IGas Energy

20 September 2017

IGas Energy plc (AIM: IGAS)

Unaudited results for the six months ended 30 June 2017

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 2017.

Results Summary

	Six months to 30 June 2017 £m	Six months to 30 June 2016 £m
Revenues	16.8	12.1
Adjusted EBITDA	2.5	5.1
Profit/(loss) after tax	8.0	(25.2)
Net cash from operating activities	0.4	9.1
Net debt	7.2	83.5
Cash and cash equivalents	16.3	27.1

Operational Summary

- Average production 1H 2017 was 2,326 boepd (1H: 2016 2,299 boepd) with operating costs of $28.5/boe (FY 2016: $27.5/boe)
- Anticipated average production for 12 months to 31 December 2017 is c.2,250 boepd, due to maintenance. We expect to exit 2017 at c.2,500 boepd
- Investment in conventional portfolio to underpin production of 2,500 boepd and operating costs of $25/bbl in the medium term
    - Multiple incremental projects with attractive return potential identified and progressing
- Good progress on our East Midlands shale acreage
    - Tinker Lane Planning Application for exploration well approved in March 2017
    - Site construction to commence for Springs Road and Tinker Lane post Nottingham County Council approval of discharge of planning conditions
    - Drilling activity – spudding of first well anticipated in early 2018
- Planning application submitted in North West to test Pentre Chert formation at Ellesmere Port
- Planning applications to follow for appraisal drilling including flow testing in both the North West and East Midlands, with one application expected before the end of 2017

Corporate & Financial Summary

- Successful completion of capital restructuring and fundraising in April 2017
    - Experienced industry investor, Kerogen Capital, now a 28% shareholder following its $35 (£29) million equity investment
    - Further $22 (£18) million raised in placing and open offer
    - Net debt reduced from $122 (£100) million at 31 December 2016 to c.$9 (£7) million as at 30 June 2017
- Significant cash balances as at 30 June 2017 of £16 million
- Carried work programme of up to £183 million ($238 million at June 2017 exchange rates) as at 30 June 2017;
- 300,000 barrels hedged for the second half of 2017 with a floor price of $40/bbl - $45/bbl. 450,000 bbls hedged for 2018 with a floor price of $41/bbl - $46/bbl.

Commenting today Stephen Bowler, Chief Executive Officer, said:

"We are well funded for the future and continue to be cashflow generative at current oil prices. We now have capital to deploy in growth projects across our conventional assets, in addition to the c.US$240m carried work programme on our shale acreage.

Since the capital restructuring, we have been able to bring forward an active programme of maintenance. We have also identified incremental projects that will further underpin our conventional portfolio with resultant production levels of c.2,500 boepd and operating costs of c.US$25/bbl in the medium term.

We will shortly commence site construction at our two sites in North Nottinghamshire, ahead of drilling. In the North West, we have submitted an application to conduct further tests on our site at Ellesmere Port and we are developing further applications for appraisal and flow testing across our acreage in both the North West and the East Midlands.

Momentum in UK shale activity continues to increase with Cuadrilla now drilling its first well at Preston New Road, Third Energy expecting to start hydraulic fracturing at its KM8 well in North Yorkshire in the next few months and INEOS having submitted further applications for shale appraisal alongside its 3D seismic acquisition programme.

Alongside this activity, given the proximity to our Weald Basin acreage, we also await with interest the results from drilling and flow tests in this area.

Encouragingly, there is a significant level of activity onshore UK, and over the next 12 months, the industry is expected to have over half a dozen operators either drilling or flowing wells, including a number from IGas. We look forward to the future with excitement not only for IGas, but for the wider UK onshore industry as security of energy supply and diversification of the UK energy mix becomes ever more critical."

A results presentation will be available at www.igasplc.com/investors/presentations.

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.

For further information please contact:

IGas Energy plc

Tel: +44 (0)20 7993 9899

Stephen Bowler, Chief Executive Officer
Julian Tedder, Chief Financial Officer
Ann-marie Wilkinson, Director of Corporate Affairs

Investec Bank plc (NOMAD and Joint Corporate Broker)

Tel: +44 (0)20 7597 4000

Sara Hale/Jeremy Ellis/George Price

Canaccord Genuity (Joint Corporate Broker)

Tel: +44 (0)20 7523 8000

Henry Fitzgerald-O'Connor

Vigo Communications

Tel: +44 (0)20 7830 9700

Patrick d'Ancona/Chris McMahon

Introduction

During the first half of the year we concluded a successful capital restructuring, significantly reducing debt and giving the company an improved capital structure which is sustainable in the current oil price environment, as well as introducing a significant and knowledgeable sector investor in Kerogen. This, coupled with the significant carried shale work programme, means we are well positioned to pursue our strategy, maximising the potential of our existing assets and developing our shale gas business.

The capital restructuring, including the raising of new equity capital, required significant time from the Board and senior management. Since its completion, in April, we have been advancing operational matters across our production and shale development assets.

With capital now available to deploy we are taking further steps to improve operating and production efficiency that will underpin our conventional production into 2018 and beyond. We have taken a number of projects to FID since the period end which will start to increase production levels in 2018. There are a significant number of incremental projects that we continue to identify and progress with attractive internal rates of return and payback periods at the current oil price. These give the Board confidence that c.£5m of incremental capital expenditure per annum will result in production of levels of c.2,500 boepd and operating costs of c.US$25/bbl in the medium term.

There were a number of Board changes in the period including the appointment of Philip Jackson and Tushar Kumar, two directors from Kerogen, as non-Executive Directors. Following the AGM in June 2017, Chairman and Founder, Francis Gugen and Independent non-executive Director, John Bryant retired and Mike McTighe took over the role of Chairman. In addition, John Blaymires and Julian Tedder resigned from the PLC board but remain directors of the operating companies and continue to hold their executive roles.

The Company is now approaching a period of increased operational activity across its acreage. Having received formal planning approval for three wells in North Nottinghamshire we will commence site construction post the discharge of relevant planning conditions and, once completed, expect to commence drilling in early 2018.

As well as our own shale work programme, the coming months should see important news flow as momentum is building across the wider UK shale industry. Cuadrilla has begun drilling at its Preston New Road site in Lancashire and Third Energy is expected to commence hydraulic fracturing later this year at its site in Kirby Misperton, Yorkshire. INEOS has submitted a number of planning applications for exploration wells in Derbyshire and South Yorkshire, acreage adjacent to a number of our licences, and is acquiring seismic data across its licensed acreage in the East Midlands and Yorkshire. All of this data will help the industry better understand the geology in these basins.

Indigenous gas is an increasingly important part of the energy mix. At the peak of North Sea production we were net exporters of gas, but we now face future import dependency levels of up to 80% by 2035 if we are unable to address our supply challenges. As we move away from coal, UK sourced gas is increasingly important as part of the energy mix for security of supply whilst also providing environmental benefits compared to imported gas. In 2016, coal's share of electricity generation fell steeply being replaced solely by gas generation (up 44%), with renewables remaining at 25% compared to 2015. The increased contribution from gas resulted in carbon dioxide emissions falling by 7%, the largest of all the European states. The UK's Committee on climate Change says gas will play a key role through to 2050 and that extraction of shale gas could be compatible with our carbon targets. Lifecycle greenhouse gas emissions from UK-produced shale are 10% lower than for gas imported by tankers.

The UK needs a secure supply of gas as a bridging fuel until renewable sources can provide sufficient quantum and stability of energy for society's needs. Today, eight out of ten homes use gas for heating, 61% for cooking and up to 50% of our electricity is derived from gas. Half a million jobs are secured in this country by using gas as a raw material – making products as diverse as toothpaste, painkillers and wind turbines. For the foreseeable future our homes, businesses and industries will need gas.

As we look to the future, the world is moving to the electrification of transport with many European countries including the UK having announced plans to ban the sale of new diesel and petrol cars in the future. The extra electricity needed in the UK alone will be the equivalent of almost 10 times the total power output of the new Hinckley Point C nuclear power station being built. Gas already generates over 40% of our electricity generation in the UK, of which 50 % is imported, so to move to this brighter future, gas will remain an important element of the energy mix.

Operating review

Production assets

The average net production in the six months to 30 June 2017 was 2,326 boepd (six months ended 30 June 2016: 2,299 boepd). Production was slightly below budget for the period due to necessary maintenance on a number of wells for which we took remedial action, including engagement of an additional workover rig to accelerate reinstatement of these wells. Since the capital restructuring earlier in the year we have been investing in our conventional assets and have decided to take the opportunity to conduct additional preventative maintenance, predominantly in the East Midlands, including some "shut-ins". This will impact production in the second half of 2017 and we anticipate net production for the year of c.2,250 boepd. Due to the further expenditure associated with this additional maintenance activity and the reduction in production, we now anticipate full year operating expenses of $30/boe. However, once these maintenance projects have been completed we expect to exit 2017 at c. 2,500 boepd.

We anticipate conventional capital expenditure for the year of c. £4.0 million across a number of projects, which includes preparatory expenditure in advance of the Albury and Gainsborough gas projects, pump enhancement and waterflood activity and plant and maintenance projects.

We have sanctioned an extension of the Welton water injection project and we would expect to see the benefits beginning to flow through in late 2018. We have experienced encouraging results with this technique already at Welton where there is an ongoing uplift in production of some 50-100 bopd. Technical work is continuing to expand this waterflood project with new target/additional wells under review across the portfolio.

We have also recently sanctioned a workover campaign as well as the sidetrack of a well in the Stockbridge area to optimise reservoir voidage, protect production and enable increased offtake of some 50–80 bopd from these fields. We should complete this work in May 2018.

We have also identified a significant number of incremental projects in addition to Welton and Stockbridge with attractive returns. Detailed technical and economic evaluations are progressing to advance these opportunities which will further underpin our conventional portfolio. These include the installation of beam pump gas compressors to boost pumping capacity and hence offtake, deepening of existing pumps, perforating additional zones and identifying infill well locations.

Following the earlier approval of planning consents at Albury and Bletchingley for gas production the associated commercial discussions are progressing and we currently anticipate first gas from Albury in the third quarter of 2018.

It is also worth noting that areas of our licensed acreage in the Weald Basin are adjacent to licences owned and operated by onshore operator UK Oil and Gas Investments PLC ("UKOG"). UKOG has been testing multiple zones in the Kimmeridge which appears to be oil bearing across a substantial section and has recently been granted consent to continue to test those horizons over an extended period. We do not currently carry any booked resources for the Kimmeridge/Micrite play in our licences. However, we continue to closely monitor the progress of the UKOG drilling and testing campaign as well as other operators that are expected to commence work later this year.

Appraisal assets

We continue to operate one of the largest prospective shale acreage positions in the UK, of over 1 million acres (gross) with a gross carried shale work programme with our joint venture partners of up to £183 million as at 30 June 2017.

In March 2017, INEOS Upstream Limited ("INEOS") completed its acquisition of ENGIE E&P UK Limited's ("ENGIE") interests in certain UK onshore licences held jointly with IGas. ENGIE's obligations to carry IGas in respect of all the licences (other than PEDL 293 and PEDL 295) have now been taken over by INEOS.

East Midlands and Yorkshire

In March 2017, we were granted planning permission for one exploratory well at our Tinker Lane site in North Nottinghamshire. In May 2017, we signed Section 106 legal agreements for the exploratory well sites at both Springs Road and Tinker Lane with Nottinghamshire County Council ("NCC"), in effect the legal agreement for the planning consent.

Since then we have been busy discharging the conditions set as part of the planning permission. These have all been completed and we now await the formal approval of our conditions by NCC. Once approved, we can then move to the construction phase for these two sites which we expect to take between two to three months, dependent on weather. Accordingly, we anticipate the drilling of the first well to commence in early 2018.

We are currently in the process of securing new sites and progressing further planning applications to follow for appraisal and flow testing in the East Midlands area.

North West

Since the interpretation of the 3D seismic acquisition programme on the North West we have been evaluating our options in respect of the next steps in our appraisal programme.

As part of that work programme, we submitted a planning application at our existing site at Ellesmere Port in July 2017. Evaluation of wire-line logs acquired across the various formations encountered during the drilling of the well in 2014 indicated hydrocarbons being present in the Pentre Chert Formation.

The Pentre Chert Formation is a fractured reservoir rock composed of interbedded layers of cherts and cherty mudstones, with subordinate thin layers of siltstones, limestones and sandstones.

The proposed project includes carrying out further tests on the Pentre Chert, including a Drill Stem Test ("DST") to provide an initial analysis of the hydrocarbon composition and its flow characteristics within the formation. The initial information obtained during the DST will be used to determine whether commercially viable quantities of hydrocarbons exist and if successful we will then carry out an Extended Well Test to better understand the volumes of gas it contains.

In addition, we have been working on securing appropriate sites for development in the area and will now be bringing forward further applications for appraisal/flow testing including hydraulic fracturing, with at least one being submitted before the end of the year.

Financial review

The Group generated revenue of £16.8m in the first six months of 2017 from sales of 444,023 barrels of oil including sales of third party oil, and 4,100 mwh of electricity (1H 2016: revenue £12.1m, sales 438,665 barrels of oil and 4,200 mwh of electricity). Brent prices increased compared to the first half of 2016, averaging $51.8/bbl during 1H 2017 compared to $39.7/bbl in 1H 2016. Revenue was also increased by the positive impact of a weakening GBP:USD exchange rate with sterling weakening against the US dollar from an average of $1.43/£1 in 1H 2016 to an average of $1.27/£1 in 1H 2017.

Adjusted EBITDA for 1H 2017 was £2.5m (1H 2016: £5.1 m) and the profit after tax from continuing activities was £8.0m (1H 2016: loss of £23.9m). The main factors explaining the movements between 1H 2017 and 1H 2016 were as follows:

- Increased revenues of £16.8m (1H 2016: £12.1m) principally due to higher oil prices (pre hedge);
- Operating costs increased to £10.9m (1H 2016: £8.9m) mainly due to higher costs of purchasing and transporting third party barrels, a rates refund in 2016 and higher maintenance activity during 2017. The increase in costs for third party barrels is offset by higher third party revenue;
- Administrative expenses decreased to £3.9m (2016: £4.3m) mainly due to a cost reduction programme;
- Exploration and evaluation assets written off £nil (1H 2016: £4.5m written off relating to licences relinquished during the period);
- Derivative gain of £1.0m (1H 2016: £2.1m loss) due to the movement in the forward oil price curve;
- Decreased finance costs of £5.1m (1H 2016: £13.8m) principally due to a foreign exchange loss of £7.8m in 1H 2016; and
- A tax credit of £8.8m (1H 2015: £1.2m) principally due to the recognition of a deferred tax asset following a revision of the estimate of future profits that will be offset against ring fence tax losses.

Income statement

The Group recognised revenues of £16.8m in the period (1H 2016: £12.1m). Group production in the period was 2,326 boe/d (1H 2016: 2,299 boe/d). Oil sales were 403,223 barrels (excluding third party sales), with ca. 4,100 mwh of electricity sold (1H 2016: 398,988 barrels; 4,200 mwh of electricty). Revenues for the period also included £1.6m (1H 2016: £0.9m) 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 pre hedge was $46.8/bbl (1H 2016: $40.0/bbl) and post hedge $46.8/bbl (1H 2016: $54.5). The average exchange rate for the period was £1: $1.27 (1H 2016: £1: $1.43) which positively impacted revenues during the period.

Cost of sales for the period were £14.8m (1H 2016: £13.0m) including depreciation, depletion and amortisation (DD&A) of £3.8m (1H 2016: £4.1m), and operating costs of £10.9m (1H 2016: £8.9m). Operating costs include £1.5m (1H 2016: £0.7m) in relation to processing third party oil. The contribution received from processing third party oil was £0.1m (1H 2016: £0.2m). Excluding the costs of processing third party oil, operating costs increased by £1.2m on the prior period principally due to higher maintenance activity in 1H 2017 and a rates refund in 1H 2016. Operating costs per barrel of oil equivalent were £22.4 ($28.5), excluding the third party costs (1H 2016: £19.2 ($27.5) per barrel).

Adjusted EBITDA in the period was £2.5m (1H 2016: £5.1m). Gross profit of £2.0m was recognised in the period (1H 2016: £1.0m loss). Administrative costs decreased by £0.4m to £3.9m (1H 2016: £4.3m) principally due to a continuing focus on cost reduction.

Exploration costs written off were £nil (1H 2016: £4.5m (£2.2m net of tax)).

Net finance costs were £5.0m in the period (1H 2016: £13.7m), including interest on borrowings of £4.3m (1H 2016: £5.7m), gain on fair value of warrants £nil (1H 2016: £0.1m), a net foreign exchange loss of £0.2m (1H 2016:

£7.8m) and unwinding of decommissioning discount £0.5m (2016: £0.3m). The decrease in interest cost is due to the equitisation and repayment of bonds during the period.

The Group recognised a tax credit of £8.8m during the period primarily relating to the recognition of a deferred tax asset following the revision of the future profits that will be offset against ring fence tax losses.

Cash flow

Net cash generated from operating activities in the period amounted to £0.4m (1H 2016: £9.1m). The Group invested £1.7m across its asset base in the period (1H 2016: £5.1m), of which £0.8m was invested in the conventional assets, where investments continue to maintain our production at current levels, and £0.9m was invested in shale assets.

Cash decreased by £3.2m in the period due to a reduction in trade and other payables primarily due to the timing of payment of operational costs and fees relating to the refinancing, together with a reduction in interest accruals.

IGas carried out a capital restructuring during the period resulting in a cash inflow of £46.8m from the issue of shares and cash outflows of £39.3m and £3.9m, respectively, from the repayment of secured bonds and payment of fees. IGas also repaid £3.0m ($3.8m) of principal on borrowings to bondholders in the period in accordance with the terms of the bonds (1H 2016: £3.0m ($4.1m)), which represents a repayment of 2.5% of the original principal amount of the secured bonds, and purchased £1.8m ($2.2m) of bonds in accordance with the terms of the bond covenants (1H 2016: nil). Future annual interest costs have decreased to approximately $2.4m following the capital restructuring.

IGas paid £5.0m ($6.1m) in interest (1H 2016: £5.1m ($7.2m)).

Cash and cash equivalents were £16.3m at the end of the period (31 December 2016: £24.9m).

Balance sheet

Net assets were £173.3m at 30 June 2016 (31 December 2016: £70.5m) with the increase resulting primarily from the capital restructuring.

Following the capital restructuring, net debt, being borrowings less cash, decreased to £7.2m at 30 June 2017 (31 December 2016: £99.7m; 30 June 2016: £83.5m).

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
	£m	£m	£m
Debt (nominal value excluding capitalised expenses)	(23.4)	(110.9)	(124.6)
Cash and cash equivalents	16.2	27.1	25.0
Restricted cash	-	0.3	-
Net Debt	**7.2**	**83.5**	**99.6**

Shareholder’s equity increased by £93.2m to £173.3m as a result of the capital restructuring (note 12).

Adjusted EBITDA

Adjusted EBITDA is considered by the Company to be a useful additional measure to help understand underlying performance.

Adjusted EBITDA			
	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
	£m	£m	£m
Loss before tax	(0.7)	(25.0)	(44.8)
Net finance costs	5.0	13.7	28.8
Depletion, depreciation & amortisation	3.9	4.2	6.5
Impairments/write offs	-	4.5	4.5
EBITDA	**8.2**	**(2.6)**	**(5.0)**
Share based payment charges	0.4	1.6	2.6
Redundancy costs	0.2	-	0.6
Gain on capital restructuring	(5.3)	-	-
Unrealised loss/(gain) on hedges	(1.0)	6.1	12.0
Adjusted EBITDA	**2.5**	**5.1**	**10.2**

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 34 and 35 of the 2016 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;
- oil or gas is not 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 is not achieved;
- Exposure to 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;
- Exposure, through its operations, to liquidity risk;
- Exposure to capital risk resulting from its capital structure, including operating within the covenants of its existing bond agreements;
- Exposure to political risk. This can include changes in Government or the effect of any local or national referendum. These political risks can result in changes to the regulatory or fiscal environment (including taxation) which could affect the Group's ability to deliver its strategy;
- Strategy fails to meet shareholder expectations; and
- Loss of key staff.

Going concern

The strength of the Group's balance sheet was improved significantly by the capital restructuring which completed in April 2017.

The Group continues to closely monitor and manage 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 Group's working capital forecasts show that the Group will have sufficient financial headroom for the 12 months from the date of approval of the half year results. Therefore, the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in the preparation of the half year results.

Responsibility statement

The Directors confirm that to the best of their knowledge:

a) The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the six months and description of principal risks and uncertainties for the remaining six months of the year); and
c) The interim finance review includes a fair review of the business and of any required related party disclosures.

By order of the Board,

Stephen Bowler	Julian Tedder
Chief Executive Officer	Chief Financial Officer

Independent review report to IGas Energy plc

Report on the Interim condensed consolidated financial statements

Our conclusion

We have reviewed IGas Energy plc's interim condensed consolidated financial statements for the 6 month period ended 30 June 2017 (the "interim financial statements"). Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Condensed Consolidated Balance Sheet as at 30 June 2017;
- the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended;
- the Condensed Consolidated Cash Flow Statement for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim condensed consolidated financial statements, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim condensed consolidated financial statements in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim condensed consolidated financial statements based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, 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.
We have read the other information contained in the interim condensed consolidated financial statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
19 September 2017

a) The maintenance and integrity of the IGas Energy plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.
b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Condensed Consolidated Income Statement

	Notes	**Unaudited 6 months ended 30 June 2017 £000**	Unaudited 6 months ended 30 June 2016 £000	Audited year ended 31 December 2016 £000
Revenue	4	**16,754**	12,083	30,471
Cost of sales:				
Depletion, depreciation and amortisation		**(3,837)**	(4,128)	(6,323)
Other costs of sales		**(10,942)**	(8,919)	(20,857)
Total cost of sales		**(14,779)**	(13,047)	(27,180)
Gross profit/(loss)		**1,975**	(964)	3,291
Administrative expenses		**(3,901)**	(4,284)	(11,406)
Redundancy costs		**(173)**	-	(557)
Exploration and evaluation assets written off	8	**(45)**	(4,476)	(4,485)
Gain/(loss) on oil price derivatives		**997**	(2,112)	(3,496)
Other income		**119**	516	660
Operating loss		**(1,028)**	(11,320)	(15,993)
Finance income	5	**24**	116	277
Finance costs	5	**(5,073)**	(13,836)	(29,057)
Gain on capital restructuring (net of transaction costs)		**5,333**	-	-
Loss from continuing activities before tax		**(744)**	(25,040)	(44,773)
Income tax credit	6	**8,768**	1,158	13,006
Profit/(loss) after tax from continuing operations attributable to equity shareholders of the Group		**8,024**	(23,882)	(31,767)
Gain/(loss) after tax from discontinued operations	13	**43**	(1,332)	(1,144)
Net profit/(loss) attributable to equity shareholders of the Group		**8,067**	(25,214)	(32,911)
Profit/(loss) attributable to equity shareholders:				
Basic gain per share (pence/share)	7	**12.11p**	(169.0p)	(219.74p)
Diluted gain per share (pence/share)	7	**11.90p**	(169.0p)	(219.74p)

Condensed Consolidated Statement of Comprehensive Income

	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited year ended 31 December 2016 £000
Profit/(loss) for the period/year	**8,067**	(25,214)	(32,911)
Other comprehensive income for the period/year:			
Currency translation adjustments recycled to the income statement	**-**	105	105
Other comprehensive income/(loss) to be classified to profit or loss in subsequent periods:			
Currency translation adjustments	**803**	(442)	(1,231)
Total comprehensive income/(loss) for the period/year	**8,870**	(25,551)	(34,037)

Condensed Consolidated Balance Sheet

	Notes	**Unaudited at 30 June 2017 £000**	Unaudited at 30 June 2016 £000	Audited at 31 December 2016 £000
Assets				
Non-current assets				
Intangible exploration and evaluation assets	8	**113,521**	111,082	112,448
Property, plant and equipment	9	**94,611**	81,822	97,709
Goodwill		**4,801**	4,801	4,801
Deferred tax asset		**6,562**	-	-
		219,495	197,705	214,958
Current assets				
Inventories		**1,256**	1,211	1,270
Trade and other receivables		**5,607**	8,169	7,015
Cash and cash equivalents	11	**16,276**	27,071	24,946
Other financial assets – restricted cash	11	**-**	354	-
Derivative financial instruments	10	**120**	521	-
		23,259	37,326	33,231
Total assets		**242,754**	235,031	248,189
Liabilities				
Current liabilities				
Trade and other payables		**(4,910)**	(6,740)	(8,170)
Current tax liabilities		**(346)**	(1,585)	(1,318)
Borrowings	11	**(1,171)**	(5,288)	(6,084)
Other liabilities	10	**-**	(65)	(11)
Derivative financial instruments	10	**-**	-	(876)
		(6,427)	(13,678)	(16,459)
Non-current liabilities				
Borrowings	11	**(21,418)**	(105,636)	(118,495)
Deferred tax liabilities		**-**	(13,437)	(1,779)
Provisions		**(41,585)**	(25,216)	(40,924)
		(63,003)	(144,289)	(161,198)
Total liabilities		**(69,430)**	(157,967)	(177,657)
Net assets		**173,324**	77,064	70,532
EQUITY				
Capital and reserves				
Called up share capital	12	**30,333**	26,936	30,282
Share premium account	12	**102,250**	117,885	32
Capital redemption reserve		**-**	41,239	-
Foreign currency translation reserve		**(7,187)**	(7,201)	(7,990)
Other reserves		**29,418**	4,712	28,757
Accumulated surplus/(deficit)		**18,510**	(106,507)	19,451
Total equity		**173,324**	77,064	70,532

Condensed Consolidated Statement of Changes in Equity

	Called up share capital	Share premium account £000	Capital redemption reserve £000	Foreign currency translation reserve*	Other reserves** £000	Accumulated surplus/ (deficit) £000	Total £000
At 31 December 2015 (audited)	26,636	117,731	41,239	(6,864)	1,322	(81,293)	98,771
Adjustment ***	3,246	3,892	23,643	-	22,222	(53,003)	-
Adjusted balance at 31 December 2015	29,882	121,623	64,882	(6,864)	23,544	(134,296)	98,771
Loss for the period	-	-	-	-	-	(25,214)	(25,214)
Employee share plans	-	-	-	-	3,390	-	3,390
Issue of shares	300	154	-	-	-	-	454
Currency translation adjustments	-	-	-	(337)	-	-	(337)
Adjusted balance at 30 June 2016 (unaudited)	30,182	121,777	64,882	(7,201)	26,934	(159,510)	77,064
Loss for the period	-	-	-	-	-	(7,697)	(7,697)
Capital reduction	-	(121,776)	(64,882)	-	-	186,658	-
Employee share plans	-	-	-	-	1,954	-	1,954
Forfeiture of LTIPs under the employee share plan	-	-	-	-	(131)	-	(131)
Issue of shares	100	31	-	-	-	-	131
Currency translation adjustments	-	-	-	(789)	-	-	(789)
At 31 December 2016 (audited)	**30,282**	**32**	**-**	**(7,990)**	**28,757**	**19,451**	**70,532**
Profit for the period	-	-	-	-	-	8,067	8,067
Employee share plans	-	-	-	-	667	-	667
Forfeiture of LTIPs under the employee share plan	-	-	-	-	(6)	-	(6)
Issue of shares and conversion of debt (note 11)	51	93,210	-	-	-	-	93,263
Reserves transfer on equitisation of unsecured bond****	-	9,008	-	-	-	(9,008)	-
Currency translation adjustments	-	-	-	803	-	-	803
At 30 June 2017 (unaudited)	**30,333**	**102,250**	**-**	**(7,187)**	**29,418**	**18,510**	**173,324**

* The foreign currency translation reserve represents exchange gains and losses arising on translation of foreign currency subsidiaries' net assets and results 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.

*** Reclassification of the Group's share capital, share premium, capital redemption reserve and other reserves to align with those of the parent company. This adjusts the classification adopted on the reverse acquisition in December 2007.

**** The transfer on equitisation of unsecured bonds has arisen due to the unsecured bonds being equitized at 60% of par.

Condensed Consolidated Cash Flow Statement

	Notes	**Unaudited 6 Months ended 30 June 2017 £000**	Unaudited 6 Months ended 30 June 2016 £000	Audited year ended 31 December 2016 £000
Cash flows from operating activities:				
Loss before tax for the period/year		**(744)**	(25,040)	(44,773)
Write off deferred consideration		**-**	(420)	(420)
Net gain on capital restructuring		**(5,333)**	-	-
Depletion, depreciation and amortisation		**3,894**	4,209	6,474
Decommissioning costs incurred		**-**	(419)	(418)
Share based payment charge		**488**	2,165	3,499
Exploration and evaluation assets written off	8	**45**	4,476	4,485
Unrealised (loss)/gain on oil price derivatives		**(997)**	6,133	11,969
Finance income	5	**(24)**	(116)	(277)
Finance costs	5	**5,073**	13,836	29,057
Other non-cash adjustments		**(119)**	40	(13)
Operating cash flow before working capital movements		**2,283**	4,864	9,583
Decrease/(increase) in trade and other receivables and other financial assets		**1,229**	6,367	(3,366)
(Decrease)/increase in trade and other payables		**(3,205)**	(887)	698
Decrease/(Increase) in inventories		**14**	(117)	(176)
Cash generated from continuing operating activities		**321**	10,227	13,471
Cash generated from/(used in) discontinued operating activities		**33**	(614)	(489)
Taxation refunded/(paid) – continuing operating activities		**33**	(552)	(559)
Net cash generated from operating activities		**387**	9,061	12,423
Cash flows from investing activities				
Purchase of intangible exploration and evaluation assets		**(880)**	(851)	(2,304)
Purchase of property, plant and equipment		**(795)**	(4,215)	(6,509)
Cash outflow from disposal of subsidiary		**-**	(171)	(171)
Proceeds from disposal of oil and gas assets		**-**	20	22
Interest received		**34**	124	34
Cash (used in) continuing investing activities		**(1,641)**	(5,093)	(8,928)
Cash (used in) discontinued investing activities		**-**	(177)	(177)
Net cash (used in) investing activities		**(1,641)**	(5,270)	(9,105)
Cash flows from financing activities				
Cash proceeds from issue of ordinary share capital	12	**48**	71	136
Cash proceeds from issue of shares in capital restructuring	14	**46,789**	-	-
Cash paid in settlement of secured bonds	14	**(39,337)**		
Fees related to capital restructure	14	**(3,913)**	-	-
Repayment and repurchase of bonds		**(4,833)**	(2,960)	(4,916)
Sale of bonds		**-**	-	4,914
Interest paid		**(5,040)**	(5,104)	(11,570)
Cash used in continuing financing activities		**(6,286)**	(7,993)	(11,436)
Net cash used in financing activities		**(6,286)**	(7,993)	(11,436)
Net (decrease) in cash and cash equivalents during the period/year		**(7,540)**	(4,202)	(8,118)
Net foreign exchange difference		**(1,130)**	2,659	4,450
Cash and cash equivalents at the beginning of the period/year		**24,946**	28,614	28,614
Cash and cash equivalents at the end of the period/year	11	**16,276**	27,071	24,946

1 Corporate information

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017, which are unaudited, were authorised for issue in accordance with a resolution of the Directors on 19 September 2017.

IGas Energy plc is a public limited company incorporated and domiciled in England whose shares are publicly traded. The Group's principal 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 for the six months ended 30 June 2017 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard ('IAS') 34 – 'Interim Financial Reporting' as adopted by the European Union. The condensed interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016, which have been prepared in accordance with IFRSs as adopted by the European Union.

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 2016 is based on the statutory accounts for the year ended 31 December 2016. 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 2016, 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 strength of the Group's and Company's balance sheet has been improved significantly by the capital restructuring as disclosed in note 14. Based on their strategic plans and working capital forecasts, the Directors have a reasonable expectation that the Group has adequate resources to continue in existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in the preparation of the condensed 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 year ended 31 December 2016.

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 2017 but not yet endorsed by the EU.

Amendments to IAS 7, 'Cash flow statements', regarding the Disclosure initiative (Not yet EU endorsed as of 1 May 2017)
Amendments to IAS 12 'Income taxes', regarding recognition of deferred tax assets for unrealised losses. (Not yet EU endorsed as of 1 May 2017)
Annual improvements 2014-2016 IFRS 12, 'Disclosure of interest in other entities' (Not yet EU endorsed as of 1 May 2017)

Certain new standards, interpretations and amendments to existing standards have been published which are mandatory only for the Group's accounting periods beginning on or after 1 January 2018 and which the Group has not adopted early. Those that may be applicable to the Group in future are as follows:

IFRS 2	Classification and measurement of share-based payment transactions - Amendment to IFRS 2	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*
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28.	Postponed indefinitely*

* 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.

Estimates

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2016.

Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management department or in any risk management policies since the year end.

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/losses 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 year ended 31 December 2016.

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 £000	**Rest of the World £000**	**6 months ended 30 June 2017 Group £000**
Oil sales to external customers	**16,510**	**-**	**16,510**
Electricity sales to external customers	**244**	**-**	**244**
	16,754	**-**	**16,754**
Segment operating loss	**(957)**	**(71)**	**(1,028)**
Net finance expense (note 5)	**(5,049)**	**-**	**(5,049)**
Gain on conversion/repayment of debt	**5,333**	**-**	**5,333**
Loss before tax and discontinued operations	**(673)**	**(71)**	**(744)**

	UK £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
	12,083	-	12,083
Segment operating loss	(11,292)	(28)	(11,320)
Net finance expense (note 5)	(13,714)	(6)	(13,720)
Loss before tax and discontinued operations	(25,006)	(34)	(25,040)

	UK £000	Rest of the World £000	Year ended 31 December 2016 Group £000
Oil sales to external customers	30,009	-	30,009
Electricity sales to external customers	462	-	462
	30,471	-	30,471
Segment operating loss	(15,926)	(67)	(15,993)
Net finance expense (note 5)	(28,778)	-	(28,778)
Loss before tax and discontinued operations	(44,706)	(67)	(44,773)

5 Finance income and costs

	Unaudited 6 months ended 30 June 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited year ended 31 December 2016 £000
Finance income			
Interest on short-term deposits	**14**	34	63
Other interest	**-**	-	78
Gain on fair value of warrants	**10**	82	136
Total for the period/year	**24**	116	277
Finance expense			
Loss on sale of bonds	**88**	-	1,540
Interest on borrowings	**4,251**	5,676	11,930
Interest expense	**4,339**	5,676	8,731
Foreign exchange loss	**196**	7,849	14,841
Unwinding of discount on provisions	**538**	311	746
Total for the period/year	**5,073**	13,836	29,057

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 2017 £000	Unaudited 6 months ended 30 June 2016 £000	Audited year ended 31 December 2016 £000
UK corporation tax			
Current tax on income for the period	**-**	42	-
Credit in relation to prior period	**(426)**	-	(149)
Total current tax charge	**(426)**	42	(149)
Deferred tax			
Current year credit relating to the origination or reversal of temporary differences	**(8,343)**	(1,200)	(6,009)
Current year credit relating to the movement due to the tax rate changes	**-**	-	(6,270)
Credit in relation to prior year	**1**	-	(578)
Total deferred tax credit	**(8,342)**	(1,200)	(12,857)
Tax credit on profit on ordinary activities	**(8,768)**	(1,158)	(13,006)

New rules restricting the use of carried forward non-ring fence losses are expected to be enacted later in the year with retrospective effect from 1 April 2017. As this change to the current legislation had not been enacted at the balance sheet date of 30 June 2017 the potential impact of the new rules has not been reflected in the above figures; it is however expected that any impact will be insignificant.

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 profit for the period after taxation attributable to ordinary equity holders of the parent of £8.0 million (six months ended 30 June 2016: a loss after tax of £25.2 million, year ended 31 December 2016: a loss after tax of £32.9 million) and the weighted average number of ordinary shares outstanding during the period of 66.6 million (six months ended 30 June 2016: 14.9 million, year ended 31 December 2016: 15.0 million).

Diluted EPS amounts are based on the profit/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 (1.2 million) that would be issued on the conversion of all the potentially dilutive ordinary shares into ordinary shares, except where these are anti-dilutive. For both the six month period ended 30 June 2016 and year ended 31 December 2016, there were 1.6 million (restated based on the subdivided and consolidated shares – see note 12) 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 2017 £'000	Unaudited 6 months ended 30 June 2016 £'000	Audited year ended 31 December 2016
At 1 January	**112,448**	113,394	113,394
Additions	**1,118**	2,164	3,616
Changes in decommissioning	**-**	-	(77)
Amounts written off*	**(45)**	(4,476)	(4,485)
At 30 June/31 December	**113,521**	111,082	112,448

*Amounts written off during the prior 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

	Unaudited 6 months ended 30 June 2017 £'000			Unaudited 6 months ended 30 June 2016 £'000			Audited year ended 31 December 2016 £'000		
	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	168,329	3,767	172,096	147,434	3,731	151,165	147,434	3,731	151,165
Additions	877	4	881	2,844	306	3,150	5,622	342	5,964
Disposals	-	-	-	(77)	(244)	(321)	(77)	(306)	(383)
Changes in decommissioning	-	-	-	-	-	-	15,350	-	15,350
At 30 June/31 December	**169,206**	**3,771**	**172,977**	150,201	3,793	153,994	168,329	3,767	172,096
Depreciation and Impairment									
At 1 January	72,894	1,493	74,387	66,815	1,439	68,254	66,815	1,439	68,254
Charge for the period/year	3,820	159	3,979	4,026	191	4,217	6,156	338	6,494
Disposals	-	-	-	(77)	(222)	(299)	(77)	(284)	(361)
At 30 June/31 December	**76,714**	**1,652**	**78,366**	70,764	1,408	72,172	72,894	1,493	74,387
Net book value at 30 June/31 December	**92,492**	**2,119**	**94,611**	79,437	2,385	81,822	95,435	2,274	97,709

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 £000	Level 2 £000	Level 3 £000	Total £000
At 30 June 2017				
Financial assets				
Derivative financial instruments	**-**	**120**	**-**	**120**
Total	**-**	**120**	**-**	**120**
Financial liabilities				
Warrants	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**

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

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
At 31 December 2016				
Financial liabilities				
Warrants	-	11	-	11
Derivative financial instruments	-	876	-	876
Total	-	887	-	887

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 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 Net debt

Borrowings - secured and unsecured bonds

	Unaudited 6 months ended 30 June 2017 £'000	Unaudited 6 months ended 30 June 2016 £'000	Audited year ended 31 December 2016
Bonds - secured	**22,589**	91,074	102,784
Bonds - unsecured	**-**	19,850	21,795
At 30 June/31 December	**22,589**	110,924	124,579

Current liability	**(1,171)**
Non-current liability	**(21,418)**
	(22,589)

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

In April 2017, the Company restructured its debt resulting in the equitisation of the unsecured bonds and a repayment/equitisation of a portion of the secured bonds. The restructuring reduced the total aggregate face value of the secured bonds to $30.0 million. The interest rate was reduced to 8%, the repayment term was extended to 30 June 2021, and the amortisation rate was increased to 5% of the initial loan amount from 23 March 2018. The restructuring also resulted in changes to the covenants and the maintenance of financial ratios including the removal of the requirement for a Debt Service Retention Account ("DSRA").

Further details of the restructuring transaction are provided in note 14.

	Unaudited 6 months ended 30 June 2017
At 1 January	**(124,579)**
Equitisation and redemption of debt	**93,496**
Bond redemption	**4,833**
Finance charge net of interest paid	**1,644**
Costs capitalised on modified debt	**920**
Revaluation gain	**1,097**
At 30 June	**(22,589)**

Cash and cash equivalents

At 30 June 2016, cash and cash equivalents included £8.5 million held in a DSRA account which at the Company's discretion was designated for the buy-back of bonds or for repayment of bonds at the maturity date.

12 Share capital

On 3 April 2017, the shareholders approved the subdivision of each of the 303,305,534 ordinary shares of 10p each of the Company into one new ordinary share of 0.0001p each and one deferred share of 9.9999p each. At the Annual General Meeting of the Company on 14 June 2017, the shareholders approved a consolidation and subdivision of the Company's share capital in order to reduce the number of shares in issue to that more appropriate for the size of the Company. Following the consolidation, every 200 ordinary shares of 0.0001 pence each were consolidated into one new ordinary share of 0.02 pence each and immediately sub-divided into 10 ordinary shares of 0.002 pence. The consolidation and subdivision reduced the number of shares in issue from 2.4 billion to 121 million.

	Ordinary shares		Deferred shares		Total share capital	Share premium
	No.	Nominal value £000	No.	Nominal value £000	Nominal value £000	Value £000
Issued and fully paid						
Opening balance as at 31 December 2016, ordinary shares of 10p each	302,820,578	30,282			30,282	32
January 2017 SIP share issue	484,956	49	-	-	49	2
Balance prior to the restructuring	303,305,534	30,331	-	-	30,331	34
Subdivision of 10p ordinary shares into 0.001p ordinary shares and 9.999p deferred shares	-	(30,331)	303,305,534	30,331	-	-
Issued through Kerogen Subscription Agreement	679,282,165	1			1	28,766
Issued through the Placing and Open and Ancillary Offers	400,069,644	-	-	-	-	18,003
Equitisation of secured and unsecured bonds	1,043,350,391	1	-	-	1	46,949
Transaction costs	-	-	-	-	-	(554)
Reserves transfer on equitisation of unsecured bonds	-	-	-	-		9,008
May 2017 SIP share issue	956,464	-	-	-	-	44
Total ordinary shares before subdivision and consolidation	**2,426,964,198**					
Subdivision and consolidation	(2,305,615,988)					
Subdivision and consolidation	**121,348,210**	**2**	**303,305,534**	**30,331**	**30,333**	**102,250**

13 Assets classified as held for sale and discontinued operations

The divestment of assets acquired as part of the Dart Acquisition, namely the Rest of the World segment, was completed in 2016. The Group still has presence in a number of countries and continues its plan to wind up and exit all legal jurisdictions in the near future.

The total loss after tax in respect of discontinued operations was £0.04million, primarily relating to administration costs (six months ended 30 June 2016: £1.3million). There was no tax charge/(credit) in either period.

14 Capital restructure

During the year ended 31 December 2016, the Company disclosed that it expected to be non-compliant with its leverage covenants under its secured bond agreement and that it also expected to breach its daily liquidity covenant in late March 2017. The Company therefore engaged in discussions with its bondholders, a strategic investor and other potential investors and stakeholders with regard to possible restructuring options in order to provide a remedy to the expected breach and achieve a capital structure that would be sustainable in the current oil price environment. In March 2017, the Company announced final terms of the restructuring and fundraising package which were subsequently approved at the meetings of the Company's secured and unsecured bondholders and at the general meeting of shareholders on 3 April 2017. In addition, the shareholders approved the subdivision of each of the 303,305,534 ordinary shares of 10p each of the Company into one new ordinary share of 0.0001p each and one deferred share of 9.9999p each.

On 4 April 2017, the Company announced that all new ordinary shares issued in accordance with the terms of the fundraising were admitted to trading and, as a result, the restructuring of the Company's secured bonds and unsecured bonds and the fundraising had become effective in accordance with their respective terms. The principal terms are set out below:

- 679,282,165 new ordinary shares were issued to Unconventional Energy Limited, an affiliate of Kerogen Capital, pursuant to a subscription agreement (including 40,030,273 new ordinary shares at nominal value pursuant to a top-up mechanism) raising £28.77 million and giving Unconventional Energy Limited an interest of 28% in the Company.
- 400,069,644 new ordinary shares were issued pursuant to a placing, open offer and ancillary subscription raising £18.04 million.
- 528,175,031 new ordinary shares were issued to holders of secured bonds who accepted voluntary equity exchange of secured bonds extinguishing $28.92 million (£23.78 million) in face value of the secured bonds.
- 202,398,542 new ordinary shares were issued to holders of secured bonds pursuant to a conditional secured debt for equity swap extinguishing a further $11.08 million (£9.11 million) in face value of the secured bonds.
- c.$49.2 million (£40.4million) in face value of secured bonds were cancelled in consideration for c.$49.2 million (£40.4 million) cash pursuant to a voluntary cash offer.
- 312,776,818 new ordinary shares were issued to holders of unsecured bonds on the conversion of all unsecured bonds into equity extinguishing $27.4 million (£22.5 million) in face value, being all of, the unsecured bonds not held by the Company.
- The Company cancelled $13.09 million (£10.7 million) in face value of the secured bonds and unsecured bonds held by the Company, being all of the unsecured bonds and secured bonds held by the Company.
- The renegotiated terms and conditions and covenants for the remaining secured bonds (total aggregate face value of c.$30.08 million) came into effect upon admission.
- The new ordinary shares were issued at a price of 4.5p per share.

The Group expensed fees of £2.4 million relating to the restructuring.

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

m Million

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	M McTighe – Non-Executive Chairman S Bowler – Chief Executive Officer C McDowell – Non-Executive Director P Jackson – Non-Executive Director T Kumar – 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 Bank plc 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	**PricewaterhouseCoopers LLP** 1 Embankment Place London WC2V 7QR
Banker	**Barclays Bank Plc** 1 Churchill Place London E14 5HP
Registered office	7 Down Street London W1J 7AJ
Company's registered number	**4981279**