

23 September 2009

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

**RESULTS FOR THE SIX MONTHS ENDING 30 JUNE 2009**

Island Gas Resources (IGas), a leading UK coal bed methane ("CBM") developer producing North Sea quality gas from virgin coal seams, today announces its financial results for the six months ended 30 June 2009.

**Highlights as at 30 June 2009**

- Revenue of £0.348 million (2008: £0.300 million)
- Cash and cash equivalents of £2.3 million (31 December 2008: £2.3 million)
- Operating loss of £0.159 million (2008: £0.085 million)
- First commercial production of electricity from CBM at Doe Green; a UK first
- Further Field Development Programme granted to commercialise production of CBM in the Swallowcroft area

**Highlights post 30 June 2009**

- Successfully raised £3.5 million (before expenses) through a Placing in July 2009; taking current cash position to over £5 million
- Increased equity ownership of Swallowcroft acreage to 35 per cent. (up from 20%) in return for an operational investment of up to £2 million
- As a result of Swallowcroft farm-up, 2C Contingent Recoverable Resource increased by 13.5% to 571 billion cubic feet (bcf), and Gas Initially In Place (GIIP) increased by 15.7% or 339 bcf, equivalent to an additional 53.8 million barrels of oil
- Resources of GIIP increased by 180% since listing on AIM on 31 December 2007, to 2,508 bcf or 398 million barrels of oil equivalent
- IGas' current planned work programme is fully funded through 2011
- IGas post tax asset value potentially increased by 30% as a result of recently enacted tax legislation

**Operations for remainder of 2009**

- Bring into production a second well at Doe Green in Cheshire
- Commence operations at the Keele University Science Park site in Swallowcroft before the end of the year. Gas produced will be supplied directly to Keele University
- Evaluate GIIP in the newly acquired 100km<sup>2</sup>, 100% owned licence 78-2, which abuts our Swallowcroft acreage
- Assess potential for a conventional gas plays at Point of Ayr in Wales
- Continue progress on establishing a land bank of permitted sites

**Francis Gugen, Chairman of IGas said:**

"We continue to demonstrate considerable progress in developing our assets; through first production of gas, the growth of our resource base and the raising of funds. With concern increasing over Britain's looming energy gap, domestic coal bed methane resources are set to play a key part in the UK's energy mix."

-Ends-

## ISLAND GAS RESOURCES PLC

For further information please contact:

**Island Gas Resources**

Tel: +44 (0)20 7993 9901

Andrew Austin  
Chief Executive Officer

**Kreab Gavin Anderson**

Tel: +44 (0)20 7074 1800

Ken Cronin  
Kate Hill

**Cenkos Securities**

Tel: +44 (0)131 220 6939

Jon Fitzpatrick  
Ken Fleming

### **Notes to Editors:**

#### **Island Gas Resources plc (“IGAS.L”)**

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 has ownership interests of between 20 and 100 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 1,756 sq. km. The mid case GIIP is up 180 per cent from 893 at year end 2007 to 2,508 bcf (source Equipoise Solutions Ltd). Independent analysis by world leading reservoir engineers, DeGolyer and McNaughton, confirms Contingent Recoverable Resource of up to 821 bcf of gas (3C), equivalent to around 130million 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 Group now has two Field Development Programmes approved by DECC, for its plans for the commercial production of CBM gas at Doe Green and in the Swallowcroft area.

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](http://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.equipoisesolutions.ltd.uk](http://www.equipoisesolutions.ltd.uk).

## ISLAND GAS RESOURCES PLC

### 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](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	398 bcf	571 bcf	821 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	240 bcf	492 bcf	1,049 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's 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.

### Nexen Inc.

Nexen Inc. is an independent, Canadian-based global energy company, listed on the Toronto and New York stock exchanges under the symbol NXY. It is uniquely positioned for growth in the North Sea, Western Canada (including the Athabasca oil sands of Alberta and unconventional gas resource plays such as shale gas and CBM), deep-water Gulf of Mexico, offshore West Africa and the Middle East. For further information on Nexen please visit

# ISLAND GAS RESOURCES PLC

www.nexeninc.com.

## Qualified Person

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.

## Glossary

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

Bcf	billions of standard cubic feet of gas
Boe	barrel of oil equivalent
CBM	coal bed methane
DECC	The Department for Energy and Climate Change
FDP	field development programme
GIIP	gas initially in place
PEDL	Petroleum Exploration and Development Licence

## CHAIRMAN'S STATEMENT

In the first half of 2009 we continued the active development of our assets as follows:

### 1. Deliverability of Gas

- Doe Green:
  - i. Additional lateral legs were completed earlier in the year.
  - ii. We continue successfully selling gas via electricity generation.
  - iii. The generators and well head equipment are now automated and monitored remotely, a UK first for CBM.
  - iv. We will shortly commence a work over on our other well, with a view to this too becoming a producer.
- Swallowcroft - We plan to commence operations at our site at Keele University Science Park before the end of the year.

### 2. Asset Growth.

- We increased our equity interests in the Swallowcroft acreage from 20% to 35% as a result of a farm-up agreement with our partner, Nexen.
- As a result of this farm-up we have increased our:
  - i. 2C Contingent Recoverable Resource from 503bcf to 571bcf, a rise of 13.5%.
  - ii. Gas Initially In Place from 2,169bcf to 2,508bcf, a rise of 15.7%.
- Since the Company was admitted to AIM on 31 December 2007, our GIIP has now risen 180%, from 893bcf to 2,508bcf.
- We have also acquired a 100% interest in PEDL 78-2 in Staffordshire and will update our GIIP estimates by year end.

## ISLAND GAS RESOURCES PLC

### 3. Financial Flexibility

- In July we raised approximately £3.5 million (before expenses) by means of a placement. As explained above, these funds are already being utilised in growing and enhancing our asset base. We will continue to look to identify opportunities to develop in our key geographical areas.
- In the Chancellors Budget in April, he announced the introduction of a small fields allowance offering tax incentives for the development of small hydrocarbon accumulations. Our assets will benefit from this tax incentive, which significantly reduces our marginal tax rate and so potentially enhances the value of our assets by 30%.

Our operations for 2009 remain:

1. Doe Green - carry out long term production test and continue commercial gas sales.
2. Swallowcroft - establish a fully permitted production site
3. Point of Ayr - assess potential for a conventional gas plays to supplement Contingent Recoverable Resource.
4. Land bank - establish a bank of permitted sites.
5. Reserves - establish a long-term plan for the conversion of Contingent Recoverable Resource to commercially recoverable reserves.

As can be seen, we have made considerable progress against these objectives and remain on track to achieve them by year-end. The market for hydrocarbons has improved since the end of 2008, however uncertainties about the future continue. We firmly believe that significant gas resources, close to market such as ours, will increase in value and importance as security of supply concerns and worries over supply interruption continue and as the UK moves to a low carbon economy.

Finally, I would like to thank our team and our partners for the significant progress that has been made so far this year in growing our business.

Francis Gugen  
Chairman

23 September 2009

# ISLAND GAS RESOURCES PLC

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the six months ended 30 JUNE 2009

	Notes	Six months ended 30 June 2009	Six months ended 30 June 2008
		Unaudited £000	Unaudited £000
Revenue		348	300
Cost of sales		(307)	(221)
<b>Gross Profit</b>		<b>41</b>	79
Administrative expenses		(200)	(164)
<b>Operating loss</b>		<b>(159)</b>	(85)
Finance income		11	24
<b>Loss before tax</b>		<b>(148)</b>	(61)
Tax on profit on ordinary activities	3	-	1
<b>Retained loss for period</b>		<b>(148)</b>	(60)
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		<b>(148)</b>	(60)
<b>Weighted average number of ordinary shares</b>		<b>62,329,642</b>	59,124,888
<b>Loss per share</b>			
Basic and diluted loss per share (£/share)	4	(0.0024)	(0.0010)

The notes on pages 9 to 13 form an integral part of this condensed consolidated interim financial information.

# ISLAND GAS RESOURCES PLC

## INTERIM CONSOLIDATED BALANCE SHEET for the six months ended 30 JUNE 2009

	Notes	30 June 2009	31 December 2008
		Unaudited £000	Audited £000
<b>Non-current assets</b>			
Intangible exploration and evaluation assets	5	602	476
Property, plant and equipment		-	-
		<hr/>	<hr/>
		602	476
		<hr/>	<hr/>
<b>Current assets</b>			
Trade and other receivables		133	666
Cash and cash equivalents	6	2,336	2,278
		<hr/>	<hr/>
		2,469	2,944
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables		(642)	(843)
Current taxation liabilities		-	-
		<hr/>	<hr/>
		1,827	2,101
		<hr/>	<hr/>
<b>Net current assets</b>			
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>			
		2,429	2,577
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Trade and other payables		-	-
		<hr/>	<hr/>
<b>Net assets</b>			
		2,429	2,577
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	7	4,275	4,275
Share premium account		420	420
Share warrant reserve		167	167
(Accumulated deficit)		(2,433)	(2,285)
		<hr/>	<hr/>
		2,429	2,577
		<hr/>	<hr/>
<b>Shareholders' funds</b>			
		<hr/>	<hr/>

The notes on pages 9 to 13 form an integral part of this condensed consolidated interim financial information.

These financial statements were approved and authorised for issue by the Board on 22 September 2009 and are signed on its behalf by:

Francis Gugen  
Chairman

Andrew Austin  
Chief Executive Officer

# ISLAND GAS RESOURCES PLC

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the six months ended 30 June 2009

	Called up share capital	Preference shares	Share premium account	Share warrant reserve	Accumulated deficit/ retained earnings	Total
	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000
<b>2008</b>						
<b>Balance at 1 January</b>	2,664	-	44	167	(1,899)	976
Total comprehensive loss for the period					(60)	(60)
Issue of shares during period	1,611		484			2,095
Cost of issue of shares during period			(108)			(108)
<b>Balance at 30 June 2008 (unaudited)</b>	<b>4,275</b>	<b>-</b>	<b>420</b>	<b>167</b>	<b>(1,959)</b>	<b>2,903</b>
<b>Balance at 1 January 2009</b>	<b>4,275</b>	<b>-</b>	<b>420</b>	<b>167</b>	<b>(2,285)</b>	<b>2,577</b>
Total comprehensive loss for the period					(148)	(148)
<b>Balance at 30 June 2009 (unaudited)</b>	<b>4,275</b>	<b>-</b>	<b>420</b>	<b>167</b>	<b>(2,433)</b>	<b>2,354</b>

The notes on pages 9 to 13 form an integral part of this condensed consolidated interim financial information.

# ISLAND GAS RESOURCES PLC

## INTERIM CONSOLIDATED CASH FLOW STATEMENT for the six months ended 30 June 2009

	Notes	Six months ended 30 June 2009	Six months ended 30 June 2008
		Unaudited £000	Unaudited £000
<b>Operating activities</b>			
Retained loss for the period		(148)	(60)
Finance income		(11)	(24)
Decrease/(Increase) in trade and other receivables		533	(49)
(Decrease) in trade and other payables		(201)	(251)
(Decrease) in current taxation liabilities		-	(1)
(Decrease) in non-current liabilities		-	(78)
		<hr/>	<hr/>
<b>Net cash from/(used in) operating activities</b>		<b>173</b>	<b>(463)</b>
 <i>Investing activities</i>			
Acquisition of exploration and evaluation assets	5	(126)	(193)
Interest received		11	24
		<hr/>	<hr/>
<b>Net cash (used in) investing activities</b>		<b>(115)</b>	<b>(169)</b>
 <b>Financing activities</b>			
Cash proceeds from issue of shares		-	2,095
Less : Share issue costs		-	(108)
		<hr/>	<hr/>
<b>Net cash from financing activities</b>		<b>-</b>	<b>1,987</b>
 <b>Net increase in cash and cash equivalents in the period</b>			
		<b>58</b>	<b>1,355</b>
Cash and cash equivalents at the beginning of the period		<b>2,278</b>	<b>1,414</b>
		<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>		<b>2,336</b>	<b>2,769</b>
		<hr/>	<hr/>

The notes on pages 9 to 13 form an integral part of this condensed consolidated interim financial information.

# ISLAND GAS RESOURCES PLC

## NOTES TO THE INTERIM REPORT for the six months ended 30 June 2009

### 1. Corporate information

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2009, which are unaudited, were authorised for issue in accordance with a resolution of the directors on 22 September 2008.

Island Gas Resources plc is a public limited company incorporated and domiciled in England whose shares are publicly traded.

The principal activity of the Company and its subsidiaries ("the Group") is coal bed methane ("CBM"), intended to result in the production and marketing of methane gas for industrial and domestic use from virgin coal seams within its UK acreage. This requires acreage to be explored, appraised and developed and in connection with which the Group also provides technical and other related services.

### 2. Basis of preparation and accounting policies

The financial information has been prepared under the historical cost convention, on a going concern basis and in accordance with International Financial Reporting Standards and IFRIC interpretations adopted for use in the European Union ("IFRS"). The financial information for the period ended 30 June 2009 has not been audited or reviewed in accordance with the International Standard on Review Engagements 2410 issued by the Auditing Practices Board. The figures were prepared using applicable accounting policies and practices consistent with those adopted in the statutory accounts for the period ended 31 December 2008.

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 for the full year is based on the statutory accounts for the financial year ended 31 December 2008. 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 2008, has been delivered to the Register of Companies and is available on the Company's website at [www.igasplc.com](http://www.igasplc.com). The auditors' report under section 235 of the Companies Act 1985 in relation to those accounts was unqualified.

#### ***Statement of compliance***

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ('IAS') 34 - Interim Financial Reporting as adopted by the European Union. Accordingly the interim financial statements do not include all of the information or disclosures required in the annual financial statements, and therefore should be read in conjunction with the consolidated financial statements and the notes thereto in the Group's annual report and accounts for the year ended 31 December 2008.

#### ***Changes in accounting policy***

The following standards, amendments and interpretations to published standards are mandatory for the financial year beginning 1 January 2009:

IAS 1 (revised), 'Presentation of financial statements'. The Standard separates owner and non-owner changes in equity. The statement of changes in equity now includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has decided to present a single statement. The interim financial statements have been prepared under the revised disclosure requirements.

# ISLAND GAS RESOURCES PLC

## NOTES TO THE INTERIM REPORT for the six months ended 30 June 2009 (continued)

IAS 27, 'Consolidated and separate financial statements'. - recognises that all dividends from subsidiaries, jointly controlled entities or associates in the income statement do not affect the Group, but may affect the parent's separate financial statements, at the year end. No dividends were paid to the parent company in the six months to 30 June 2009.

IFRS 7 'Financial instruments'. The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. Because of the nature of the Group's fair value measurement and liquidity risk, it does not expect to have any additional disclosure requirements.

IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in a change in the number of reportable segments presented. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

In addition, there are other new standards, amendments to standards and interpretations that are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group, principal of which are:

IAS 23 (amendment), 'Borrowing costs (Revised in March 2007)'.

IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

IFRIC 13, 'Customer loyalty programmes'.

IFRIC 14, 'The limit on a defined benefit asset, minimum funding requirements and their interaction'.

IFRIC 16, 'Hedges of a net investment in a foreign operation'.

### ***Basis of consolidation***

The consolidated financial statements present the results of the Company and its subsidiaries (the "Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

### ***Revenue, segment information and seasonality***

All revenue, which represented turnover, arose within the United Kingdom and is attributable to activities in the Coal Bed Methane (CBM) sector. There is no separate reporting of revenue and costs from different revenue streams within its CBM business. Accordingly, the board believes that the current single segment still applies under IFRS 8.

The Group's business is not affected by seasonality.

# ISLAND GAS RESOURCES PLC

## NOTES TO THE INTERIM REPORT for the six months ended 30 June 2009 (continued)

### 3. Tax on (loss)/profit on ordinary activities

	<b>Six months ended 30 June 2009 Unaudited £000</b>	Six months ended 30 June 2008 Unaudited £000
Current tax:		
Current tax on income for the period	-	-
Adjustment in respect of prior years	-	1
		1
Deferred tax	-	-
	-	1

Current tax arising in the subsidiary company, Island Gas limited, for the six months ended 30 June 2009 has been wholly relieved by the surrender of excess management charges of the Company, as group relief (2008 - £Nil).

Tax losses are not considered to be sufficiently certain of utilisation to justify setting up deferred tax assets.

### 4. (Loss)/earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on the conversion of all the dilutive potential Ordinary Shares into Ordinary Shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations (in £/share):

	<b>Six months ended 30 June 2009 Unaudited £000</b>	Six months ended 30 June 2008 Unaudited £000
Loss for the purposes of basic and diluted earnings per share being net loss attributable to equity shareholders	<b>(148)</b>	(60)
Basic EPS – Ordinary Shares of 50p each	<b>(0.0024)</b>	(0.0010)
Diluted EPS – Ordinary Shares of 50p each	<b>(0.0024)</b>	(0.0010)
<b>Number of shares</b>		
Weighted average number of ordinary shares – basic EPS	<b>62,329,642</b>	59,124,888
Weighted average number of ordinary shares – diluted EPS	<b>62,329,642</b>	59,124,888

There are 525,280 potentially dilutive warrants and options over the Ordinary Shares at 30 June 2009 (2008: 525,280) which are not included in the calculation of diluted earnings per share because they were anti-dilutive for the period as their conversion to Ordinary Shares would decrease the loss per share.

# ISLAND GAS RESOURCES PLC

## NOTES TO THE INTERIM REPORT for the six months ended 30 June 2009 (continued)

### 5. Intangible exploration and evaluation assets

	<b>Exploration Total £000</b>
<b>Cost</b>	
At 1 January 2009	476
Additions	126
Disposals	-
	<hr/>
<b>At 30 June 2009 (unaudited)</b>	<b>602</b>
	<hr/>
<b>Amortisation</b>	
At 1 January 2009	-
Charge for the period, including impairment	-
Disposals	-
	<hr/>
<b>At 30 June 2009 (unaudited)</b>	<b>-</b>
	<hr/>
<b>Net book value</b>	
<b>At 30 June 2009 (unaudited)</b>	<b>602</b>
	<hr/>
At 1 January 2009	476
	<hr/> <hr/>

Under certain agreements which the Group has in place with Nexen (the "Nexen Carry Agreements"), Nexen will provide 100% of the funding required for work programmes up to a gross spend of £26.5 million. The repayment to Nexen of any amounts carried under these arrangements is dependent, on a licence by licence basis, on successful operations yielding sufficient production to support repayment in accordance with terms of the Nexen Carry Agreements.

At 30 June 2009 £3,947 thousand had been carried (2008: £1,576 thousand), which has not been recorded as either non-current assets or liabilities, since repayment is currently sufficiently uncertain.

### 6. Cash and cash equivalents

	<b>30 June 2009</b>	31 December 2008
	<b>Unaudited £000</b>	Unaudited £000
Cash at bank and in hand	<b>2,336</b>	2,278
Short-term deposits	-	-
	<hr/>	<hr/>
<b>Total</b>	<b>2,336</b>	2,278
	<hr/> <hr/>	<hr/> <hr/>

# ISLAND GAS RESOURCES PLC

## NOTES TO THE INTERIM REPORT for the six months ended 30 June 2009 (continued)

### 7. Called up share capital

	<b>Ordinary Shares</b>	Nominal Value
	<b>Unaudited Number</b>	Unaudited £000
At 1 January 2009 and 30 June 2009	<b>62,329,642</b>	4,275

### 8. Commitments

The Group has entered into a hire agreement for an electricity generator at its Doe Green site. The minimum rental period is one year. The amount due for the remainder of the minimum rental period is £31,200 gross of which £29,460 is to be recharged to Nexen.

As at 30 June 2009, no amounts have been included for exploration and appraisal as these are expected to be covered by the Nexen Carry Agreements as referred to in Note 5 above (2008: £nil).

### 9. Related party transactions

There were no related party transactions during the period. (2008 – none).

### 10. Post Balance Sheet events

On 14 July 2009 the Company placed 5,766,666 new ordinary shares of 50 pence each with institutional and other investors at a price of 60 pence per ordinary share to raise approximately £3.5 million before expenses, with expense amounting to approximately £179 thousand.

On 5 August 2009 the Company reached agreement with Nexen Exploration UK Limited to extend the Company's equity interest in the Swallowcroft acreage in Staffordshire through a farm up. The increase in equity from 20 percent to 35 percent is in return for an operational investment in the jointly held acreage of up to £2 million.

# ISLAND GAS RESOURCES PLC

## DIRECTORS AND ADVISERS

<b>Directors</b>	F R Gugen – Chairman A P Austin – Chief Executive Officer B Cheshire– Technical Director R J Armstrong – Non-Executive J Bryant – Non-Executive P Redmond – Non-Executive
<b>Secretary</b>	MOFO Secretaries Limited Citypoint One Ropemaker Street London EC2Y 9AW
<b>Registered office</b>	International House 1-6 Yarmouth Place London W1J 7BU
<b>Nominated Adviser</b>	Cenkos Securities Plc 6.7.8 Tokenhouse Yard London EC2R 7AS
<b>Broker</b>	Cenkos Securities Plc 6.7.8 Tokenhouse Yard London EC2R 7AS
<b>Auditors</b>	Ernst & Young LLP 1 More London Place London SE1 2AF
<b>Solicitors</b>	Morrison Forrester Citypoint One Ropemaker Street London EC2Y 9AW
<b>Bankers</b>	HSBC 3 <sup>rd</sup> Floor, HSBC Floor Mitchell Way Eastleigh SO18 2XU
<b>Financial PR</b>	Kreab Gavin Anderson Scandinavian House, 2-6 Cannon Street London EC4M 6XJ
<b>Share Registry</b>	Computershare Investors Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
<b>Company's registered number</b>	04981279

