26 May 2009

ISLAND GAS RESOURCES PLC
("IGas", "the Company" or "the Group")

Significant Developments at IGas

The Board of IGas, the leading coal bed methane (CBM) developer in the UK, is delighted to announce three significant developments towards the commercialisation of IGas' assets and a UK first in terms of CBM.

- First electricity generated from CBM gas in the UK
- 40% increase in resource base
- Second field development plan approved by DECC

Andrew Austin, IGas' CEO said:

"First electricity generation is a huge step for IGas and a UK first. This is clear evidence that the UK coal bed methane industry can make a real contribution to the country's energy needs. The significant increase in our estimated resource base and approval of our second field development plan demonstrate the commercial potential of IGas' acreage."

First electricity generated from CBM gas in the UK

In a UK first, IGas, in conjunction with its joint venture partners Nexen has successfully commenced electricity generation from domestic CBM gas at its Doe Green site (situated between Warrington and Widnes) in Cheshire.

During the commercial test phase last week, electricity was successfully produced and transferred to the National Grid. Over the course of the coming months, the CBM gas flow from the Doe Green site is expected to steadily increase and the electricity produced from this pilot alone should be able to power approximately 1,200 homes. First commercial sales via the Grid are expected to be sold at or around current spot market price and are planned to commence shortly.

40% increase in resource base

IGas also announces that a recent independent evaluation of GIIP has found that the Group's resource base has increased by around 40 per cent from the previous evaluation announced on 24 November 2008, and by 142 per cent. since the Company's admission to AIM in December 2007. A detailed further assessment undertaken by Equipoise Solutions has yielded a new, risk* weighted, net mid-case estimate for GIIP of 2,169 bcf, up from 1,554 bcf, itself an increase over the original 893 bcf in December 2007.

This new evaluation of GIIP complements the work previously carried out by DeGolyer and MacNaugton, as announced on 2 February 2009. Given DECC's estimate at the end of 2007 of recoverable gas in the UKCS, IGas' contingent recoverable resource estimate represents 2.2 per cent. of this amount.

IGas' Resources	**Low Case**	**Mid Case**	**High Case**
Net risked GIIP* (bcf) *(source: Equipoise Solutions)*	1,107	2,169	5,135
	1C	2C	3C
Net Contingent Recoverable Resource (bcf) *(source: DeGolyer and MacNaugton)*	346	503	733

** takes account of risk factors related to the potential of coals being absent or falling outside the cut off ranges used for GIIP*

Second area open for commercialisation

Additionally, the Group has been granted a further Field Development Programme approval by DECC for its plans for the commercial production of CBM gas from its sites in the Swallowcroft area in Staffordshire. The FDP approval (covering, inter alia, permission for the production of gas) covers part of UK onshore PEDLs 40, 56 and 78 Where a PEDL holder wishes to produce gas, an application must be made to DECC seeking approval for a development and production programme detailing how the licence-holder proposes producing petroleum (in this case CBM gas). The process is initiated by the submission of a FDP, together with an Environmental Statement discussing the environmental impact of the proposed commercial development.

UK Government approval for this FDP marks a further significant milestone for the Group.

Ends

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Notes to Editors:

Island Gas Resources plc ("IGAS.L")
Founded in 2003, the Company's subsidiary, Island Gas Limited, was set up to produce and market the methane gas which is found in seams of coal. The coal seam both generates and traps the gas, which can be extracted by drilling horizontally into the seam and collected for use as fuel. CBM is exactly the same as other forms of natural gas, and is used to provide both industrial and domestic power and has the potential to be an important new source of energy for the UK. The CBM industry in the UK is in its infancy, but with the continuing decline in natural gas reserves from the North Sea, it is likely to become an increasingly attractive alternative potential source of energy.

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. The Group has ownership interests of between 20 and 50 per cent in eleven PEDLs in the UK, wholly owns two methane drainage licences and has a 50 per cent. interest in three offshore blocks under one Seaward Petroleum Production Licence. These licences cover a gross area of approximately 1,656sq. km. In an independent evaluation of its net Contingent Recoverable Resources, DeGolyer and MacNaughton has concluded that IGas has a potentially recoverable resource of up to 733 bcf (3C), which is equivalent to 116 million barrels of oil; as derived from a statistical aggregation of contingent resource ranges calculated on an individual coal seam basis.

Equipoise Solutions
Equipoise is a privately owned independent consulting company established in 1998 with offices in South London. The company specialises in petroleum geology and geophysics. The work has been supervised by Dr Adam Law, Director of Equipoise, a post graduate in Geology and a Fellow of the Geological Society of London. He has 15 years experience in the evaluation of oil and gas fields and acreage. Mr Donald Alastair Scott has reviewed and approved these estimates. Mr Scott is a Director of Equipoise, and has over 40 years experience in the evaluation of oil and gas acreage.

For further information of Equipoise Solutions, please visit www.equipoisesolutions.ltd.uk.

DeGolyer and MacNaughton
DeGolyer and MacNaughton performs a variety of services related to the upstream sector of the petroleum industry, including evaluation of the hydrocarbon potential of exploration areas, estimation and classification of reserves to be recovered from new discoveries, verification of hydrocarbon reserves, production forecasting, and appraisal of properties for prospective acquisition, divestiture, issuance of securities, or financing purposes. During seven decades, the firm has successfully performed studies on hundreds of

thousands of petroleum properties in more than 100 countries and provides independent reserve auditing services to some of the world's largest oil & gas companies.

For further information on DeGolyer and MacNaughton, please visit www.demac.com.

Brent Cheshire, Executive Technical Director of IGas, 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 Cheshire has more than 30 years experience.

For further information please visit www.igasplc.com.

Glossary

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

bcf	billions of standard cubic feet of gas
BERR	The Department for Business, Enterprise and Regulatory Reform
CBM	coal bed methane
Contingent Recoverable Resource	contingent resources estimated herein are those quantities of oil and gas that are potentially recoverable from known accumulations but which are not currently considered to be commercially recoverable due to one or more contingencies. 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
DECC	The Department for Energy and Climate Change
FDP	field development programme
GIIP	gas initially in place
PEDL	Petroleum Exploration and Development Licence
tcf	trillions of standard cubic feet of gas
UKCS	United Kingdom Continental Shelf