September 2012						
Granted during the period	-	-	1,071,542	-	-	-
Forfeited during the period	(50,000)	-	-	-	(237,773)	70
Exercised during the period	-	-	-	-	-	-
<b>Outstanding at 30 September 2012</b>	-	-	3,179,027	-	173,501	70
<b>Exercisable at 30 September 2012</b>	-	-	-	-	-	-
Movement in the year ended 31 March 2013						
Lapsed during the period	-	-	-	-	(173,501)	(70)
Exercised during the period	-	-	-	-	-	-
<b>Outstanding at 31 March 2013</b>	-	-	3,179,027	-	-	-
<b>Exercisable at 31 March 2013</b>	-	-	-	-	-	-
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	-	-	-	-	-	-
<b>Outstanding at 30 September 2013</b>	-	-	3,596,500	-	-	-
<b>Exercisable at 30 September 2013</b>	-	-	-	-	-	-

There were no Long Term Incentive Plans ("LTIPs") exercised during the period. The LTIPs outstanding at 30 September 2013 had both a weighted average remaining contractual life and maximum term remaining of 8.3 years (31 March 2013: 8.5 years).

The total charge for the period was £114 thousand of this amount, £14 thousand was capitalised and £100 thousand was charged to the income statement in relation to the fair value of the awards granted under the Share Option scheme measured at grant date using a Monte Carlo Simulation Model. (Year ending 31 March 2013, the total charge for the year was £218 thousand, of this amount £26 thousand was capitalised and £192 thousand was charged to the income statement).

#### Other share based payments

During the period, certain employees agreed to settle bonuses earned in the period ended 30 September 2013 in share options. The number of share options issued and exercisable was 190,710 (31 March 2013: 216,850) with a fair value of £177 thousand (31 March 2013: £149 thousand), measured indirectly with reference to the value of the option. Due to the fact that the options vested immediately with £nil strike price and no conditions, the fair value of the option equals the market price of the share at the grant date. There were no options exercised during the period. The options outstanding at 30 September 2013 had both a weighted average remaining contractual life and a maximum term of 9 years (31 March 2013: 8.75 years).

During the period the Company issued 545,936 Ordinary shares of 10p each under the IGAS Energy plc share incentive Plan.

# IGAS ENERGY PLC

## NOTES TO THE INTERIM REPORT

for the six months ended 30 SEPTEMBER 2013

### 14 Share capital

	Ordinary Shares		Deferred shares	
	No.	£000 Nominal value	No.	£000 Nominal value
<b>Issued and fully paid</b>				
<b>1 April 2012, Ordinary Shares of 50p each</b>	<b>162,204,909</b>	<b>81,102</b>	-	-
16 August 2012 share conversion of each issued Ordinary Shares of 50p each into:	(162,204,909)	(81,102)	-	-
New Ordinary Shares of 10p each*	162,204,909	16,220	-	-
New Deferred Shares of 40p each*	-	-	162,204,909	64,882
<b>30 September 2012, Ordinary Shares of 10p each</b>	<b>162,204,939</b>	<b>16,220</b>	-	-
<b>30 September 2012, Deferred Shares of 40p each</b>	-	-	<b>162,204,909</b>	<b>64,882</b>
15 January 2013 shares issued at a price of 95p each	24,330,730	2,433	-	-
<b>31 March 2013, Ordinary Shares of 10p each</b>	<b>186,535,639</b>	<b>18,653</b>	-	-
<b>31 March 2013, Deferred Shares of 40p each</b>	-	-	<b>162,204,909</b>	<b>64,882</b>
22 April 2013 shares issued at a price of 77p each	475,002	47	-	-
22 June 2013 shares issued at a price of 55.8p each	3,000,000	300	-	-
23 July 2013 shares issued at a price of 83p each	70,934	7	-	-
26 July 2013 shares issued at a price of 10p	2,975,656	298	-	-
15 August 2013 shares issued at a price of 55.8p	2,000,000	200	-	-
<b>30 September 2013, Ordinary Shares of 10p each</b>	<b>195,057,231</b>	<b>19,506</b>	-	-
<b>30 September 2013, Deferred Shares of 40p each</b>	-	-	<b>162,204,909</b>	<b>64,882</b>

\*On 16 August 2012 the Company converted each Ordinary Share of 50p each into a New Ordinary Share of 10p each and a New Deferred Share of 40p each pursuant to an obligation to Macquarie Bank Limited under the terms of the warrants issued during the period ended 31 March 2012. The New Ordinary Shares carry the same rights as attached to Ordinary Shares. Deferred shares have no voting rights and shall not be entitled to any dividends or any other right or participation in the profits of the Company. The Company had the right to purchase all the issued New Deferred Shares from all Shareholders for an aggregate consideration of one penny. On 16 August 2012, the Company repurchased the New Deferred Shares from all Shareholders for an aggregate consideration of one penny.

Accordingly, the Group share capital account comprised:

	£000
<b>Share capital account</b>	
<b>At 1 April 2012</b>	<b>54,213</b>
Shares issued during the year	2,433
<b>At 31 March 2013</b>	<b>56,646</b>
Shares issued during the period	852
<b>At 30 September 2013</b>	<b>57,498</b>



# IGAS ENERGY PLC

## NOTES TO THE INTERIM REPORT

for the six months ended 30 SEPTEMBER 2013

### 15 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 8,521,592 ordinary shares with a nominal value of 10p each (31 March 2013: 24,330,730 shares issued). The cost of these issues was £nil (31 March 2013: £0.9 million). Together these events resulted in a net movement in the Share Premium reserve of £2.7 million (31 March 2013: £19.7 million).

### 16 Other reserves

Other reserves can be analysed as follows:

	Share Plan/Warrant/LTIP Reserves	Treasury Shares	Capital Contributions	Total
	£000	£000	£000	£000
<b>Balance 1 April 2012</b>	<b>112</b>	<b>(1,299)</b>	<b>47</b>	<b>(1,140)</b>
Employee share plans - cost under IFRS 2	153	-	-	153
<b>Balance 30 September 2012</b>	<b>265</b>	<b>(1,299)</b>	<b>47</b>	<b>987</b>
Employee share plans – cost under IFRS 2	190	-	-	190
<b>Balance 31 March 2013</b>	<b>455</b>	<b>(1,299)</b>	<b>47</b>	<b>(797)</b>
Employee share plans - cost under IFRS 2	291	-	-	291
Issue of new shares during the period	-	(275)	-	(275)
<b>Balance 30 September 2013</b>	<b>746</b>	<b>(1,574)</b>	<b>47</b>	<b>(781)</b>

### 17 Related party transactions

Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Nexen Petroleum UK Limited is related by virtue of having 20.35% share interest in the Group following the Group's acquisition of Nexen Exploration UK Limited on 9 March 2011. Pursuant to the terms of the Secondment Agreement dated 10 March 2011 entered into by the Company, Nexen Petroleum UK Limited provided various services in relation to the Group's operations. The agreement terminated in July 2012 and therefore there were no services provided to the Group for the six months ended 30 September 2013 (period ending 30 September 2012: £102 thousand services with £73 thousand outstanding. Year ended 31 March 2013: £146 thousand services of which £nil remained outstanding).

Francis Gugen currently holds US\$2.87 million bonds issued by the Group. These bonds will earn interest at 10% per annum. As at 30 September 2013 accrued interest amounted to US\$7.5 thousand (period ending 30 September 2012: US\$nil, Year ended 31 March 2013: US\$13.9 thousand).

Cuth McDowell currently holds US\$0.29 million bonds issued by the Group. These bonds will earn interest at 10% per annum. As at 30 September 2013 accrued interest amounted to US\$0.75 thousand (period ending 30 September 2012: US\$nil, Year ended 31 March 2013: US\$nil).

# IGAS ENERGY PLC

## NOTES TO THE INTERIM REPORT

for the six months ended 30 SEPTEMBER 2013

### 18 Restatement

#### Acquisition of Star Energy Group Limited

On 14 December 2011, the Group acquired the entire issued share capital of Star Energy Group Limited ("Star"), an unlisted oil and gas exploration and production Company for a cash consideration of £110 million. The acquisition of Star added a portfolio of 25 UK onshore licences, occupying or owning 105 sites with an inventory of 247 wells (of which 85 are currently still in operation), a number of development and exploration opportunities and an experienced execution team.

The Group funded the acquisition by way of a US\$135 million debt facility from Macquarie Bank Limited; cash generated by Star and held in escrow prior to closing and IGas' existing cash resources.

The adjustments to finalise the accounting for the acquisition have been amended as compared to those reported in the Interim Report for the six months ended 30 September 2012 in order to correct the valuation of property, plant and equipment which had been overstated by £4.4 million. In addition to reducing the assets by £4.4 million, this adjustment decreased related deferred tax liabilities by £2.8 million and goodwill has increased by £1.6 million. In addition deferred tax at acquisition date has been increased by £4.2m following further analysis of assets acquired and related tax attributes. This adjustment has increased goodwill by a corresponding amount.

	Fair values as previously reported	Adjustments	Fair values as restated
	£'000	£'000	£'000
<b>Assets</b>			
Intangible exploration and evaluation assets	3,775	-	3,775
Property, plant and equipment	107,479	(4,438)	103,041
Investment in associate	-	-	-
Cash and cash equivalents	30,707	-	30,707
Trade and other receivables	6,809	-	6,809
Inventories	1,368	-	1,368
	<b>150,138</b>	<b>(4,438)</b>	<b>145,700</b>
<b>Liabilities</b>			
Trade and other payables	(9,685)	-	(9,685)
Current tax liabilities	(5,540)	-	(5,540)
Deferred tax liabilities	(24,848)	(1,477)	(26,325)
Provisions	(17,615)	-	(17,615)
	<b>(57,688)</b>	<b>(1,477)</b>	<b>(59,165)</b>
<b>Total identifiable net assets at fair value</b>	<b>92,450</b>	<b>(5,915)</b>	<b>86,535</b>
<b>Purchase consideration transferred</b>	<b>110,050</b>	<b>-</b>	<b>110,050</b>
<b>Goodwill</b>	<b>17,600</b>	<b>5,915</b>	<b>23,515</b>

# **IGAS ENERGY PLC**

## **NOTES TO THE INTERIM REPORT**

**for the six months ended 30 SEPTEMBER 2013**

### **19 Subsequent Events**

#### **Acquisition**

On 7 November 2013, the Group signed a share purchase agreement to acquire the entire issued share capital of Caithness Oil limited for a consideration of £8.5 million. Completion is conditional upon receipt of the requisite vendor's shareholders' approval and Department of Energy and Climate Change ("DECC") consent. The acquisition will be funded by the issue of 7,488,301 ordinary shares of the company. This acquisition represents a good opportunity to increase our existing production and one that offers significant upside potential through gas monetisation.

As at the date of authorisation for issue of these condensed financial statements the acquisition had not completed.

#### **Bonds**

On 30 September 2013, the bonds (as detailed in Note 9) were listed on the Nordic Alternative Bond Market and a prospectus was filed with the Oslo Stock Exchange. On the same date, the prospectus was approved. The bond listing was transferred to the main market of the Oslo Stock Exchange, effective 2 October 2013.

# **IGAS ENERGY PLC**

## **NOTES TO THE INTERIM REPORT**

**for the six months ended 30 SEPTEMBER 2013**

### **DIRECTORS AND ADVISERS**

#### **Directors**

F Gugen – Non Executive Chairman  
A Austin – Chief Executive Officer  
S Bowler- Chief Financial Officer  
J Blaymires – Chief Operating Officer  
J Bryant – Non-Executive  
R Pinchbeck – Non-Executive  
C McDowell – Non Executive

#### **Company Secretary**

Mofo Secretaries Limited  
Citypoint  
One Ropemaker Street  
London EC2Y 9AW

#### **Nominated Adviser and Broker**

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Vintners Place  
68 Upper Thames Street  
London EC4V 3BJ

#### **Joint Broker**

Canaccord Genuity  
88 Wood Street  
London EC2V 7QR

#### **Registrars**

Computershare Investors Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS13 8AE

#### **Auditors**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

#### **Banker**

Barclay Bank PLC  
1 Churchill Place  
London E14 5HP

#### **Registered office**

Interpark House  
7 Down Street  
London W1J 7AJ

#### **Company's registered number**

4981279