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KP Renewables plc (the "Company" or "KPR")

Proposed acquisition of Island Gas Limited by means of a Scheme of Arrangement
under section 425 of the Companies Act 1985
Admission to trading on AIM
Waiver under Rule 9 of the Takeover Code
Change of name to Island Gas Resources plc ("IGas")
Share Consolidation
Appointment of Directors
and
Notice of Extraordinary General Meeting

The Board of KP Renewables is pleased to announce that we have reached agreement on the terms of a recommended proposal whereby the Company will acquire the entire issued and to be issued share capital of Island Gas Limited ("IGL"). IGL is a coal bed methane ("CBM") company seeking to produce and market methane gas for industrial and domestic use from virgin coal seams within its onshore UK acreage. Further details about IGL are given below.

In the Company's circular to Shareholders, on 16 March 2007, it was stated that the Board was giving consideration to a significant further fund raising to support investment in a sizeable project or to the acquisition of another business. On 2 November 2007 the company announced that it had raised £900,000 by the issue of loan notes (the "Loan Notes") in order to progress its stated strategy. The Board view IGL as an attractive opportunity due to the scale, quality of its assets and its management.

Pursuant to the terms of the Acquisition, IGL Shareholders will receive Consideration Shares with an aggregate value of £50 million at the Purchase Price.

The Acquisition is to be implemented by means of a scheme of arrangement under Section 425 of the Act. Pursuant to the AIM Rules, the Acquisition will constitute a reverse takeover. It is, therefore, subject to Shareholder approval which will be sought at an Extraordinary General Meeting to be held at 12.00 mid-day on 27th December at the offices of Morrison & Foerster MNP, 7th Floor, CityPoint, One Ropemaker Street, London EC2Y 9AW.

The Acquisition is also a "qualifying event" for the purposes of triggering the mandatory conversion of the Company's outstanding Loan Notes which will convert into a total of 81,818,150 Existing Ordinary Shares (equivalent to 1,636,363 New Ordinary Shares) subject to the completion of the Acquisition and the passing of the Resolutions.

The proposed Acquisition constitutes a material change to the Company's existing operations and will also result in the disposal of the Existing Projects to Blenheim Energy Limited, a third party purchaser. For this reason the Company is also convening a meeting of the eligible creditors who are party to the CVA to vary and discharge the CVA arrangements and approve the disposal of the Existing Projects. The creditors meeting will take place at 11.45 am on the same date and at the same place as the Extraordinary General Meeting.

In view of the size of the transaction in relation to KPR, the Acquisition constitutes a reverse-takeover of IGL by KPR under Rule 14 of the AIM Rules and is therefore conditional on the consent of the KPR Shareholders being given at an extraordinary general meeting. The proposals are also conditional on the consent of KPR Shareholders to the waiver of the obligation that would otherwise arise from the IGL Shareholders to make an offer for KPR under Rule 9 of the Takeover Code. Such consents will be sought at the EGM, notice of which will be included in the AIM Admission Document.

The directors of KPR, who have been so advised by Libertas Capital Corporate Finance Limited, consider the terms of the proposals to be fair and reasonable. In providing its advice, Libertas Capital Corporate Finance Limited has taken into account the commercial assessment of the directors of KPR.

The directors of KPR consider that the Resolutions to be proposed at the EGM are in the best interests of KPR and Shareholders as a whole. Accordingly, the KPR directors intend unanimously to recommend that Shareholders vote in favour of the Resolutions to be proposed at the EGM, as they have irrevocably undertaken to do in respect

The CBM industry in the UK is in its infancy, but with the continuing decline in natural gas from the North Sea, it is likely to become an increasingly attractive alternative potential source of gas. CBM has become a significant source of gas both in North America and Australia over a relatively short period of time during which both have seen an almost exponential growth in CBM production. Through improvements in drilling and development techniques adopted by a number of world renowned companies, CBM is now a competitive source of gas.

IGL has ownership interests ranging from 20 per cent. to 50 per cent. in eight Petroleum and Exploration Development Licences ("PEDLs") and 50 per cent, ownership of three onshore blocks held under one seaward petroleum production licence ("SPPL") in the UK (the "Licences"). These Licences cover a gross area of approximately 1,000 sq km and the risk weighted mid case estimate of IGL's share of Gas Initially in Place (GIIP) is 893 bcf, IGL's joint venture partner that holds the residual 50 per cent. to 80 per cent. ownership interests in the Licences is Nexen Exploration U.K. Limited, a subsidiary of Nexen Inc, a Toronto and New York Stock Exchange listed global energy company with a market capitalisation of approximately C\$16bn ("Nexen").

When IGL became active in CBM, several factors began to change the potential for the development of CBM in the UK:

1. Developments in Drilling Technology: The application of lateral drilling technology in coals, initially pioneered in the US, offers the opportunity for CBM developments to:

- ACCESS MORE COAL SURFACE FROM THE SAME MOTHER BORE WELL, THEREBY PROVIDING THE potential to access more coal at lower cost and to improve production and economics; and

- WITH A MUCH LOWER GEOGRAPHICAL FOOTPRINT, ADDRESS ONE OF THE HURDLES TO development in the UK. Lateral wells of which many have been drilled in the US, offer the potential to reduce the number of surface locations by a factor of 10, when compared with vertical wells draining the same area.

2. Security of Supply concerns: The political outlook on oil, gas and coal projects in the UK has recently changed to view such projects in a more favourable light as a result of growing awareness of the UK's current reliance on energy from these sources in addition to the country's increasing dependence in imports of such energy.

3. Entrance of E&P Multi-national corporations to UK CBM: During this period, several large multinational E&P companies have formed partnerships with existing UK CBM players as IGL has done with Nexen.

IGL's immediate objectives are to:

- * commence initial gas sales from CBM production from at least one

property by the end of 2008;

- * secure routes to market with a focus on electricity generation and

access to the gas network; * continue gathering data and production experience to allow a proportion

of GIIP to be classified as "recoverable resource";

- * fulfil well obligations on licences as necessary to secure ownership

into upcoming second terms; and

- * apply for acreage, together with Nexen, in the recently announced 13th

licensing round.

Biographical information of the Proposed Directors is provided below.

Mr Francis Gugen, Proposed Executive Chairman, aged 58

Francis Gugen is the found, majority owner and Executive Chairman of IGL. Francis has over thirty years oil and gas industry experience. Between 1982 and 2000 he helped grow Amerada Hess in North West Europe, ultimately becoming CEO. He is a member of the CBI's Energy Policy and Economic affairs Committees. He is currently a Non-Executive Director, Vice Chairman of the Board and Chairman of the audit committee of Petroleum

Geophysical Services ASA and a Non-Executive Director and member of the audit committee of the Britannia Building Society. Mr Gugen is also the non executive chair of Chrysaor Limited a new company focused on developing North Sea oil and gas fields with equity investors Barcap and Natural Gas Partners IX, LP) and of Fraudscreens Limited a new financial services business.

Mr Andrew Austin, Proposed Chief Executive Officer, aged 42

Andrew Austin is the Chief Executive Officer of IGL. Mr Austin specialises in energy projects in the gas, electricity and renewables sector. He has been involved in ventures as principal and has also raised substantial funds of private and public equity for clients during the course of his career to date. Mr Austin spent 17 years working in investment banking in the City of London with Merrill Lynch, Nomura, Citibank and Barclays Capital. Latterly he was General Manager of Creditanstalt Investment Bank in London. He also has six years of management and consultancy experience with clean tech companies including Generics Group and Whitfield Solar.

Mr Austin has been an executive director of IGL since 2004 and has been responsible for day to day operations and business development throughout that period.

Mr Brent Cheshire, Proposed Executive Technical Director, aged 52

Brent Cheshire is the Technical Director of IGL. After 14 years at Shell, Mr Cheshire joined Amerada Hess in 1991, where he had a range of roles culminating in Senior VP E&P Worldwide Technology and CEO Scandinavia. Mr Cheshire has significant experience in geology, drilling technology and project management and is managing director of DONG E&P (UK) Limited.

Further information on the Proposed Directors as required by the AIM Rules is set out in the Appendix.

Libertas Capital Corporate Finance Limited, which is regulated in the United Kingdom by the FSA, is acting for KPR and no one else in connection with the arrangements described in this announcement and will not be responsible to anyone other than KPR for providing the protections afforded to clients of Libertas, nor for providing advice in relation to the proposal, any acquisition of shares or securities in KPR or any other matter referred to in this announcement.

The distribution of this announcement in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this announcement comes should inform themselves about, and observe, such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities laws of any such jurisdiction. This announcement has been prepared for the purposes of complying with English law and the AIM Rules and the information disclosed may not be the same as that which would have been disclosed if this announcement has been prepared in accordance with the laws and regulations of any jurisdiction outside the United Kingdom. This announcement does not constitute an offer to purchase, sell or exchange or the solicitation of an offer to purchase, sell or exchange any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the proposal or otherwise, nor shall there be any purchase, sale or exchange of securities or such solicitation in any jurisdiction in which such offer, solicitation or sale or exchange would be unlawful under the laws of such jurisdiction. This announcement does not constitute a prospectus, a prospectus equivalent document or an AIM admission document. Investors and prospective investors in IGL and/or KPR are advised to read carefully the formal documentation in relation to the proposal once it has been despatched.

Neither the content of any website of KPR or IGL (or any other website) nor the content of any website accessible from hyperlinks on any such website (or any other website) is incorporated into, or forms part of, this announcement.

APPENDIX

The following information on the Proposed Directors is given in accordance with the AIM Rules. Other than the information contained in this announcement, there are no other details to be disclosed in accordance with paragraph (g) of Schedule Two of the AIM Rules.

None of the Proposed Directors are, nor have been within the five years prior to the publication of this document, partners in any partnerships. The Proposed Directors have held the following directorships within the five years prior to the publication of this document.

Director	Current Directorships	Past Directorships
Francis Gugen	Britannia Building Society Chrysaor Holdings Limited	CH4 Energy Limited CH4 Limited CH4 Pipelines Limited

Gugen Consulting Limited Permagas Limited
Echo Petroleum Limited Stratagas CBM Limited
Fraudscreen Limited Stratagas Plc
Petroleum Geo-Services

ASA

Andrew Austin Raft Trustees Limited
Austin and Austin Limited Recombinagen Limited
Trafalgar Marine Limited
Trafalgar International
Marine Limited
M.A. Keeping Limited
Whitfield Solar Limited

Brent Cheshire Cheshire Energy Resources Amerada Hess Energy Aps
Limited Amerada Hess Nominees
Dong E&P (UK) Limited Limited
Amerada Hess Limited
Amerada Hess NWE Holdings
Amerada Hess
International LLC
Amerada Hess Aps
Amerada Hess Scandinavia
Aps
Amerada Hess Norge A/S
United Kingdom Offshore
Operators Association
Limited

None of the Proposed Directors has:

- (a) any unspent convictions in relation to indictable offences;
- (b) had a bankruptcy order made against him or entered into any individual voluntary arrangement;
- (c) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company at the time of, or within the twelve months preceding, such events;
- (d) been a partner of a firm which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner of that firm at the time of, or within twelve months preceding, such events;
- (e) had any asset belonging to him placed in receivership or been a partner of a partnership whose assets have been placed in receivership whilst he was a partner at the time of, or within twelve months preceding, such receivership; or
- (f) been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

The following defined terms have the following meanings in this Announcement:

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

"Acquisition" the proposed acquisition by the Company of the entire issued and to be issued share capital of IGL pursuant to the Scheme

"Act" or "Companies the Companies Act 1985, as amended, and the Companies Acts" Act 2006

"AIM" a market of the London Stock Exchange

"AIM Rules" the rules for AIM companies issued by the London Stock Exchange (as amended from time to time)

"Board" the board of directors of the Company from time to time, including a duly constituted committee of such directors

"CBM" Coal Bed Methane

"Consideration Shares" 55,555,365 New Ordinary Shares to be issued fully paid to the IGL Shareholders pursuant to the Scheme

"Court" the High Court of Justice in England and Wales

"CVA" the company voluntary agreement pursuant to Part I of the Insolvency Act 1986 of the Company approved on 10 April 2007

"Enlarged Group" the Company and its subsidiary undertakings as at the date of Admission which shall include IGL

"Existing Ordinary Shares" the 84,661,610 Ordinary Shares in issue at the date of this Announcement

"Existing Projects" certain opportunities in the wind generation sector which were being pursued by the Company prior to the date of the CVA

"Extraordinary General Meeting" or "EGM" the extraordinary general meeting of the Company to be held at 12.00 midday on 27 December 2007

"EGM" "IGL Shareholders" the holders of IGL Shares being Andrew Austin, Brent Cheshire, Leigh Dyson, Francis Gugen, Edward Lasseter, Andrew Purcell, Michael Smith and Roger Smith

"IGL Shares" the outstanding A ordinary shares, B ordinary shares, C ordinary shares and D ordinary shares, which will be cancelled upon the Scheme becoming effective, and the redeemable preference shares in the capital of IGL which will be repurchased by IGL upon the Scheme becoming effective

"Loan Notes" the #900,000 of outstanding fixed rate convertible unsecured loan notes of the Company

"New Ordinary Shares" ordinary shares of 50p each in the capital of the Company following the consolidation of the Existing Ordinary Shares pursuant to Resolutions, the Consideration Shares and (for the avoidance of doubt) the New Ordinary Shares arising from the conversion of the Loan Notes

"Ordinary Shares" ordinary shares of 1 pence each in the capital of the Company

"Proposed Directors" the proposed executive directors of the Company being together Francis Gugen, Andrew Austin and Brent Cheshire

"Purchase Price" 90p per Consideration Share being the implied price per New Ordinary Share at which the Consideration Shares will be issued and which results from the agreement made between the Company and IGL as regards their respective values

"Resolutions" the Resolutions to be proposed at the EGM

"Scheme" the scheme of arrangement for the implementation of the Acquisition under Section 425 of the Act between IGL and its shareholders, with or subject to any modification thereof or any addition thereto or condition approved or imposed by the Court and agreed by IGL and the Company

"Shareholders" the holders of Ordinary Shares of the Company

"Takeover Code" the City Code on Takeovers and Mergers
"Takeover Panel" the Panel on Takeovers and Mergers