

14 July 2009

Island Gas Resources plc
(‘IGas’ ‘the Company’ or ‘the Group’)

Placing to raise approximately £3.5 million of new funds

Island Gas Resources (AIM: IGAS), a leading Coal Bed Methane (“CBM”) developer in the UK producing North Sea quality gas from virgin coal seams, is pleased to announce that it is placing 5,766,666 new ordinary shares of 50 pence each in the Company (the “Placing Shares”) with institutional and other investors at a price of 60p pence per new ordinary share (the “Placing Price”) to raise approximately £3.5 million (before expenses) (the “Placing”).

The net proceeds of the Placing will be used primarily to fund the Company’s working capital requirements, to accelerate activity and potentially increase the Company’s resource base.

Commenting on the Placing, Andrew Austin, CEO of IGas, said:

”I’m delighted by this demonstration of confidence in Island Gas’ future and in the commerciality of the UK’s growing coal bed methane industry. We are progressing plans for a second production site at Swallowcroft in Staffordshire and further appraisal of our prospects at Point of Ayr.”

In connection with the Placing, Francis Gugen, Chairman, has agreed to subscribe for a total of 166,667 Placing Shares at the Placing Price. His participation and resultant holding, following the Placing, is as detailed below:

Director / Non-Executive Director	Interest in Existing Ordinary Shares	Placing Shares	Revised Total Interest in Ordinary Shares	Percentage of Enlarged Issued Share Capital
Francis Gugen	27, 449,097	166,667	27,615,764	40.6

Following the issue of the Placing Shares Francis Gugen will hold 40.6 per cent of the voting share capital of the Company. Mr Gugen may be considered by the Takeover Panel to be acting in concert with certain other persons who were the former owners of the Company’s wholly owned subsidiary, Island Gas Limited, following its acquisition by the Company in December 2007, these persons include Andrew Austin and Brent Cheshire. The total holding of the Concert Party following the Placing is 80.92 per cent (a movement down from the 88.1 per cent held prior to the Placing) which still amounts to more than 50 per cent. of the voting share capital of the Company and in accordance with a dispensation from Rule 9 of the Takeover Code granted by shareholders in December 2007, the Concert Party could potentially increase their aggregate interest in shares without incurring any further obligation to make a general offer to shareholders so long as they continue to be treated as acting in concert (although any individual member of the Concert Party will not be able to increase their individual percentage holdings through or between a Rule 9 threshold without the consent of the takeover Panel).

The Placing Shares, which represent approximately 8.5 per cent of the enlarged issued share capital of the Company, will rank pari passu in all respects with the existing ordinary shares in the Company. Application has been made for the Placing Shares to be admitted to trading on AIM and it is expected that dealings will commence on 17 July 2009.

Ends

For further information please contact:

Island Gas Resources
Andrew Austin
Chief Executive Officer

Tel: +44 (0)20 7993 9901

Kreab Gavin Anderson

Tel: +44 (0)20 7554 1400

Anthony Hughes
Kate Hill

Cenkos Securities
Jon Fitzpatrick
Ken Fleming

Tel: +44 (0)131 220 6939

Notes to Editors:

Island Gas Resources plc (“IGas”)

Island Gas plc (IGas) was set up to produce and market the methane gas which is found in seams of coal. IGas is now producing gas from its pilot production site at Doe Green in Warrington and selling electricity through its on-site generation, a UK first. Initial production rates indicate that the Company should exceed its threshold for commerciality. IGas is also in the process of identifying a second pilot production site for the commercial production of CBM gas from their acreage in the Swallowcroft area in Staffordshire.

IGas 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 1,656 sq. km. The mid case GIIP (Gas initially In place) is up 142 per cent from 893 at year end 2007 to 2,169 Billion cubic feet (“bcf”) (source Equipoise Solutions Ltd) and independent analysis by world leading reservoir engineers, DeGolyer and McNaughton, confirms Contingent Recoverable Resource of up to 733 bcf of gas (3C), equivalent to 116 million barrels of oil. The Contingent Recoverable Resource is derived from a statistical aggregation of contingent resource ranges calculated on an individual coal seam basis.

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.

For further information please visit www.igasplc.com.

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.eupoisesolutions.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 <http://www.demac.com/>

The Contingent Recoverable Resources estimates presented here have been prepared in accordance with the Petroleum Resources Management System (PRMS) approved in March 2007 by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers
The statistical aggregated net Contingent Recoverable Resource quantities are summarised below in terms of billions of standard cubic feet (bcf).

Net Contingent Recoverable Resources*	1C	2C	3C
Statistical Aggregate	346 bcf	503 bcf	733 bcf

In addition, DeGolyer and MacNaughton have arithmetically summed the total net Contingent Recoverable Resources. The arithmetically summed net Contingent Recoverable Resource quantities are summarised below in terms of billions of standard cubic feet (bcf).

Net Contingent Recoverable Resources*	1C	2C	3C
Arithmetically Summed	215 bcf	438 bcf	929 bcf

*A Contingent Recoverable Resource is defined as quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. Further, there is, as of a given date, no 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 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.