

IGas Energy plc

Preliminary audited
results
2014



About IGas

- ▼ Leading AIM quoted UK onshore hydrocarbon producer and operator
 - 30 fields with 117 producing wells
 - Production in 2014 of c.1.0mmboe (2013: c. 0.9mmboe), 2P + 2C of c.23.9 mmboe
 - Operator on behalf of Total and partners in the East Midlands
- ▼ Maximising producing assets
 - Chase the Barrels initiative
 - Gas monetisation projects
- ▼ Significant position in unconventional assets
 - Shale Gas Initially In-Place (GIIP) estimates in North West acreage of 102 tcf (mid-case)
 - Acquisition of Dart redoubles materiality of UK position
- ▼ Significant low risk cash flow
 - Group production in the year was 1.0mmboe, over 90% oil
 - Majority of fields 100% owned and operated
 - Delivered directly to refineries in the UK by rail or tanker
- ▼ Social licence to operate
 - A long history of working in collaboration with communities
- ▼ Experienced senior management and operations team

Where we operate



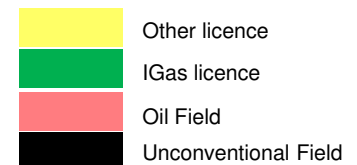
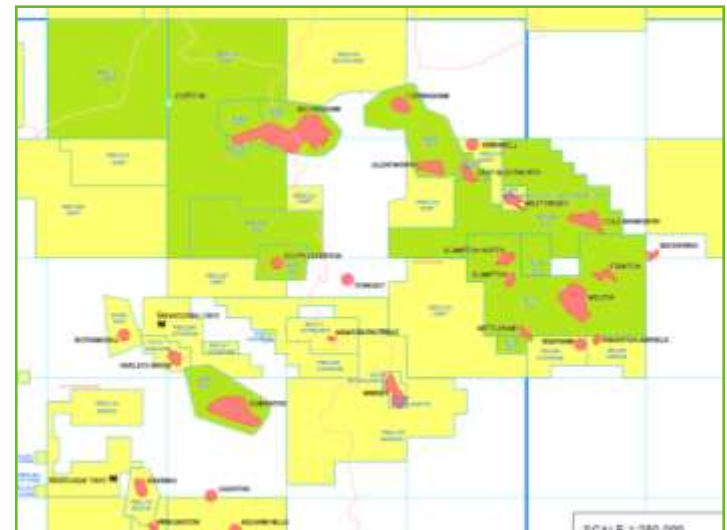
North West / Staffs

Weald Basin



Caithness, Scotland

East Midlands



Operational highlights

- ✔ Farm-out agreement with Total E&P UK Limited ("Total") signed, under which Total acquired a 40% interest in PEDL 139/140 Licences. Total will fund a fully carried work programme of up to \$46.5 million, with a minimum commitment of \$19.5 million. IGas was appointed operator on the Licences with an increase in equity interest to 14.5%.
- ✔ Exploration well successfully completed at Barton Moss, Eccles. Full laboratory analysis of the cores is underway, the results of which are expected in the Autumn.
- ✔ Following completion of seismic acquisition for PEDL 139/140 we are now implementing a programme to acquire c. 100 km² of 3-D seismic data in the North West with a view to firming up several potential exploration and development sites in the area.
- ✔ Acquisition of Caithness from Caithness Petroleum plc for £7.9m (including assumed borrowings and closing adjustments) which was financed by issuing 7,488,301 ordinary shares.
- ✔ Progress on 'Chase the Barrels' initiative continues with a focus on sustainable long term production enhancements.
- ✔ Post year end - proposed acquisition of Dart Energy Limited valuing the total share capital of Dart, on announcement, at approximately A\$211.5m on a fully diluted basis (being equivalent to £117.1m).

Financial highlights

- ✔ Revenue of £75.9m (2013: £68.3m)
- ✔ Total net production c.1.0mmboe (2013: c.0.9mmboe)
- ✔ EBITDA² of £34.3m (2013: £32.3m)
- ✔ Underlying operating profit³ of £20.3m (2013: £22.1m)
- ✔ Net profit/(loss) before tax of £2.3m (2013: (£6.0m))
- ✔ Net cash from operating activities £25.2m (2013: £28.9m)
- ✔ Cash and cash equivalents at 31 March 2014 were £28.3m (2013: £9.8m)
- ✔ Net debt of £80.4m⁴ (2013: £77.4m)
- ✔ Completed issue of US\$165m secured in April 2013, and issued US\$30m unsecured bonds in December
- ✔ Net assets of £74.7m (2013: £59.1m)



Notes

1 On 28 February 2013, the Company completed the acquisition of PR Singleton from Providence Resources plc and therefore the 2013 results reflect one month's contribution from PR Singleton. On 6 December 2013 the Company completed the acquisition of Caithness Oil Limited and therefore the 2014 results reflects four month's contribution from Caithness Oil

2 EBITDA relates to earnings before gains/(losses) on oil price derivatives, net finance costs, tax, depletion, depreciation and amortisation, acquisition costs and impairment of exploration and evaluation assets

3 Underlying operating profit excludes the gains/(losses) on oil price derivatives, acquisition costs and impairment of exploration and evaluation assets

4 Net debt is borrowings less cash and restricted cash

Profit and loss account

- ▼ Group production in the year was 1,015,866 boe, representing an average of 2,783 boepd (2013: 2,470 boepd)
- ▼ Operating costs per boe were £23.3 (2013: £21.6), excluding £9.9m in relation to third party oil (2013: £7.0m)
- ▼ The average realised price per barrel pre-hedge was £66.5 (US\$106.1) (2013: £69.4 (US\$109.6)) with narrow discounts to Brent continuing to be achieved
- ▼ The average realised oil price was £64.5 (US\$102.9) (2013: £62.5 (US\$98.7)) per barrel
- ▼ Net finance costs were £12.5m (2013: £27.9m)

Consolidated Income Statement

For the year ended 31 March 2014

	Notes	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000
Revenue	2	75,917	68,304
Cost of sales:			
Depletion, depreciation and amortisation		(13,878)	(9,975)
Other costs of sales		(34,062)	(28,067)
Total cost of sales		(47,940)	(38,042)
Gross profit		27,977	30,262
Administrative costs		(7,875)	(8,351)
Relinquishment of exploration and evaluation assets		(3,259)	(1,093)
Other income		174	225
(Loss)/gain on oil price derivatives		(2,095)	938
Operating profit	3	14,922	21,981
<u>Exceptional item</u>			
Costs relating to acquisitions		(47)	(59)
Finance income	6	7,893	26
Finance costs	6	(20,422)	(27,947)
Net finance costs		(12,529)	(27,921)
Profit/(loss) on ordinary activities before tax		2,346	(5,999)
Income tax charge	7	(10,277)	(12,356)
Loss from continuing operations attributable to equity shareholders of the Group		(7,931)	(18,355)
Basic and diluted loss per share (pence/share)	8	(4.10p)	(11.11p)
Adjusted basic and adjusted diluted earnings/(loss) per share (pence/share)	8	2.88p	(1.91p)

Balance sheet

- 2013 comparison represents the balance sheet position pre-refinancing the Macquarie acquisition finance
- The Group's non-current assets increased by £11.2m to £231.8m, principally due to the acquisition of Caithness and the well at Barton Moss
- Net debt, being borrowings less cash and restricted cash, at the year-end amounted to £80.4m (2013: £77.4m)
- Cash and cash equivalents at 31 March 2014 were £28.3m (2013: £9.8m)
- The Group has hedged a total of 757,000 barrels over the period to 31 March 2015, through simple Put and Call options at zero cost (collars)

Consolidated Balance Sheet

As at 31 March 2014

	Notes	31 March 2014 £000	31 March 2013 £000 Restated
Non-current assets			
Intangible exploration and evaluation assets	11	90,997	81,702
Property, plant and equipment	12	115,478	124,711
Goodwill	10	39,227	32,166
		245,702	238,579
Current assets			
Inventories	14	1,344	1,056
Trade and other receivables	15	11,403	8,569
Cash and cash equivalents	16	28,301	9,831
Other financial assets – Restricted cash	16	–	102,865
		41,048	122,321
Current liabilities			
Trade and other payables	17	(10,960)	(14,056)
Current tax liabilities		–	(3,006)
Borrowings – Bond	18	(4,948)	(5,466)
Borrowings – Macquarie	18	–	(89,710)
Other liabilities	19	(6,804)	(8,208)
Derivative financial instruments	23	(50)	(10,001)
		(22,762)	(130,447)
Net current assets/(liabilities)		18,286	(8,126)
Total assets less current liabilities		263,988	230,453
Non-current liabilities			
Borrowings – Bond	18	(103,753)	(94,942)
Deferred tax liabilities	7	(57,665)	(47,388)
Provisions	20	(28,248)	(29,005)
		(189,666)	(171,335)
Net assets		74,322	59,118
Capital and reserves			
Called up share capital	24	17,226	15,407
Share premium account	25	58,933	37,747
Capital Redemption Reserve	24	41,239	41,239
Other reserves	26	(667)	(797)
Accumulated deficit		(42,409)	(34,478)
Shareholders' funds		74,322	59,118

Bond Issue

- ✔ April last year saw the completion of the US\$165m secured bond issue. The bonds were subsequently listed on the Oslo Bors in September 2013
- ✔ In December 2013, the Company issued US\$30m of unsecured bonds, which were shortly thereafter listed on the Oslo alternative bond market
 - The bonds have a 5 year tenure carry a fixed interest of 10% p.a., payable semi-annually, and have a borrowing limit of US\$ 60m
 - The proceeds from the bond issue will be used for general corporate purposes, including gas monetisation

Political and regulatory

- ▼ March: Budget 2013 contained measures to facilitate investment and support Britain's shale gas industry, including community benefits, planning and taxation
- ▼ April: a Energy and Climate Change Select Committee report highlighted the contribution shale gas could make to energy security, limiting future energy price rises, and tax revenues
- ▼ June: DECC announced communities near new shale gas sites would receive £100,000 per well and 1% of revenues for producing wells, potentially worth several million pounds per site
- ▼ October: Public Health England report showed there is a low risk to public health of properly run and regulated shale gas extraction
- ▼ October: DECC publish overview of legislation and regulation, and actions and best practices, required before permitting onshore exploratory work
- ▼ December: the Autumn Statement contained a new fiscal regime for the onshore sector, reducing the tax rate on a portion of a company's profits from 62% to 30% and an allowance equal to 75% of capital spent on projects
- ▼ January: DECC announced that local councils will be able to keep 100% of business rates generated from onshore gas extraction sites

IGas in the community

IGAS ENERGY
Community Fund



IGas places huge importance on building trust and understanding with landowners, the local community and other stakeholders through an open approach to communication



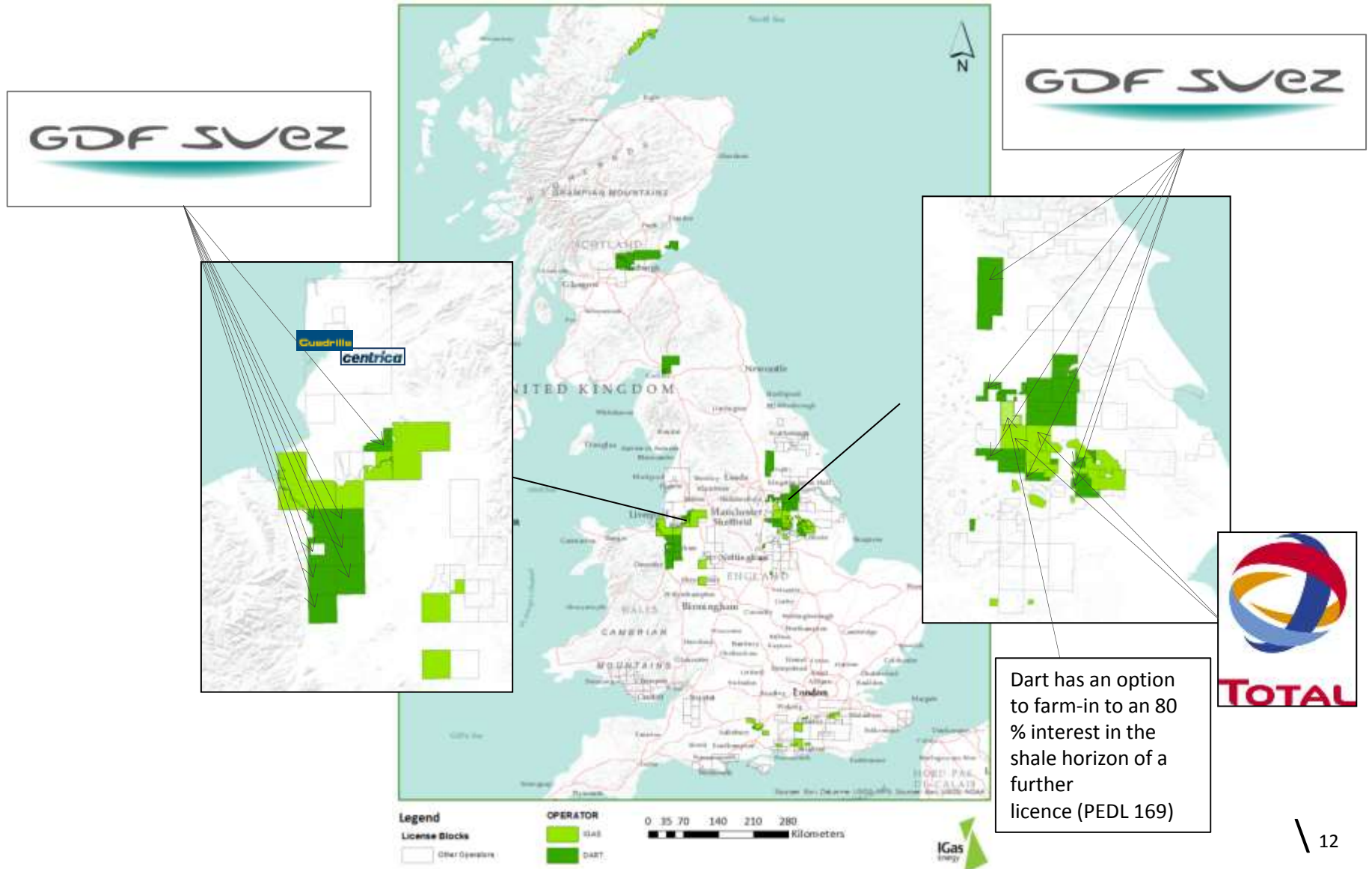
- ▼ Identifying potential issues in advance and working with the community to formulate a mitigation strategy. Issues include:
 - Visual impact
 - Ecology & nature conservation
 - Vehicle movements
 - Noise
 - Air quality and water protection
 - Operating hours and lighting
 - Geology and landscape
 - Cultural heritage
- ▼ Public consultation
- ▼ One on one
- ▼ Public meetings
- ▼ Press
- ▼ Accessibility

Dart acquisition

- ✔ ASX listed
- ✔ Gross Funded Acreage 395 k.acres across 15 licences
- ✔ Position in UK unconventional assets
 - Shale gas potential of up to 110 Tcf in the Bowland Basin in England (all net to Dart Energy, as independently assessed by NSAI)
- ✔ Farm-out agreement with GDF SUEZ E&P relating to thirteen of its U.K. licences
- ✔ A gross carried work programme of US\$36mm
- ✔ Dart also owns assets which are non-core in countries including Australia, Indonesia and India

Key milestone	Target date
First Court hearing to convene Scheme Meeting	Mid July 2014
Scheme Booklet despatched to Dart Shareholders	Late July 2014
Scheme Meeting for Dart Shareholders to vote on the Scheme	Late August 2014
Second Court Hearing to approve Scheme	September 2014
IGas General Meeting	September 2014
Scheme Implementation Date	September 2014

Combined UK license position



Outlook

- ▼ In addition to exploration wells, we plan to drill and flow test two wells during 2015, subject to being able to obtain all the necessary permits
- ▼ The acquisition of ca. 100 km² of 3-D seismic surveys is underway across the North West with a view to confirming suitability of potential sites
- ▼ Our 'Chase the Barrels' initiative continues to help us get the most out of our producing assets and work continues on an increasing number of gas monetisation opportunities
- ▼ We continue to identify infill drilling opportunities
- ▼ The proposed acquisition of Dart Energy will reinforce our position financially, operationally and also significantly increase our licensed acreage
- ▼ We are committed to delivering both existing and potential hydrocarbons across the country in partnership with local communities, as we work together to unlock what could be a strategically important resource for Britain

Thank you

IGas
Energy

