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Igas Energy PLC
30 September 2016

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IGas Energy plc (AIM: IGAS)

Unaudited results for the six months ended 30 June 2016

IGas Energy plc ("IGas" or "the Company" or "the Group"), one of the leading producers of hydrocarbons onshore in Britain, announces its unaudited half year results for the six months to 30 June 2016.

Results Summary

	Six months to 30 June 2016	Six months to 30 Sep 2015 ("1H 2015")
	£m	£m
Revenues	**12.1**	17.6
Adjusted EBITDA[1]	**5.1**	7.4
Loss after tax	**(25.2)**	(19.3)
Net cash from/(used in) operating activities	**9.1**	(0.1)
Net debt	**83.5**	64.0
Cash and cash equivalents	**27.1**	34.5

Note 1 : Adjusted EBITDA relates to earnings before gains/(losses) on oil price derivatives, net finance costs, tax, depletion, depreciation and amortisation, impairments, acquisition costs, restructuring costs and share based payment charges

Operational Summary

- DeGolyer & MacNaughton ("D&M"), the leading international reserves and resources auditors, has completed an independent evaluation of IGas conventional and shale interests
    - Conventional 2P NPV10 estimate is US$287 million*
    - Shale assets - using a deterministic approach and including recently awarded 14th Round licences, D&M has estimated IGas net shale gas risked prospective resources of 2.5 Tcf (440 MMboe)**
- Delivering against shale Five Year Development plan
    - Planning application for Springs Road (PEDL 140) in North Nottinghamshire
        - Planning officer recommendation for approval received on 27 September 2016; Planning Committee determination meeting due on 5 October 2016
    - Tinker Lane (PEDL 200)- planning submitted and planning committee decision expected after Springs Road determination
    - Results of 3D seismic in North West confirms shale potential
- Anticipated average production for 12 months to 31 December 2016 is now 2,400 - 2,600 boepd; operating costs of $27.5/boe for 1H 2016 (six months ended 30 Sep 2015 (1H 2015): $31.0/boe)

Financial Summary

- As reported previously, there was a risk of non-compliance with certain bond covenants in the second half of 2016. The Group is in constructive discussions with its key bondholders, including more recently with its new largest secured bondholder, and believes a consensual resolution is likely, due to the potential significant loss of value if this is not achieved
    - The Group's current forecasts project non-compliance with its daily liquidity covenant in the second half of October 2016 and its leverage covenants which will be measured with reference to the Group's annual audited accounts to be published by the end of April 2017; in view of the forecast liquidity position the Group is reviewing a number of options including requesting a temporary waiver of covenants from its bondholders
    - The Group continues to hold significant cash resources of $27.6 million (as at 27 September 2016), following a scheduled payment of interest and amortisation amounting to $9.6m (net) to secured bondholders in September 2016. IGas also currently holds $21.1 million (valued at par) of its own bonds. The current daily liquidity requirement is $25.9 million ($15 million liquidity requirement and $10.9 million in a Debt Service Retention Account)
- 585,000 barrels hedged to the end of 3Q 2017 at an average floor price of c.US$44 per barrel

*based on forward oil curve of 2017 $57.3/bbl; 2018 $63.6/bbl; 2019 $70.2/bbl; 2020 $77.0/bbl; 2021 $80.7/bbl

** assumes 5.8Mscf/boe

Commenting today Stephen Bowler, Chief Executive Officer, said:

"We are pleased to report today the results of an independent expert's opinion, carried out by D&M, stating shale gas risked prospective resources of 2.5Tcf (c.440 MMboe) alongside an increase in proven and probable reserves to 13.8 MMboe. The cost saving initiatives we put in place are continuing to benefit our operational cash flows and production rates are also improving since the period end, currently c.2,600 boepd.

We acknowledge the challenges that our current capital structure presents and are engaged with our bondholders and potential strategic investors to right-size our balance sheet in light of the current oil price environment.

There is potential material upside in our assets and the next few weeks will see important newsflow for the UK shale industry with the upcoming decision from Government on the appeals by Cuadrilla and the determination of our Springs Road planning application."

A results presentation will be available at http://www.igasplc.com/investors/investor-presentations.

The D&M Reports will be published on the IGas website in due course.

John Blaymires, Chief Operating Officer of IGas Energy plc, and a qualified person as defined in the Guidance Note for Mining, Oil and Gas Companies, March 2006, of the London Stock Exchange, has reviewed and approved the technical information contained in this announcement. Mr. Blaymires has more than 30 years' oil and gas exploration and production experience.

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Introduction

The first half of the year has been busy across the business in a challenging environment with prolonged oil price volatility and post-Brexit currency swings. Against this background, we remain focused on operating efficiencies and preserving cash whilst maximising value from existing production, maintaining the integrity of our assets and keeping a tight control on operating costs.

The Company continues to identify projects to enhance production and utilise our stranded gas with four planning applications approved in the period. Progress continues against our five year shale development plan with two applications in the final phases of determination in the East Midlands and following the final 3D seismic interpretation and assessment, identifying drilling locations in the North West. We operate one of the largest net acreage positions in the UK, with a total gross carried shale work programme of c.$230 million as at 30 June 2016.

IGas has now been formally awarded 17 blocks, across 9 PEDLS, in the UK's 14th Onshore Oil and Gas Licensing round. The blocks, across three key basins, represent a total gross area of c. 257,000 acres; IGas' net interest is c. 115,000 acres. As part of its ongoing asset portfolio management, IGas has also relinquished a number of licences in order to focus on core, high potential areas with its partners. IGas now has an area of over 1 million acres (gross) (c.0.63 million acres net) under licence.

Divestment of International interests is now complete and progress has been made to formally relinquish the remaining Production Sharing Contracts (PSC's) in India. The only outstanding work obligation on 10% operated PSC AS-CBM-2008/IV has now been completed and application will soon be made to relinquish this interest.

As the Group has previously reported, while it has and is pursuing discussions with a number of strategic investors and evaluating options for cash and earnings accretive transactions including farm-outs and other asset portfolio management opportunities to improve its cash position and de-leverage its balance sheet, there was a risk of potential non-compliance with certain of its bond covenants in the second half of 2016. The Group's current forecasts project non-compliance with its daily liquidity covenant in the second half of October 2016 and its leverage covenants as at 31 December 2016, which will be measured with reference to the Group's annual audited accounts to be published by the end of April 2017. Notwithstanding these projected bond covenant breaches, the Group continues to hold significant cash resources to meet its ordinary course financing and trading obligations for a sustained period of time.

As reported in June and July 2016, an investor announced a tender offer for, and subsequently acquired, senior secured bonds with, a nominal value of $38.42 million at a price of 75 cents per bond. We believe that this investor now holds c.34% of the secured bonds and this represents a potential blocking vote in the secured bonds, should the bondholder exercise its right to vote, in relation to any amendments or waivers the Company may seek to the bond terms.

The Group is engaged in active discussions with a number of its key bondholders, including more recently the significant new bondholder, and to date, these discussions have been constructive and indicate a consensual deal is possible. The Board believes that reaching a consensual solution would be in the interests of all stakeholders of the Group, in particular because the Group has a number of valuable rights and interests, including the benefit of substantial carry agreements in respect of future development costs on a number of its licences, which may be adversely affected and lead to a significant loss in value in the event a consensual solution could not be reached. These discussions are expected to continue over the coming months to reach agreement on a transaction that would result in a capital structure for the Group that is sustainable in the current oil price environment.

In view of the Group's forecast daily liquidity covenant position and to provide a platform for the development of such discussions, the Group may seek to undertake to either sell some of its assets, potentially including a sale of bonds held by the Group or a pre-paid swap of its oil production from 2017, to generate further cash to allow it to maintain sufficient liquidity, or secure a temporary waiver of its daily liquidity covenant from its secured and unsecured bondholders in advance of the forecast breach.

Operating review

Reserves and resources update

An independent Competent Persons Report (CPR) of IGas reserves, resources and future revenue as at 31 July 2016 has been completed by leading international petroleum consultants D&M.

Their estimates have confirmed a continuing high conventional reserves replacement ratio of 354% for 1P reserves and 205% for 2P reserves for the period ending 30 June 2016:

IGas net reserves and resources (MMboe)

	1P	2P	2C[3]
As at 31 Dec 2015[1]	8.31	13.33	12.67
As at 30 Jun 2016[2]	9.38	13.77	21.96

1 IGas estimates

2 D&M estimates from separate report as at 30 June 2016

3 2C additions include the 14th Round conventional fields.

These increases are mainly due to successful well operations, decreasing field decline rates and further lowering of operating costs. The IGas 2P oil and gas reserves to production ratio (R:P) has consequently increased from 14 at 31 December 2015 to 15 as at the report date.

The D&M independent evaluation has also included an estimate of 2C net contingent conventional resources of 22.0 MMboe for IGas properties based on 5.8 Mcf/boe. These resources include oil and gas resources within producing and undeveloped fields that can be readily developed with infill drilling and gas monetisation projects. Several gas monetisation projects now require only sales agreements and final investment decisions (FID) to be able to proceed, which will lead to future reserves additions and incremental production.

D&M has calculated the future cashflows that can be expected for all IGas net reserves based on production forecasts, capex, opex and price assumptions. Despite continuing low commodity prices and seven fields being currently evaluated as having zero reserves, mainly due to a lack of economic viability, the 1P NPV10 estimate is US$206 million and the 2P NPV10 estimate is US$287 million.

Prospective shale gas resources

D&M has also produced a separate independent evaluation of risked prospective shale gas resources in the IGas East Midlands and North West licence areas.

Using a deterministic method adopted by the British Geological Survey and including recently awarded 14th Round licences, D&M have estimated an IGas gross mean gas initially in place (GIIP) of 221 trillion cubic feet. D&M reports an IGas gross GIIP best estimate of 106 trillion cubic feet using PRMS guidelines. These estimates include uncertainty in the productive area.

After application of adjustments for productive areas and recovery factors based on D&M's worldwide experience with analogous shale gas basins, D&M have estimated unrisked IGas net shale gas prospective resources of 11 trillion cubic feet.

Finally, D&M have estimated that IGas has 2.5 trillion cubic feet (ca. 440 MMboe) of net risked shale gas resources after taking into account an estimated geological chance of success.

Net IGas Shale Gas Estimates	Units (TcF)	Comments
Gas in Place	102	Using BGS deterministic method
Unrisked Prospective Resource	11	Adjusted for productive area and recovery factor
Risked Mean Prospective Resource	2.5	Adjusted for geological chance of success

Production assets

The average net production in the six months to 30 June 2016 was 2,299 boepd (six months ended 30 Sep 2015 (1H 2015): 2,540 boepd). This was impacted by certain key wells requiring maintenance and these wells have now been brought back online. Although production levels are currently back at c.2,600 boepd, given the lower production in the first half of 2016 we have revised our anticipated range for the year to 31 December 2016 to 2,400 - 2,600 boepd.

We have significant potential to both replace the underlying decline and grow our production in the longer term, with a number of incremental opportunities identified. In progressing that aim we have been granted planning permission for two additional wells at our production site in Singleton in the Weald.

We continue to monitor and evaluate our water injection pilots and consider methods to increase injection rates and improve reservoir management to enhance production and recovery.

We have made good progress on our three gas monetisation projects.

The planning application at Bletchingley for gas production and the application for compressed natural gas (CNG) at Albury have both now been approved. Commercial discussions are underway and a formal final investment decision (FID) will follow upon their conclusions. At Lybster, in Scotland, we have submitted the planning application for gas production/CNG and discussions are ongoing in respect of the off-take options. In addition, an application for the installation of a CNG facility at the Singleton field in the Weald has been approved.

We continue to identify opportunities in our conventional asset base and are moving planning applications forward with success, as highlighted above, so that we are in a position to take FID's on other projects dependent on oil / gas pricing. We are well placed to capitalise on these value accretive opportunities: water injection, oil behind pipe, gas monetisation and infill drilling with the potential to increase production. However, given current capital constraints we remain focused on those projects with the lowest capital requirements in the short-term.

Appraisal assets

North West

We have now finalised the interpretation and assessment of the 3D seismic acquisition which confirms the shale potential within the survey area. This evaluation has helped confirm our earlier understanding of the basin including the structure of the key horizons and has given us a better delineation of the target shale objectives.

This data is now being utilised to identify drilling locations and will allow us to firm up a development programme that will lead to commercial gas production following successful appraisal testing which would involve flow testing using the process of hydraulic fracturing. Such a development could provide local gas to major industrial consumers thereby sustaining local industry and employment.

We will commence a comprehensive stakeholder/community engagement programme associated with sites as they are confirmed. Information will be available at www.igas-engage.co.uk.

East Midlands and Yorkshire

Our Springs Road application progresses with the Nottinghamshire County Council (NCC) Planning Committee determination meeting set for 5 October 2016. On 27 September 2016 the Planning Officer recommended that NCC's Planning and Licensing Committee grant planning consent for the application to develop a hydrocarbon wellsite and drill up to two exploratory wells at the Springs Road site.

The second application in North Nottinghamshire at Tinker Lane was submitted to NCC in May 2016 and validated on 1 June 2016. The consultation period ended on 22 July 2016 and we await a date to be heard at the Planning Committee, which is expected after the Springs Road determination.

14th Onshore Licensing Round Work Programme

In the East Midlands and Yorkshire, blocks SE31c/SE41e, SK59b/SK49, and SK89e/SK88b/SK87c have been awarded to a joint venture comprising IGas, Total E&P UK Limited ("Total") and Egdon Resources plc ("Egdon"). IGas will be operator of the licences with a 35% interest, Total will have a 50% interest and Egdon a 15% interest. These licences are located in the Gainsborough Trough close to where the Company currently operates 80 sites, the majority of which have been in production for many years. IGas will conduct a shale work programme including 3D seismic surveys and three firm wells. Two further 100% blocks, TF18b and SK99a, were awarded to IGas in the East Midlands with a work programme consisting of two drill or drop wells targeting conventional prospects and 12km of 2D seismic.

In the North West, blocks SJ64/SJ65 and SJ75/SJ76 have been awarded to a joint venture comprising IGas and GDF SUEZ E&P UK Ltd ("GDF"). IGas will be operator of the licences with a 65% interest and GDF will have a 35% interest. A work programme consisting of 2D seismic and two drill or drop wells will help to establish the hydrocarbon potential of the shale in this area.

In the South East, IGas has been awarded blocks SU81c, SU81d, SU90a and TQ34d and will be the operator with a 100% interest. These blocks have conventional oil and gas potential and are located adjacent to the IGas Singleton and Bletchingley fields in the Weald Basin. A work programme consisting of 2D seismic acquisition will drive the decision on the two drill or drop wells.

Political and Industry Update

Following the vote in June 2016 to leave the EU a new Government was formed in July under the leadership of a new Prime Minister, Theresa May. Mrs May has said that she wants to see an energy policy that emphasises the reliability of supply and lower costs for users. Since her appointment, the Prime Minister has created a new Department of Business, Energy and Industrial Strategy headed by Greg Clark, formerly Secretary of State for Communities and Local Government. A former energy minister, Mr Clark reiterated the sentiment and that he was looking forward to delivering affordable, clean energy, along with a comprehensive industrial strategy.

On 8 August 2016, the Government launched a Shale Wealth Fund consultation to seek views on on the delivery method and priorities of the fund, including direct payments to communities. We welcome the consultation which is a positive initiative and one that recognises the importance of home produced gas.

In July 2016, the Committee on Climate Change published a report which stated that "shale gas could make a useful contribution to UK energy supplies, including providing some energy security benefits." The report also confirms that widespread shale gas production is compatible with the carbon budgets provided three tests are met. These tests are already met by existing UK regulations and policy.

In May 2016, another onshore operator, Third Energy was granted planning permission to hydraulically fracture its existing KM8 well at Kirby Misperton, Yorkshire, to evaluate the potential of the shale resource. Following the grant of permission, a judicial review was brought against North Yorkshire County Council which will be heard on 22/23 November 2016. We also await the outcome of the Cuadrilla appeals on or before 6 October 2016.

Financial review

During the first six months of 2016, Brent crude dropped to $27/bbl in January 2016, before recovering to $48/bbl on 30 June 2016. Also materially impacting the financial results was the fall in exchange rate against the US dollar from £1:$1.50 at the beginning of the period to £1:$1.34 on 30 June 2016, following the results of the EU referendum.

In 1H 2016 adjusted EBITDA[1] was £5.1m (six months ended 30 September 2015 (1H 2015): £7.4m) whilst a loss after tax was recognised from continuing activities of £25.2m (1H 2015: loss of £19.5m). The main factors explaining the movements between 1H 2016 and 1H 2015 were as follows:

- Reduced revenues of £12.1m (1H 2015: £17.6m) principally due to lower oil prices;
- other costs of sales of £8.9m (1H 2015: £11.1m) due to a cost reduction program;
- impairment charges of £nil (1H 2015: £19.5m net of tax) due to the significant reduction in the oil price in 2015;
- a profit on disposal of £nil (1H 2015: £4.0m - on the INEOS farm-out in 2015);
- derivative losses of £2.1m (1H 2015: £4.7m gains) due to the movement in the forward oil price curve;
- increased finance costs of £13.8m (1H 2015: £6.0m) due to foreign exchange losses, given the relative weakening of sterling, on the USD denominated bonds; and
- a tax credit of £1.2m (1H 2015: £10.8m) due mainly to timing difference reversals caused by the impairments in 2015.

Income statement

The Group recognised revenues of £12.1m in the period (1H 2015: £17.6m). Group production in the period was 406,711 barrels of oil, with ca. 4,200 Mwh of electricity sold, which together represents an average of 2,299 boepd (1H 2015: 2,540 boepd). Revenues

for the period also included £0.9m (1H 2015: £1.4m) relating to the sale of third party oil, the bulk of which is processed through our gathering centre at Holybourne in the Weald Basin.

The average realised price for the period per barrel pre hedge was $40.0 (1H 2015: $55.3) and post hedge $54.5 (1H 2015: $60.9). The average exchange rate for the period was £1: $1.43 (1H 2015: £1: $1.54) which positively impacted revenues during the period.

Cost of sales for the period were £13.0m (1H 2015: £16.7m) including depreciation, depletion and amortisation (D,D&A) of £4.1m (1H 2015: £5.6m), and operating costs of £8.9m (1H 2015: £11.1m). Operating costs include a £0.7m charge (1H 2015: £1.3m) in relation to processing third party oil, a decrease of £0.6m from the comparative period due to the decreased number of barrels purchased from third parties and processed by us. The contribution received from processing this third party oil was £0.04m (1H 2015: £0.1m). Excluding the costs of processing third party oil, operating costs decreased by £1.6m on the prior period following a cost reduction exercise carried out by the Group earlier in the year.

Operating costs per barrel of oil equivalent were £19.2 ($27.5), excluding the third party costs (1H 2015: £20.1 ($31.0) per barrel).

Adjusted EBITDA[1] in the period was £5.1m (1H 2015: £7.4m). Gross profit of £1.0m was recognised in the period (1H 2015: £0.9m). Administrative costs decreased by £0.7m to £4.3m (1H 2015: £5.0m) principally due to the cost reduction exercise.

Net back per boe[2] was $13.7 (£9.56), (1H 2015: $15.5 (£10.1)) and on a pre G&A basis was $27.0 (£18.5) (1H 2015: $29.9 (£19.4)).

The Group recognised an impairment charge of £nil (1H 2015: £19.5m net of tax) relating to producing assets (£nil; 1H 2015: £5.0m net of tax) and goodwill (£nil; 1H 2015: £14.5m net of tax) due to there being no indicators of impairment in the current period as opposed to the considerable reduction in comparative commodity forward curves at the 2015 period end. Exploration costs written off were £2.2m (net of tax) (1H 2015: £2.6m net of tax).

Net finance costs were £13.7m in the period (1H 2015: £3.6m), including interest on borrowings of £5.7m (1H 2015: £5.8m), gain on fair value of warrants £0.1m (1H 2015: gain of £0.2m) and a net foreign exchange loss of £7.8m (1H 2015: gains of £2.1m).

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

[2] Net back per boe is realised oil price, less operating costs and G&A

Cash flow

Net cash generated from operating activities in the period amounted to £9.1m (1H 2015: cash used £0.1m). The Group invested £5.1m across its asset base in the period (1H 2015: £4.5m), of which £4.2m was invested in the conventional assets, where investments continue to maintain our production at current levels.

IGas repaid £3.0m ($4.1m) of principal on borrowings to bondholders in the period in accordance with the terms of the bonds (1H 2015: £2.7m ($4.1m)), which represents a repayment of 2.5% of the original principal amount of the secured bonds.

IGas paid £5.1m ($7.2m) in interest (1H 2015: £4.9m ($7.5m)). Cash and cash equivalents were £27.1m at the period end (1H 2015: £34.5m).

Balance sheet

Net assets at 30 June 2016 amounted to £77.1m (31 December 2015: £98.8m) with the decrease in net assets resulting from the loss during 1H 2016 from continuing activities principally due to the change in the USD/GBP exchange rate, exploration and evaluation assets written off and changes in the value of derivative financial instruments held.

Net debt, being borrowings less cash, at the period end amounted to £83.5m (31 December 2015: £73.3m; 30 September 2015: £64.0m). The movement in the exchange rate during the period increased the sterling equivalent of the US$ bonds by £7.8m.

Principal risks and uncertainties

The Group constantly monitors the Group's risk exposures and 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 results of this work are reported to the Board which in turn performs its own review and assessment.

The principal risks for the Group remain as previously detailed on page 30 of the 2015 Annual Report and Accounts and can be summarised as:

- Planning, environmental, licensing and other permitting risks associated with its operations and, in particular, with drilling and production operations;
- No guarantee can be given that oil or gas can be produced in the anticipated quantities from any or all of the Group's assets or that oil or gas can be delivered economically;
- Successful development of shale gas resources;
- Market price risk through variations in the wholesale price of oil in the context of the production from oil fields it owns and operates;
- Market price risk through variations in the wholesale price of gas and electricity in the context of its future unconventional production volumes;
- Exchange rate risk through both its major source of revenue and its major borrowings being priced in US$ while most of the Group's operating and G&A costs are denominated in UK pounds sterling;
- Liquidity risk through its operations;
- Capital risk resulting from its capital structure, including operating within the covenants of its existing bond agreements; and
- Political risk such as change in Government or the effect of any local or national referendum.

Going concern

The Group closely monitors and manages its liquidity risks. Cash forecasts for the Group are regularly produced based on, inter alia, the Group's production and expenditure forecasts, management's best estimate of future oil prices (based on current forward curves, adjusted for the Group's hedging programme) and the Group's borrowings. Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices below the current forward curve and reductions in forecast oil and gas production rates.

The ability of the Group to operate as a going concern is dependent upon the continued availability of future cash flows and the bonds not becoming repayable earlier than their stated maturity date, which in turn is subject to the holders of the bonds not exercising their rights to early repayment which they would be entitled to do if the Group did not continue to comply with its

bond covenants. In response to the low oil price, the Board implemented a series of cost saving initiatives during 2015 that materially reduced both operating costs and G&A spend. During the current period the focus on reducing costs and maintaining adequate liquidity has continued.

The Board held constructive discussions with bondholders in the first half of 2016 seeking to modify and temporarily waive the existing covenants and extend the maturity dates of the bonds, well in advance of the time at which the Group projected non-compliance with the existing covenants. However, due to challenges relating to the Company's existing capital structure together with prevailing equity market conditions, the Group was unable to fully agree new terms at that stage. As reported in June and July 2016, an investor then announced a tender offer for and acquired senior secured bonds with a nominal value of $38.42 million at a price of 75 cents per bond. We believe that this investor now holds c.34% of the secured bonds and this represents a potential blocking vote in the secured bonds, should the bondholder exercise its right to vote, in relation to any amendments or waivers the Company may seek to the bond terms.

The Group is currently compliant with all its bond covenants, but despite delivering on the cost savings initiatives and with significant cash balances, the continuing low commodity price environment means that the Group's current forecasts project non-compliance with its daily liquidity covenant in the second half of October 2016 and its leverage covenant as at 31st December 2016, measured by reference to the Group's 2016 annual audited accounts expected to be published by the end of April 2017. The Group also remains in discussions with a number of strategic investors and continues to evaluate options for cash and earnings accretive transactions including farm-outs and other asset portfolio management opportunities to improve its cash position and de-leverage its balance sheet

The Group has recently entered into preliminary discussions with its new bondholder, and is continuing discussions with other key bondholders, with a view to achieving changes that will allow the Company's capital structure to be sustainable in the current oil price environment, and which will enable the Group to capitalise on value accretive opportunities. In view of the Group's forecast daily liquidity covenant position and to provide a platform for the development of such discussions, the Group may seek to undertake to either sell some of its assets, potentially including the sale of bonds or enter into a pre-paid swap of its oil production from 2017, to generate further cash to allow it to maintain sufficient liquidity, or secure a temporary waiver of its daily liquidity covenant from its secured and unsecured bondholders in advance of the forecast breach.

This waiver, or such other accommodation as may be provided by the bondholders, would be aimed at providing a platform for the development of further discussions with bondholders and potential investors over the coming months with the objective of agreeing and implementing appropriate changes to the Company's financing arrangements and/or capital structure.

The discussions that have taken place with key bondholders to date remain constructive and indicate that a consensual deal is possible. The Board believes that reaching a consensual solution would be in the interests of all stakeholders of the Group, including its bondholders, in particular because the Group has a number of valuable rights and interests, including the benefit of substantial carry agreements in respect of future development costs on a number of its licences which may be adversely affected and lead to a significant loss in value in the event a consensual solution could not be reached.

Nevertheless, the risk that the Group will be unable to secure a consensual solution with its bondholders represents a material uncertainty that may cast doubt upon the Group's ability to continue as a going concern.

The Board believes, after making appropriate enquiries, and based on the information currently available, that the Group is likely to be able to agree a consensual outcome with its bondholders. It is therefore considered appropriate to adopt the going concern basis in preparing the financial statements.

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'; and

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,

Stephen Bowler — Chief Executive Officer

Julian Tedder — Chief Financial Officer

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 June 2016 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Cash Flow Statement and the related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland), "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 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Emphasis of matter

In forming our conclusion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's ability to continue as a going concern. The conditions as explained in note 2 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt upon the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Ernst & Young LLP
London
29 September 2016

Condensed Consolidated Income Statement

	Notes	**Unaudited 6 months ended 30 June 2016 £000**	Unaudited 6 months ended 30 September 2015 £000	Audited nine months ended 31 December 2015 £000
Revenue	4	**12,083**	17,564	25,123
Cost of sales:				
Depletion, depreciation and amortisation		**(4,128)**	(5,593)	(7,105)
Other costs of sales		**(8,919)**	(11,076)	(14,416)
Total cost of sales		**(13,047)**	(16,669)	(21,521)
Gross (loss)/profit		**(964)**	895	3,602
Administrative expenses		**(4,284)**	(5,005)	(5,973)
Restructuring costs		**-**	(1,761)	(2,117)
Impairment of goodwill		**-**	(14,459)	(39,227)
Exploration and evaluation assets written off	8	**(4,476)**	(5,141)	(12,900)
Impairment of property, plant and equipment	9	**-**	(10,103)	(17,720)
Profit on disposal of oil and gas assets		**-**	3,998	3,998
(Loss)/gain on oil price derivatives		**(2,112)**	4,692	8,618
Other income		**516**	114	5,070
Operating loss		**(11,320)**	(26,770)	(56,649)
Finance income	5	**116**	2,441	1,302
Finance costs	5	**(13,836)**	(6,029)	(9,127)
Loss from continuing activities before tax		**(25,040)**	(30,358)	(64,474)
Income tax credit	6	**1,158**	10,827	17,257
Loss after tax from continuing operations attributable to equity shareholders of the Group		**(23,882)**	(19,531)	(47,217)
(Loss)/gain after tax from discontinued operations	13	**(1,332)**	254	2,395
Net loss attributable to equity shareholders of the Group		**(25,214)**	(19,277)	(44,822)
Loss attributable to equity shareholders:				
Basic loss per share (pence/share)	7	**(8.45p)**	(6.61p)	(15.15p)
Diluted loss per share (pence/share)	7	**(8.45p)**	(6.61p)	(15.15p)

Condensed Consolidated Statement of Comprehensive Income

	Unaudited 6 months ended 30 June 2016 £000	Unaudited 6 months ended 30 September 2015 £000	Audited nine months ended 31 March 2015 £000
Loss for the period	**(25,214)**	(19,277)	(48,822)
Other comprehensive (loss)/income for the period:			
Currency translation adjustments recycled to the income statement	**105**	-	1,229
Other comprehensive income to be classified to profit or loss in subsequent periods:			
Currency translation adjustments	**(442)**	(4,570)	(5,058)
Total comprehensive loss for the period	**(25,551)**	(23,847)	(48,651)

Condensed Consolidated Balance Sheet

	Notes	Unaudited at 30 June 2016 £000	Unaudited at 30 September 2015 £000	Audited at 31 December 2015 £000
ASSETS				
Non-current assets				
Intangible exploration and evaluation assets	8	**111,082**	120,975	113,394
Property, plant and equipment	9	**81,822**	91,356	82,911
Goodwill		**4,801**	29,569	4,801
		197,705	241,900	201,106
Current assets				
Inventories		**1,211**	1,299	1,208
Trade and other receivables		**8,169**	10,113	14,809
Cash and cash equivalents	12	**27,071**	34,481	28,614
Other financial assets - restricted cash	12	**354**	2,766	1,007
Derivative financial instruments	10	**521**	4,443	6,654
Assets classified as held for sale		**-**	1,178	1,837
		37,326	54,280	54,129
Total assets		**235,031**	296,180	255,235
LIABILITIES				
Current liabilities				
Trade and other payables		**(6,740)**	(9,893)	(9,218)
Current tax liabilities		**(1,585)**	(1,220)	(2,004)
Borrowings	12	**(5,288)**	(5,091)	(4,819)
Other liabilities	10	**(65)**	(148)	(147)
Liabilities associated with assets classified as held for sale		**-**	(1,811)	(1,837)
		(13,678)	(18,163)	(18,025)
Non-current liabilities				
Borrowings	12	**(105,636)**	(96,165)	(98,060)
Deferred tax liabilities		**(13,437)**	(21,688)	(14,636)
Provisions		**(25,216)**	(29,084)	(25,323)
Contingent deferred consideration	10	**-**	(5,367)	(420)
		(144,289)	(152,304)	(138,439)
Total liabilities		**(157,967)**	(170,467)	(156,464)
Net assets		**77,064**	125,713	98,771
EQUITY				

Capital and reserves

Called up share capital	**26,936**	26,527	26,636
Share premium account	**117,885**	117,601	117,731
Capital redemption reserve	**41,239**	41,239	41,239
Foreign currency translation reserve	**(7,201)**	(4,570)	(6,864)
Other reserves	**4,712**	664	1,322
Accumulated deficit	**(106,507)**	(55,748)	(81,293)
Shareholders' funds	**77,064**	125,713	98,771

Condensed Consolidated Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Foreign currency translation reserve* £000	Other reserves** £000	Accumulated deficit £000	Total £000
At 1 April 2015 (audited)	**26,446**	**117,463**	**41,239**	**(3,035)**	**1,264**	**(36,757)**	**146,620**
Loss for the period	-	-	-	-	-	(19,277)	(19,277)
Employee share plans	-	-	-	-	687	-	687
Forfeiture of LTIPs under the employee share plan	-	-	-	-	(1,001)	-	(1,001)
Lapse of LTIPs under the employee share plan	-	-	-	-	(286)	286	-
Issue of shares	81	138	-	-	-	-	219
Currency translation adjustments	-	-	-	(1,535)	-	-	(1,535)
At 30 September 2015 (unaudited)	**26,527**	**117,601**	**41,239**	**(4,570)**	**664**	**(55,748)**	**125,713**
Loss for the period	-	-	-	-	-	(25,545)	(25,545)
Employee share plans	-	-	-	-	657	-	657
Forfeiture of LTIPs under the employee share plan	-	-	-	-	1	-	1
Issue of shares	109	130	-	-	-	-	239
Currency translation adjustments	-	-	-	(2,294)	-	-	(2,294)
At 31 December 2015 (audited)	**26,636**	**117,731**	**41,239**	**(6,864)**	**1,322**	**(81,293)**	**98,771**
Loss for the period	-	-	-	-	-	(25,214)	(25,214)
Employee share plans (note 11)	-	-	-	-	3,390	-	3,390
Issue of shares	300	154	-	-	-	-	454
Currency translation adjustments	-	-	-	(337)	-	-	(337)
At 30 June 2016 (unaudited)	**26,936**	**117,885**	**41,239**	**(7,201)**	**4,712**	**(106,507)**	**77,064**

* The foreign currency translation reserve represents exchange gains and losses arising on translation of foreign currency subsidiaries net assets and results for the period and on translation of those subsidiaries intercompany balances which form part of the net investment of the Group.

** Other reserves include: 1) LTIP/VCP/EDRP/MRP/EIP reserves which represent the cost of share options issued under the long term incentive plans; 2) share investment plan reserve which represents the cost of the partnership and matching shares; 3) treasury shares reserve which represents the cost of shares in IGas Energy plc purchased in the market and held by the IGas Employee Benefit Trust to satisfy awards held under the Group incentive plans; and 4) capital contribution reserve which arose following the acquisition of IGas Exploration UK Limited.

Condensed Consolidated Cash Flow Statement

	Notes	**Unaudited 6 Months ended 30 June 2016 £000**	Unaudited 6 Months ended 30 September 2015 £000	Audited 9 Months ended 31 December 2015 £000
Cash flows from operating activities:				
Loss before tax for the period		**(25,040)**	(30,358)	(64,474)
Adjustment for non-operating gain relating to farm-out		**-**	(3,997)	(3,998)
Adjustment for gain relating to deferred consideration		**(420)**	-	(4,947)
Depreciation, depletion and amortisation		**4,209**	5,681	7,233
Abandonment costs incurred		**(419)**	(6)	(6)
Share based payment charge	11	**2,165**	46	600
Impairment of goodwill		**-**	14,459	39,227
Exploration and evaluation assets written off	8	**4,476**	5,141	12,900
Impairment of property, plant and equipment		**-**	10,103	17,720
Unrealised gain on oil price derivatives		**6,133**	(3,070)	(5,281)

	Note			
Finance income	5	**(116)**	(2,441)	(1,302)
Finance costs	5	**13,836**	6,029	9,127
Other non-cash adjustments		**40**	(74)	(326)
Operating cash flow before working capital movements		**4,864**	1,513	6,473
Decrease/(increase) in trade and other receivables and other financial assets		**6,367**	(2,545)	(5,568)
(Decrease)/increase in trade and other payables, net of accruals related to investing activities		**(887)**	1,296	130
Increase in inventories		**(117)**	(26)	(248)
Cash generated from continuing operating activities		**10,227**	238	787
Cash (used in)/generated from discontinued operating activities		**(614)**	(370)	175
Taxation paid		**(552)**	-	-
Net cash generated from/(used in) operating activities		**9,061**	(132)	962
Cash flows from investing activities				
Purchase of exploration and evaluation assets		**(851)**	(1,361)	(2,963)
Purchase of property, plant and equipment		**(4,215)**	(3,107)	(6,396)
Disposal of subsidiary		**(171)**	-	-
Disposal of exploration and evaluation assets		**-**	30,000	30,000
Disposal of oil and gas assets		**20**	181	181
Interest received		**124**	99	107
Cash (used in)/generated from continuing investing activities		**(5,093)**	25,812	20,929
Cash used in discontinued investing activities		**(177)**	(565)	(52)
Net cash (used in)/generated from investing activities		**(5,270)**	25,247	20,877
Cash flows from financing activities				
Cash proceeds from issue of ordinary share capital		**71**	88	125
Interest paid		**(5,104)**	(4,905)	(5,925)
Bond renegotiation costs		**-**	(936)	(940)
Repayment of loans and borrowings		**(2,960)**	(3,917)	(6,147)
Cash used in continuing financing activities		**(7,993)**	(9,670)	(12,887)
Cash used in discontinued financing activities		**-**	(77)	-
Net cash used in financing activities		**(7,993)**	(9,747)	(12,887)
Net (decrease)/increase in cash and cash equivalents in the period		**(4,202)**	15,368	8,952
Net foreign exchange difference		**2,659**	(98)	637
Cash and cash equivalents at the beginning of the period		**28,614**	19,025	19,025
Cash and cash equivalents at the end of the period	12	**27,071**	34,295	28,614

Cash and cash equivalents at the end of the period include £0.4 million relating to discontinued operations.

1 Corporate information

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016, which are unaudited, were authorised for issue in accordance with a resolution of the Directors on 27 September 2016.

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

2 Accounting policies

Basis of preparation

These condensed consolidated financial statements have been prepared 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 nine months ended 31 December 2015.

Comparative period

In the prior year, the Group changed its accounting reference date from 31 March to 31 December. In these interim financial statements, given the group did not previously prepare information for the six months ended 30 June 2015, the Group considers the information for the six month period ended on 30 September 2015 to be more reliable and has therefore used that period as the comparative period. As the Group's operations are not seasonal, management consider the comparability to be appropriate.

The financial information contained in this document does not constitute statutory accounts as defined by Section 435 of the Companies Act 2006 (England & Wales). The financial information as at 31 December 2015 is based on the statutory accounts for the financial period ended 31 December 2015. 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 December 2015, has been delivered to the Register of Companies and is available on the Company's website at www.igasplc.com. The auditor's 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 to report an exception in accordance with section 498 (2) and (3) of the Companies Act 2006.

Going concern

The Group closely monitors and manages its liquidity risks. Cash forecasts for the Group are regularly produced based on, inter alia, the Group's production and expenditure forecasts, management's best estimate of future oil prices (based on current forward curves, adjusted for the Group's hedging programme) and the Group's borrowings. Sensitivities are run to reflect different scenarios including, but not limited to, possible further reductions in commodity prices below the current forward curve and reductions in forecast oil and gas production rates.

The ability of the Group to operate as a going concern is dependent upon the continued availability of future cash flows and the bonds not becoming repayable earlier

than their stated maturity date, which in turn is subject to the holders of the bonds not exercising their rights to early repayment which they would be entitled to do if the Group did not continue to comply with its bond covenants. In response to the low oil price, the Board implemented a series of cost saving initiatives during 2015 that materially reduced both operating costs and G&A spend. During the current period the focus on reducing costs and maintaining adequate liquidity has continued.

The Board held constructive discussions with bondholders in the first half of 2016 seeking to modify and temporarily waive the existing covenants and extend the maturity dates of the bonds, well in advance of the time at which the Group projected non-compliance with the existing covenants. However, due to challenges relating to the Company's existing capital structure together with prevailing equity market conditions, the Group was unable to fully agree new terms at that stage. As reported in June and July 2016, an investor then announced a tender offer for and acquired senior secured bonds with a nominal value of $38.42 million at a price of 75 cents per bond. We believe that this investor now holds c.34% of the secured bonds and this represents a potential blocking vote in the secured bonds, should the bondholder exercise its right to vote, in relation to any amendments or waivers the Company may seek to the bond terms.

The Group is currently compliant with all its bond covenants, but despite delivering on the cost savings initiatives and with significant cash balances, the continuing low commodity price environment means that the Group's current forecasts project non-compliance with its daily liquidity covenant in the second half of October 2016 and its leverage covenant as at 31st December 2016, measured by reference to the Group's 2016 annual audited accounts expected to be published by the end of April 2017. The Group also remains in discussions with a number of strategic investors and continues to evaluate options for cash and earnings accretive transactions including farm-outs and other asset portfolio management opportunities to improve its cash position and de-leverage its balance sheet

The Group has recently entered into preliminary discussions with its new bondholder, and is continuing discussions with other key bondholders, with a view to achieving changes that will allow the Company's capital structure to be sustainable in the current oil price environment, and which will enable the Group to capitalise on value accretive opportunities. In view of the Group's forecast daily liquidity covenant position and to provide a platform for the development of such discussions, the Group may seek to undertake to either sell some of its assets, potentially including the sale of bonds or enter into a pre-paid swap of its oil production from 2017, to generate further cash to allow it to maintain sufficient liquidity, or secure a temporary waiver of its daily liquidity covenant from its secured and unsecured bondholders in advance of the forecast breach.

This waiver, or such other accommodation as may be provided by the bondholders, would be aimed at providing a platform for the development of further discussions with bondholders and potential investors over the coming months with the objective of agreeing and implementing appropriate changes to the Company's financing arrangements and/or capital structure.

The discussions that have taken place with key bondholders to date remain constructive and indicate that a consensual deal is possible. The Board believes that reaching a consensual solution would be in the interests of all stakeholders of the Group, including its bondholders, in particular because the Group has a number of valuable rights and interests, including the benefit of substantial carry agreements in respect of future development costs on a number of its licences which may be adversely affected and lead to a significant loss in value in the event a consensual solution could not be reached.

Nevertheless, the risk that the Group will be unable to secure a consensual solution with its bondholders represents a material uncertainty that may cast doubt upon the Group's ability to continue as a going concern.

The Board believes, after making appropriate enquiries, and based on the information currently available, that the Group is likely to be able to agree a consensual outcome with its bondholders. It is therefore considered appropriate to adopt the going concern basis in preparing the financial statements.

Accounting policies

The accounting policies applied in these condensed financial statements are consistent with those followed in the preparation of the Group's financial statements for the nine months ended 31 December 2015.

New and amended standards and interpretations

During the period, the Group adopted the following new and amended IFRSs which were applicable to the Group's activities as of 1 January 2016

IFRS 11	Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11	1 January 2016
IAS 1	Disclosure initiative - Amendments to IAS 1	1 January 2016
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38	1 January 2016

The Group has concluded that these amendments have no impact on the financial statements.

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 January 2017 or later periods and which the Group has not adopted early. Those that may be applicable to the Group in future are as follows:

IAS 7	Disclosure Initiative - Amendments to IAS 7	1 January 2017*
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12	1 January 2017*
IFRS 2	Amendment to IFRS 2: Classification and measurement of share-based payment transactions	1 January 2018*
IFRS 15	Revenue from Contracts with Customers	1 January 2018*
IFRS 9	Financial Instruments	1 January 2018*
IFRS 16	Leases	1 January 2019*

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

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

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 those of the parent. All intercompany transactions and balances between Group companies, including unrealised profits arising from them, are eliminated in full. Where shares are issued to an Employee Benefit Trust, and the Company is the sponsoring entity, it is treated as an extension of the entity.

4 Revenue and segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segments and assess their 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 representing core (UK) and non-core (Rest of the World) operating segments. Therefore the Group has two operating and reportable segments as reflected in the Group's annual report and accounts for the nine months ended 31 December 2015.

All revenue, which represents turnover, arises solely within the United Kingdom and relates to external parties. The majority of the Group's non-current assets are in the United Kingdom.

	UK/ Europe £000	**Rest of the World £000**	**6 months ended 30 June 2016 Group £000**
Oil sales to external customers	**11,883**	**-**	**11,883**
Electricity sales to external customers	**200**	**-**	**200**
Segment operating loss	**(11,292)**	**(28)**	**(11,320)**
Interest expense (note 5)	**(5,676)**	**-**	**(5,676)**
Interest income (note 5)	**34**	**-**	**34**
-Net finance expenses excluding interest (note 5)	**(8,072)**	**(6)**	**(8,078)**
Loss before tax and discontinued operations	**(25,006)**	**(34)**	**(25,040)**

	UK/ Europe £000	Rest of the World £000	6 months ended 30 September 2015 Group £000
Oil sales to external customers	17,281	-	17,281
Electricity sales to external customers	283	-	283
Segment operating profit	(26,556)	(214)	(26,770)
Interest expense (note 5)	(5,765)	-	(5,765)
Net finance expenses excluding interest (note 5)	2,174	3	2,177
Profit before tax and discontinued operations	(30,147)	(211)	(30,358)

	UK/ Europe £000	Rest of the World £000	Nine months ended 31 December 2015 Group £000
Oil sales to external customers	24,753	-	24,753
Electricity sales to external customers	370	-	370
Segment operating loss	(56,408)	(241)	(56,649)
Interest expense (note 5)	(8,731)	-	(8,731)
Interest income (note 5)	105	-	105
Other finance income - net (note 5)	801	-	801
Loss before tax and discontinued operations	(64,223)	(241)	(64,474)

5 Finance income and costs

	Unaudited 6 months ended 30 June 2016 £000	Unaudited 6 months ended 30 September 2015 £000	Audited 9 months ended 31 December 2015 £000
Finance income			
Interest on short-term deposits	**34**	51	105
Other interest	**-**	1	1
Gain on bond buyback	**-**	47	943
Gain on fair value of warrants	**82**	201	202
Foreign exchange gains	**-**	2,141	51
Finance income recognised in income statement	**116**	2,441	1,302
Finance expense			
Interest on borrowings	**5,676**	5,765	8,731
Interest expense	**5,676**	5,765	8,731
Foreign exchange loss	**7,849**	-	-
Unwinding of discount on provisions	**311**	264	396
Finance expense recognised in income statement	**13,836**	6,029	9,127

6 Tax on profit on ordinary activities

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

	Unaudited 6 months ended 30 June 2016 £000	Unaudited 6 months ended 30 September 2015 £000	Audited 9 months ended 31 December 2015 £000
UK corporation tax			
Current tax on income for the period	**42**	295	1,253
Credit in relation to prior period	**-**	-	(335)
Total current tax charge	**42**	295	918
Deferred tax			
Current period credit relating to the origination or reversal of temporary differences	**(1,200)**	(11,122)	(16,418)
Credit in relation to prior period	**-**	-	(1,757)
Total deferred tax credit	**(1,200)**	(11,122)	(18,175)
Tax credit on profit on ordinary activities	**(1,158)**	(10,827)	(17,257)

The Finance Act 2016 reduces the rate of supplementary charge to corporation tax to 10% with effect from 1 January 2016. This reduction hasn't been enacted as at 30 June 2016 therefore the new rate wasn't reflected in the calculation of tax credit/charge for the period. The rate reduction, once applied, will reduce the deferred tax liability of the Group.

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 based on the loss for the period after taxation attributable to ordinary equity holders of the parent of £25.2 million (six months ended 30 September 2015: £19.3 million, nine months ended 31 December 2015: £44.8 million) and the weighted average number of ordinary shares outstanding during the period of 298.4 million (six months ended 30 September 2015: 295.6 million, nine months ended 31 December 2015: 295.9 million).

Diluted EPS amounts are based on the loss after taxation attributable to the ordinary equity holders of the parent and 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. There are 33.5 million (six months ended 30 September 2015: 15.3 million, nine months ended 31 December 2015: 23.3 million) potentially dilutive employee share options, LTIPs and warrants, which are not included in the calculation of diluted earnings per share because they were anti-dilutive as their conversion to ordinary shares would decrease the loss per share.

8 Intangible exploration and evaluation assets

	Unaudited 6 months ended 30 June 2016 £'000	Unaudited 6 months ended 30 September 2015 £'000	Audited 9 months ended 31 December 2015 £'000
At 1 January/1 April	**113,394**	151,615	151,615
Additions	**2,164**	778	2,931
Farm-out	**-**	(26,277)	(28,252)
Changes in decommissioning	**-**	-	-
Amounts written off*	**(4,476)**	(5,141)	(12,960)
At 30 June/30 September/31 December	**111,082**	120,975	113,394

*Amounts written off during the period relate to previously capitalised expenditure of £4.5 million primarily in respect of licence PEDLs 174 and 207 which were written off during the period following the decision to relinquish these licenses.

Under the terms of the Secured Bond agreement, the Bondholders have a fixed and floating charge over these assets.

9 Property, plant and equipment

	Six months ended 30 June 2016 (Unaudited)			Six months ended 30 September 2015 (Unaudited)			Nine ended 31 December 2015 (Audited)		
	Oil and gas assets	Other fixed assets	Total	Oil and gas assets	Other fixed assets	Total	Oil and gas assets	Other fixed assets	Total
Cost									
At 1 January/1 April	147,434	3,731	151,165	144,230	4,318	148,548	144,230	4,318	148,548
Additions	2,844	306	3,569	2,991	231	3,222	7,480	93	7,573
Disposals	(77)	(244)	(321)	(376)	(951)	(1,327)	(383)	(555)	(938)
Changes in decommissioning	-	-	-	-	-	-	(3,893)	-	(3,893)
Write off	-	-	-	-	-	-	-	(118)	(118)

Foreign exchange	-	-	-	-	(1)	(1)	-	(7)	(7)
At 30 June/30 September/31 December	**150,201**	**3,793**	**154,413**	146,845	3,597	150,442	147,434	3,731	151,165
Depreciation and Impairment									
At 1 April	66,815	1,439	68,254	42,524	1,710	44,234	42,524	1,710	44,234
Charge for the period	4,026	191	4,217	5,494	197	5,691	6,956	293	7,249
Disposals	(77)	(222)	(299)	(357)	(584)	(941)	(383)	(440)	(823)
Impairment	-	-	-	10,103	-	10,103	17,720	-	17,720
Write off	-	-	-	-	-	-	-	(118)	(118)
Foreign exchange	-	-	-	-	(1)	(1)	(2)	(6)	(8)
At 30 June/30 September/31 December	**70,764**	**1,408**	**72,172**	57,764	1,322	59,086	66,815	1,439	68,254
NBV at 30 June/30 September/31 December	**79,437**	**2,385**	**81,822**	89,081	2,275	91,356	80,619	2,292	82,911

Under the terms of the Secured Bond agreement, the Bondholders have a fixed and floating charge over these assets.

10 Financial Instruments - fair value disclosure

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

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

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

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

Financial assets and liabilities measured at fair value

	Level 1	Level 2	Level 3	Total
	£000	**£000**	**£000**	**£000**
At 30 June 2016				
Financial assets				
Derivative financial instruments	**-**	**521**	**-**	**521**
Total	**-**	**521**	**-**	**521**
Financial liabilities				
Warrants	**-**	**65**	**-**	**65**
Contingent deferred consideration	**-**	**-**	**-**	**-**
Total	**-**	**65**	**-**	**65**

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
At 30 September 2015				
Financial assets				
Derivative financial instruments	**-**	4,443	-	4,443
Total	**-**	4,443	-	4,443
Financial liabilities				
Warrants	**-**	148	-	148
Contingent deferred consideration	**-**	-	5,367	5,367
Total	**-**	148	5,367	5,515

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
At 31 December 2015				
Financial assets				
Derivative financial instruments	-	6,654	-	6,654
Total	-	6,654	-	6,654
Financial liabilities				
Warrants	-	147	-	147
Contingent deferred consideration	-	-	420	420
Total	-	147	420	567

Fair value of derivative financial instruments

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

Fair value of contingent deferred consideration

The deferred consideration amount relates to the amount payable by a wholly owned subsidiary of the Group (acquired as part of the Dart acquisition), GP Energy Ltd, to its earlier joint venture partner in certain licences contingent upon various exploration and development success outcomes. Inputs that may have a significant effect on the recorded fair value have been identified as the (i) technical and commercial risk factors; (ii) change in the discount rate used to discount future cash flows and (iii) other unobservable factors such as the time periods over which this monies are expected to be paid, which is based on internal estimates.

The group does not plan to undertake any further exploration drilling based on its existing plans, therefore, at the end of the period, the deferred contingent consideration has been valued at nil and the gain on re-measurement has been credited to the Income Statement.

Fair value of warrants

The warrants are valued using a Black-Scholes methodology. The inputs to these valuations include the Groups share price, its volatility, and risk free interest rates.

Fair value of financial assets and financial liabilities

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

11 Employee share plans - equity settled

In March 2016, the Group adopted a new share-based payment scheme, the Executive Incentive Plan ("EIP"). Under the EIP, participants are granted nil cost options which vest and become exercisable on the third anniversary of grant subject to the employees' continued employment and the achievement of stretching share price targets .The maximum number of awards will vest based on the achievement of share price targets and calculated using the share price multiplier of between 1 and 2.

Executives were granted 7,548,701 options in the EIP and the fair value was based on the Monte Carlo valuation model. The key inputs into the modwere: threshold price of between £0.50 and £0.75, a risk free interest rate of 0.52% and an implied share price volatility of c. 70%. It was also assumed that no dividends would be paid during the life of the options. This resulted in a fair value of £1.4 million. The total charge for the period was £0.119 million. Of this amount, £0.035 million was capitalised and £0.084 million was charged to the Income Statement.

In January 2016, employees were granted 2,865,290 options in the MRP in lieu of 2015 cash bonuses. The fair value of the awards granted under the MRP were measured with reference to the share price on the grant date. This resulted in a fair value of £0.4 million. The total charge to the Income Statement for the period was £0.22 million.

12 Net debt

Borrowings - secured and unsecured bonds

In 2013, the Company and Norsk Tillitsmann ("Bond Trustee") entered into a Bond Agreement for the Company to issue up to US$165.0 million secured bonds and up to US$30.0 million unsecured bonds (issued at 96% of par). These bonds were subsequently listed on Oslo Bors and the Alternative bond market in Oslo. During the nine month period ending 31 December 2015, the Company amended the terms of the Bond agreement. The primary changes were in relation to the covenants and the maintenance of financial ratios including the establishment of a Debt Service Retention Account ("DSRA").

Both secured and unsecured bonds carry a coupon of 10% per annum (where interest is payable semi-annually in arrears). Secured bonds are amortised semi-annually at 2.5% of the initial loan amount. Final maturity on the secured notes is on 22 March 2018 and on the unsecured notes is 11 December 2018.

Cash and cash equivalents

Included within cash and cash equivalents is £8.5 million (30 September 2015: £11.2 million) held in the DSRA account which at the Company's discretion is designated for the buy-back of bonds or for repayment of bonds at the maturity date.

13 Assets classified as held for sale and discontinued operations

Certain assets acquired as part of the Dart Acquisition, namely the Rest of the World segment principally consisting of Australian and Indonesian assets, were acquired with the intention to divest all business and activities in all these countries. The sale of the remaining interests in the Indonesian assets completed in May 2016, which resulted in a loss of £0.5 million. There was no tax charged on this amount.

The total loss for the period after tax in respect of discontinued operations was £1.3 million (six months ended 30 September 2015: gain of £0.3million). There was no tax charged on these amounts in either period.

14 Subsequent events

Issued shares

On 22 July 2016, the Company issued 502,582 Ordinary 10p shares in relation to the Group's SIP scheme.

Capital reduction

At the Annual General Meeting of the Company held on 25th May 2016, a special resolution was passed approving a reduction of the Company's capital by way of the cancellation of the whole of the amount standing to the credit of the Company's share premium account and the capital redemption reserve thus eliminating the current deficit position and creating distributable reserves.

The Capital Reduction has become effective as at 4 August 2016, following the approval of the High Court and the subsequent registration of the Court order with the Registrar of Companies.

Glossary

£ The lawful currency of the United Kingdom

$ The lawful currency of the United States of America

1P Low estimate of commercially recoverable reserves

2P Best estimate of commercially recoverable reserves

3P High estimate of commercially recoverable reserves

1C Low estimate or low case of Contingent Recoverable Resource quantity

2C Best estimate or mid case of Contingent Recoverable Resource quantity

3C High estimate or high case of Contingent Recoverable Resource quantity

AIM AIM market of the London Stock Exchange

boepd Barrels of oil equivalent per day

bopd Barrels of oil per day

Contingent Recoverable Resource - Contingent Recoverable Resource estimates are prepared in accordance with the Petroleum Resources Management System (PRMS), an industry recognised standard. A Contingent Recoverable Resource is defined as discovered potentially recoverable quantities of hydrocarbons where there is no current certainty that it will be commercially viable to produce any portion of the

contingent resources evaluated. Contingent Recoverable Resources are further divided into three status groups: marginal, sub-marginal, and undetermined. IGas' Contingent Recoverable Resources all fall into the undetermined group. Undetermined is the status group where it is considered premature to clearly define the ultimate chance of commerciality.

Drill or drop - A drill or drop well carries no commitment to drill. The decision whether or not to drill the well rests entirely with the Licensee being driven by the results of geotechnical analysis. The Licence will, however, still expire at the end of the Initial Term if the well has not been drilled.

Firm well - A firm well is classified as a firm commitment to drill a well. It is not contingent on any further geotechnical evaluation (i.e. it is a fully evaluated Prospect).

GIIP Gas initially in place

MMboe Millions of barrels of oil equivalent

MMscfd Millions of standard cubic feet per day

PEDL United Kingdom petroleum exploration and development licence

PL Production licence

Tcf Trillions of standard cubic feet of gas

UK United Kingdom

DIRECTORS AND ADVISERS

Directors	F Gugen - Non-Executive Chairman
	S Bowler - Chief Executive Officer
	J Blaymires - Chief Operating Officer
	J Tedder - Chief Financial Officer
	J Bryant - Non-Executive Director
	M McTighe - Non-Executive Deputy Chairman
	C McDowell - Non-Executive Director
Company Secretary	**Cooley Services Limited**
	Dashwood
	69 Old Broad Street
	London EC2M 1QS
Nominated Adviser and Broker	**NOMAD and Joint Broker**
	Investec
	2 Gresham Street
	London, EC2V 7QP
Joint Broker	**Canaccord Genuity**
	88 Wood Street
	London EC2V 7QR
Registrars	**Computershare Investors Services plc**
	The Pavilions
	Bridgwater Road
	Bristol BS13 8AE
Auditor	**Ernst & Young LLP**
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Registered office	7 Down Street
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Company's registered number	**4981279**

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