

# IGas Energy plc

Full year results  
for the year ended  
31 December 2017



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# Overview and highlights

- Refinanced and cash generative at current oil prices
- Production levels steady; costs impacted by FX
- Capital being deployed for incremental projects
  - Albury/Stockbridge/Welton
- Funded near term shale work programme through \$240m INEOS carry
  - Springs Road and Tinker Lane site construction ongoing
  - Ellesmere Port decision to be appealed
  - Ince Marshes frac application progressing
- 2018 is a key year for UK onshore development
  - Cuadrilla results encouraging to date



## Financial highlights

	Year Ended 31 December 2017 £m	Year Ended 31 December 2016 £m
Revenues	35.8	30.5
Adjusted EBITDA	9.2	10.2
Profit/(loss) after tax	15.5	(32.9)
Net cash from operating activities	6.7	12.4
Net debt	6.1	99.7
Cash and cash equivalents	15.7	24.9

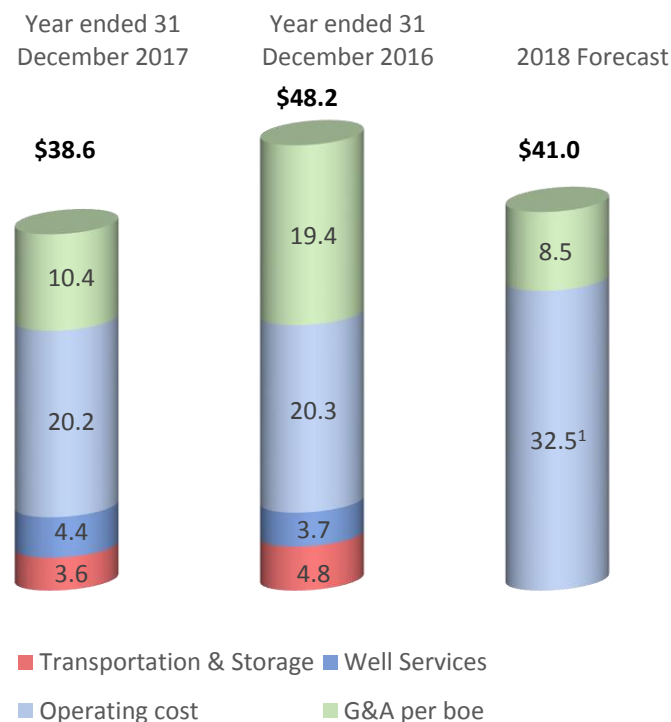
- **Revenues** – higher pre hedge realised oil price (2017 \$51.0/bbl vs 2016 \$44.1/bbl) and impact of stronger USD/GBP exchange rate
- **Adjusted EBITDA** – reduction in post hedge realised oil price (2017 \$51.3/bbl vs 2016 \$58.1/bbl) and marginally higher operating costs principally due to maintenance activity
- **Profit after tax** – positively impacted by gain on capital restructuring (2017 £4.9m: 2016 £nil) and higher tax credit (2017 £19.1m: 2016 £13.0m) and significantly lower administrative expenses (2017 £6.4m: 2016 £11.4m) and finance charges (2017 £6.4m: 2016 £29.1m) in 2017
- **Net debt** – significantly reduced following capital restructuring which completed in April 2017



## Key statistics

- Realised price post hedge of \$51.3/bbl (2016: \$58.1/bbl)
  - 600,000 bbls hedged for 2018 using three-way zero cost collars with an average floor price of \$47/bbl and an average call spread of \$60/bbl - \$75/bbl
- Operating costs of \$28.5/boe (2016: \$28.8/boe)
  - 2017 impacted by weaker GBP during the year (2017 \$1.29: 2016 \$1.37) offset by higher maintenance activity in 2017
- G&A of £6.4m (2016: £11.4m)
  - Reduction due to ongoing cost reduction programme and refinancing costs incurred in 2016
- Tax credit of £19.1m (2016: £13.0m)
  - Recognition of deferred tax asset due to revised estimate of future profits which can be offset against ring fence tax losses
  - Ring fence tax losses at 31 Dec 2017 were c.£210m
- Net debt at 31 December 2017 was \$8.4m (£6.2m)

### Cost per barrel



Note 1: Includes Transportation & Storage and Well Services

Note 2: FX rates - 2016 \$1.37; 2017 \$1.29; and 2018 \$1.40

# Production

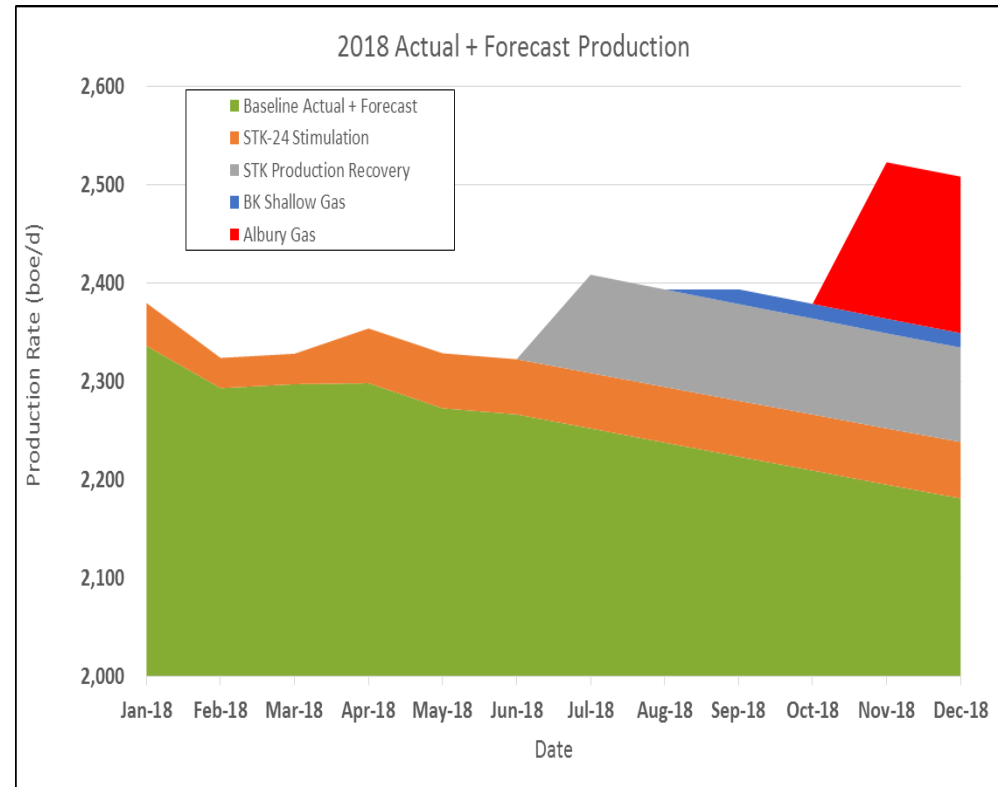
- Stable production: c.2,335 boepd average 2017
- 2018 forecasts:
  - Production 2,300 - 2,400 boepd
  - Opex \$32.5/boe (assumes £1:\$1.40)
  - Capex £7 million
- Incremental projects being progressed to fulfil mid term 2,500+boed production level
- Over 100% reserves replacement due to
  - planned future investment in non-producing and underdeveloped reserves
  - better reserves management

## Net Reserves and Resources (MMBOE)

	1P	2P	2C
As at 31 Dec 2016 <sup>1</sup>	9.02	13.37	21.84
As at 31 Dec 2017 <sup>2</sup>	8.11	13.64	22.21

### Notes

1. D&M estimates as to 30 June 2016 adjusted for six months production to 31 December 2016
2. IGas estimates, cumulative production in 2017 of 0.89 MMboe



# Welton Waterflood Expansion Project

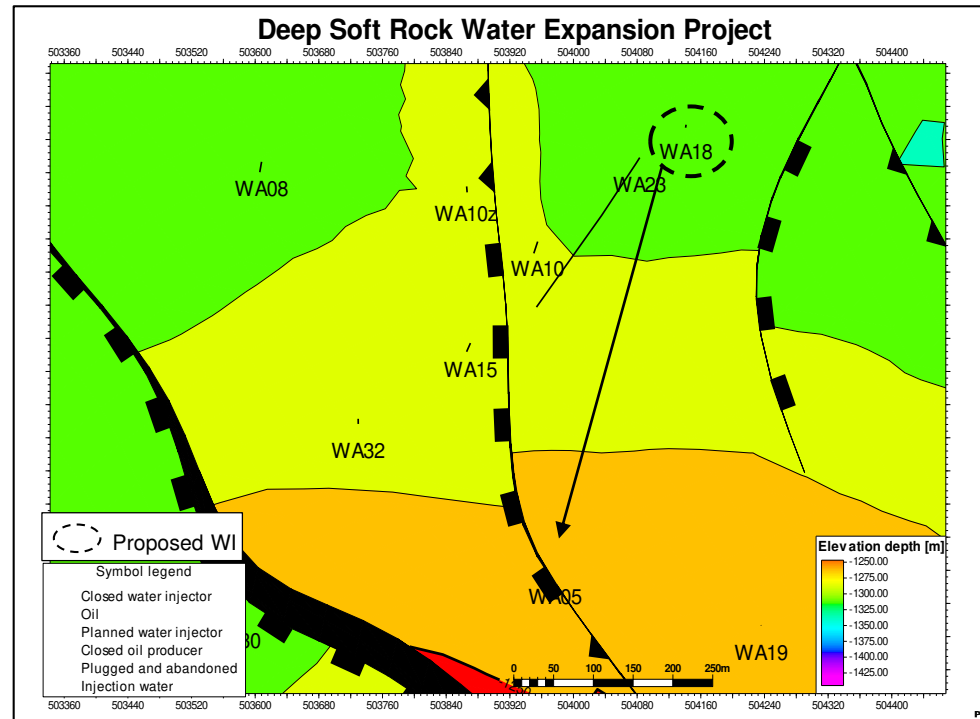
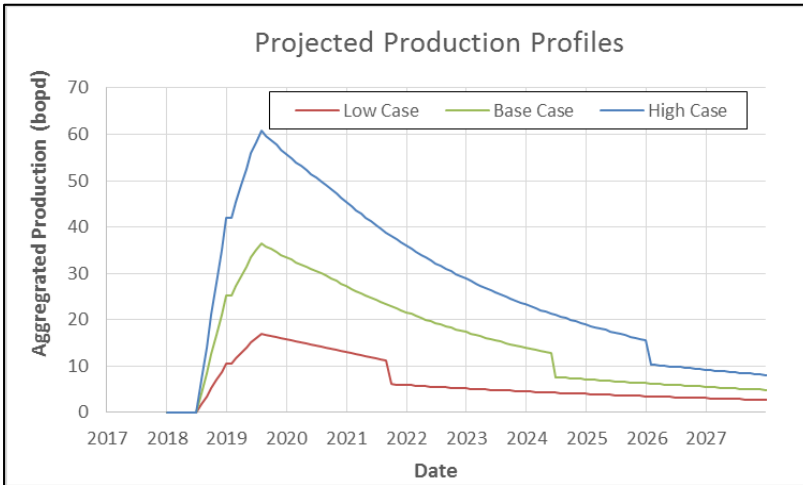
## Operational Summary: Total 3 well programme including

- 1x well conversion to water injection
- Injection pump, flowlines and surface facilities
- 2x return wells to production (associated works)
- Additional water injector at Welton to de-risk existing production

## Timing: Four Distinct Phases

- Well conversion commence Jun 2018
- First water injection estimated Sep 2018
- First incremental oil estimated December 2018

Welton Waterflood Expansion: Key Parameters	
Estimated CAPEX, £m	0.46
Btax NPV, £m	0.93
Estimated Peak Production, bopd	36
Incremental Reserves (10yr), MSTB	57
BET, yrs	2



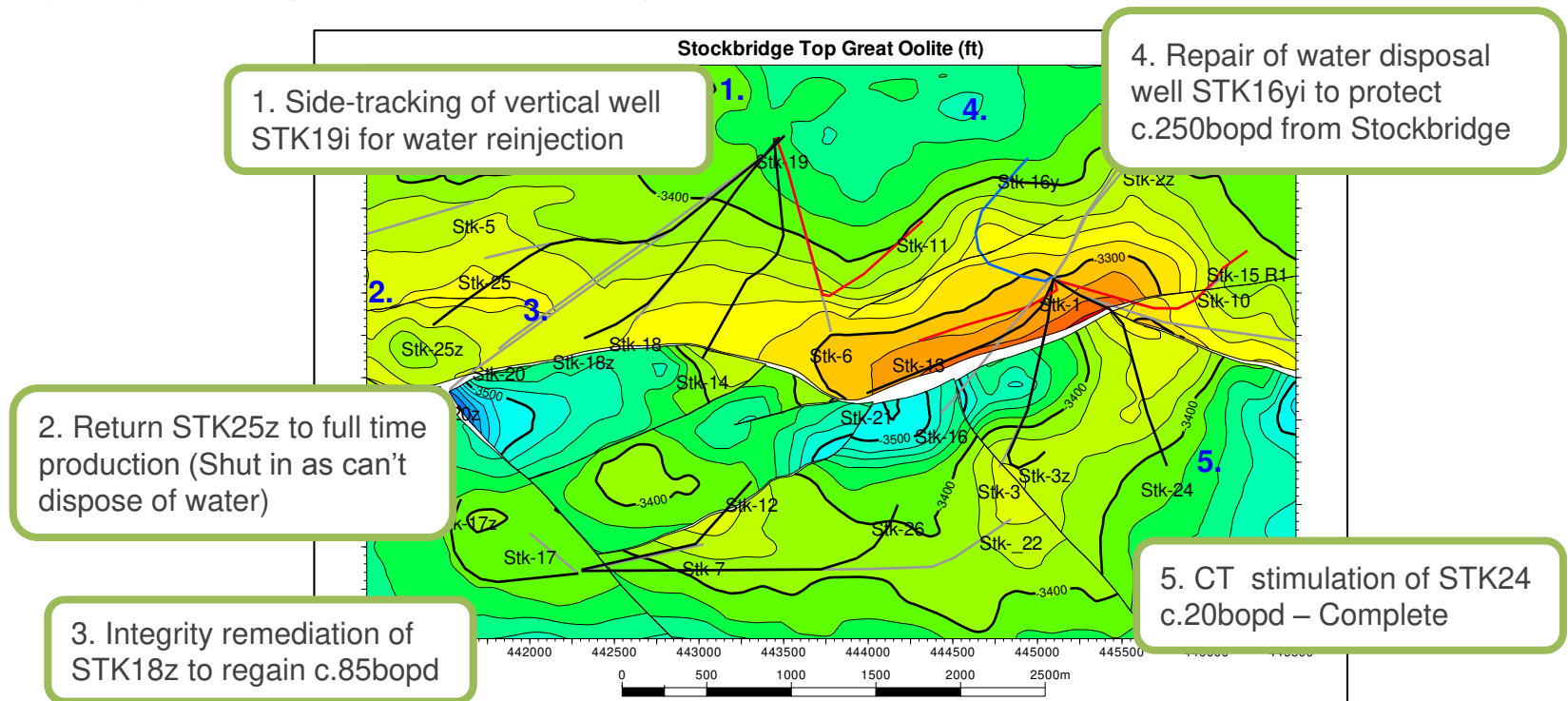
# Stockbridge Production Recovery

## Operational Summary: Total 5 well programme including

- 1x Sidetrack water disposal well
- 2x well integrity remediation operations
- 1x stimulation
- 1x return to production with disposal opportunity
- Added upside: De-risk existing production of ~250bopd

Stockbridge Production Recovery: Key Parameters	
Estimated CAPEX, £m	1.8
Btax NPV, £m	7.2
Yr1 Risked Avg. Production, bopd	79
Incremental Production, bopd	130
BET, yrs	<1

## Timing: Project Completion estimated July 2018





# Albury Gas-to-Grid Project

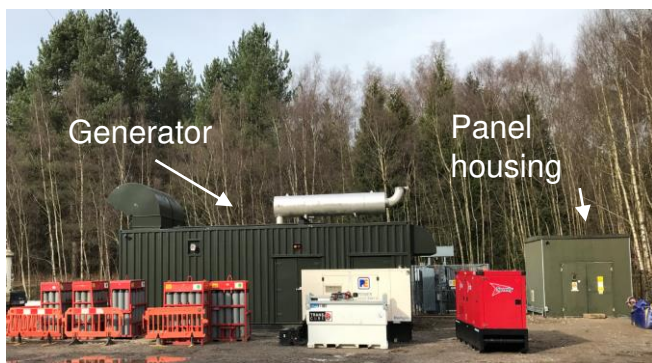
## Operational Summary

- Gas-to-grid pipeline project
- 1x well development + power generation & export infrastructure
- SGN provide all equipment and infrastructure – IGas pay annual fee for use
- Export pipeline capacity
- On-site power generation
- Production plateau forecast

## Timing

- IGas works: workover ongoing
- Planning Committee meeting: scheduled April 2018
- Project Completion: November 2018

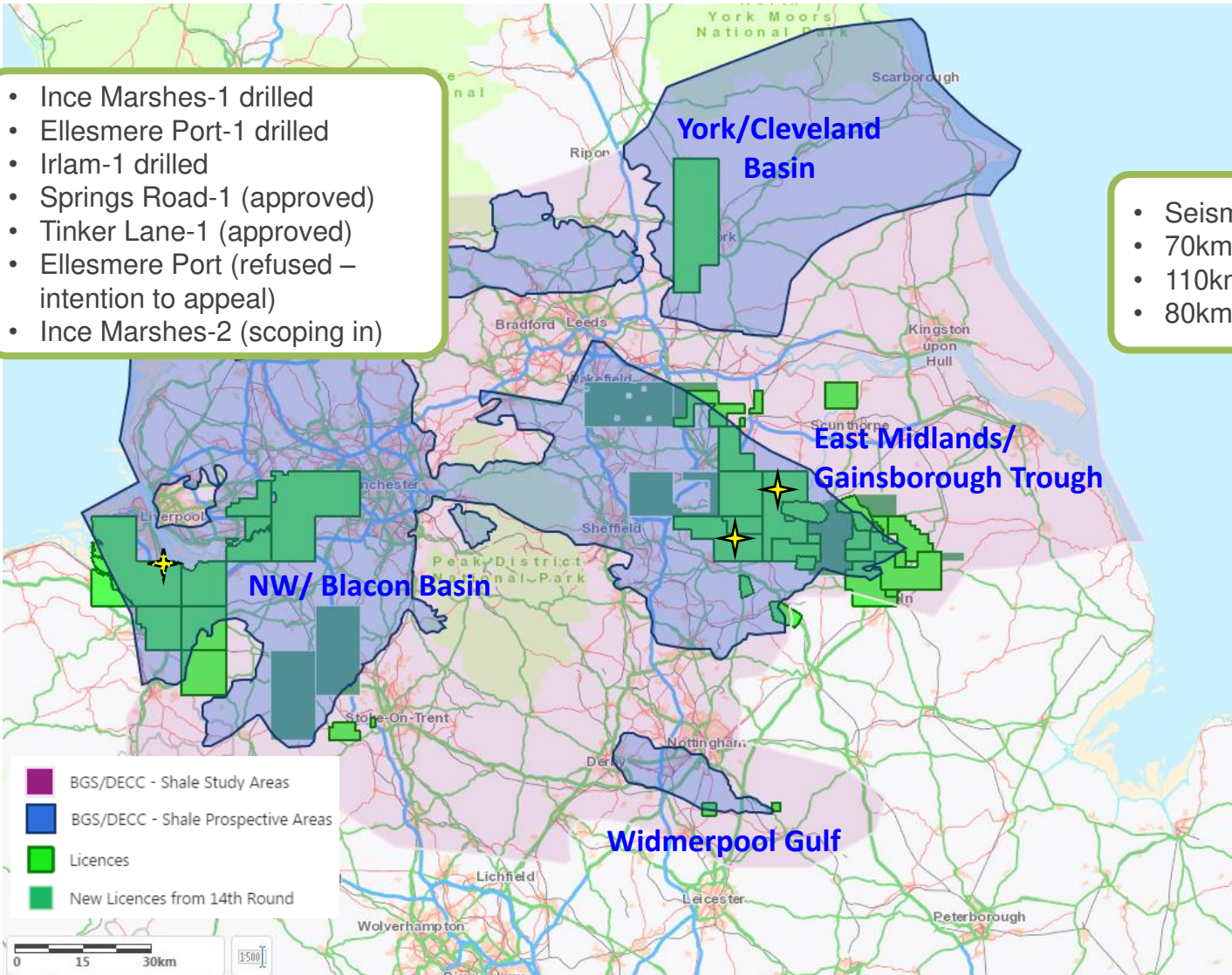
Albury Gas-to-Grid Project: Key Parameters	
Estimated CAPEX, £m	1.27
Fixed OPEX, £m/year	0.74
BTax NPV10, £m	1.35
Assumed Sales Gas price, £/therm	0.43
Plateau Production Rate, boepd	181
BET, years	3



# IGas Shale

- Ince Marshes-1 drilled
- Ellesmere Port-1 drilled
- Irlam-1 drilled
- Springs Road-1 (approved)
- Tinker Lane-1 (approved)
- Ellesmere Port (refused – intention to appeal)
- Ince Marshes-2 (scoping in)

- Seismic Acquired
- 70km<sup>2</sup> 3D in East Midlands
- 110km<sup>2</sup> 3D in NW
- 80km<sup>2</sup> 2D in NW





# East Midlands Activity

## Springs Road (PEDL 140) and Tinker Lane (PEDL 200)

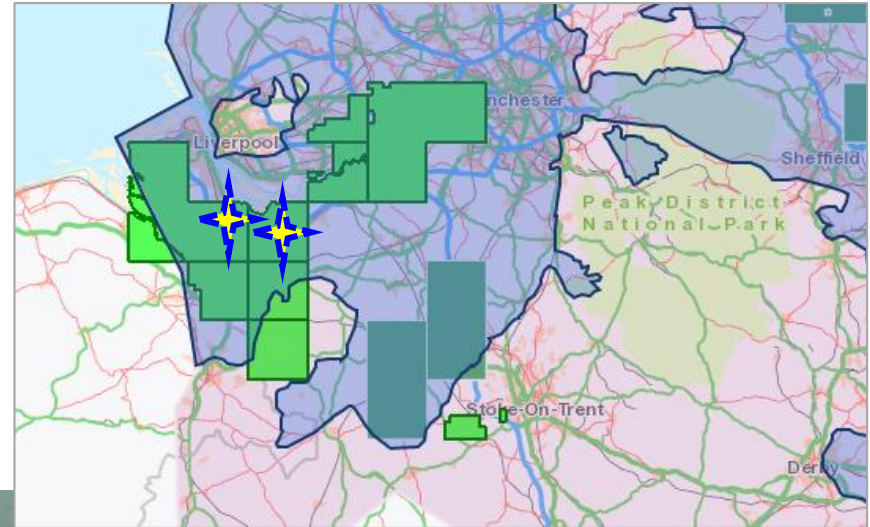
- Three wells carried by INEOS
  - 2 vertical, 1 horizontal
- Explore Bowland shale and deeper carboniferous shale targets
- 3D seismic acquisition across Springs site
- Construction ongoing; almost complete at Springs
- On track to spud first well mid-2018



# North West Activity

## Ellesmere Port (PEDL 184)

- Acid stimulate and flow test of Pentre Chert hybrid play ~ 90 day programme
- Carried by INEOS
- Gas shows from fracture network during drilling. Working analogues in US. Not a shale/resource play
- Planning application submitted July 2017
- EA permit granted November 2017
- Planning Officer recommendation to approve Jan 2018
- Planning Committee refusal Jan 2018
- It is our intention to appeal the decision



## Ince Marshes-2 (PEDL 190)

- Use existing well as a monitoring borehole and drill a second well to explore for hydrocarbons
- Carried by INEOS
- Scoping request submitted
- Subject to surveys and monitoring we expect to make the application mid 2018

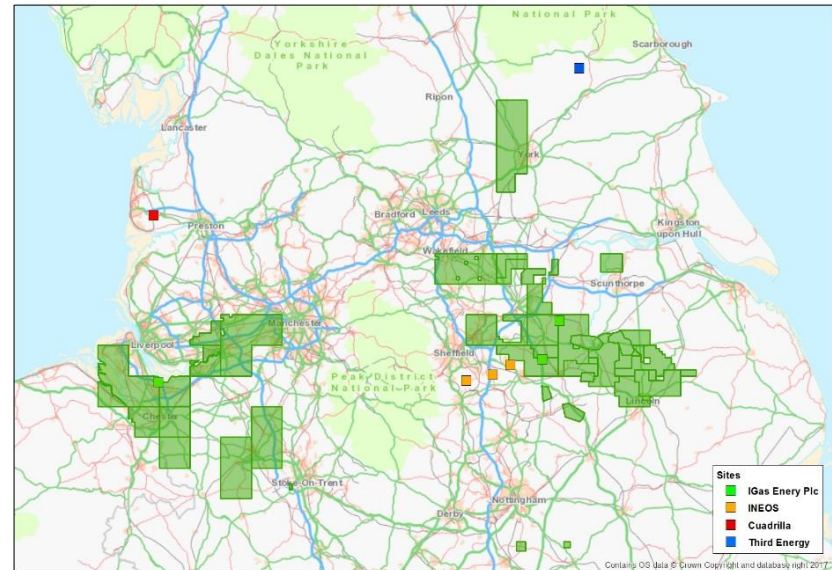




# UK Shale Activity

Industry wide collaboration across a number of technical and stakeholder areas

Operator/Site	Activity
Shale	
IGas – Springs Road, North Notts	Drilling/exploration
IGas – Tinker Lane, North Notts	Drilling/exploration
Cuadrilla – Preston New Road, Lancs	Drilling/Fracking
Third Energy – KM8, Yorks	Drilling/Fracking
INEOS – Bramblemoor Lane, Derbys	Planning/exploration
INEOS – Moor Lane, Rotherham	Planning/exploration
INEOS – Woodsets, Rotherham	Planning/exploration
INEOS – Yorkshire	3D seismic



**Continued demand for gas**

- Declining UKCS supply
- Closure of gas storage
- c.50% imported currently

**Support from Central Govt**

- Clean Growth strategy re-affirmed importance of gas
- Locally planning remains challenging
- DCLG consultation



## Summary

- Refinancing and fundraising completed April 2017
- Operating cash flow generative at current oil prices
- Significant shale carried work programme of up to \$240 million
- Operationally busy across portfolio
  - Albury/Stockbridge/Welton
  - Drilling at Springs Road and Tinker Lane
  - Planning applications for shale appraisal and flow testing in North West
- Further opportunities in existing portfolio being identified

