

Delivering secure gas, onshore

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IGas Energy plc

Annual report and accounts 2009

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IGas Energy is a domestic gas producer and a leading independent company dedicated to unconventional gas in the UK

Independent estimates show that IGas Energy currently has enough gas to supply electricity to over 7 per cent of the UK's household's for 15 years and is the largest independent CBM (coal bed methane) producer in the UK. The Company's licences are in the country's industrial heartland, close to customers. IGas Energy is currently selling electricity generated from CBM at its pilot site in the North West – a first for the UK – and plans to start full-scale production next year.

The Company has now moved from identifying and appraising the CBM potential of its acreage to the production phase with one pilot site having come on stream in early 2009 and two more planned for 2010. The Company has also been investigating the potential to produce hydrocarbons both conventionally and from the extensive shale resources within its acreage - with the next stage being an independent assessment of the shale.

IGas Energy has applications pending to operate acreage which contains more than half its gas and has the financial capacity to realise its objective of having its first full production site next year.

Now that the UK's supplies of gas from conventional sources are in decline, having domestic resources is becoming increasingly important. Unconventional gas including CBM, which is a well established industry in other parts of the world, such as the US and Australia, offers a significant alternative resource for the UK.

Delivering secure gas, onshore

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General information

Directors

F R Gugen	– Executive Chairman
A P Austin	– Chief Executive Officer
B Cheshire	– Executive Technical Director
R J Armstrong	– Non-Executive
J Bryant	– Non-Executive
J Hamilton	– Non-Executive

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Copies of Reports and Accounts

Further copies of this Annual report and accounts can be obtained from the Registered Office of IGas Energy plc (IGas Energy)

Our highlights

Operational

- ⊗ More than a year of pilot production – A UK first
- ⊗ Two more pilots planned for 2010
- ⊗ Full scale production at one site planned to start 2011
- ⊗ Two farm-ups raised resources and IGas Energy now has applications pending for operatorship on half its gas
- ⊗ GIIP* – Mid case up 76% to 3.82Tcf and high case 8.10Tcf
- ⊗ CBM Contingent Recoverable Resource – High case 1.18Tcf (200mmboe**)
- ⊗ Conventional/potentially significant shale gas identified; appraisal underway
- ⊗ Land bank developing with three multi-well production site permits secured

* Gas Initially In Place , ** Millions of Barrels of Oil Equivalent

Financial

- ⊗ Revenue – £828 thousand
- ⊗ Operating loss – £515 thousand
- ⊗ Loss for the year – £504 thousand
- ⊗ Cash – £17.5 million at 31 December 2009
- ⊗ 2 fundraisings raised £17.21 million gross; each funding accretive farm-ups
- ⊗ Funding now in place for production sites planned for 2010 and 2011

Gas initially in place (net to IGas Energy)

IGas Energy at a glance

IGas Energy produces gas in the UK from CBM CBM is a naturally occurring gas, similar to North Sea gas, trapped in virgin coal seams
IGas Energy has also identified a significant potential shale resource within its acreage.
[Information to be added onto a map as per Emperor layout]

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Chairman's statement

2009 has been a year of transition. The Company has now had a full year of pilot production at rates that exceed our modelled threshold for commerciality. In 2009 IGas Energy raised funds sufficient to enable it to undertake two 2010 pilot projects and to establish a full scale production site the following year. 2009 also saw IGas Energy strengthen its shareholder base and deliver on the objectives set last year. By the end of 2009 the Company had raised its CBM, (Coal Bed Methane), Contingent Recoverable Resources to a level that is now material not just for IGas Energy but for the security of supply of the UK. Additionally the Company has identified conventional and potentially significant shale gas.

The Company's primary goal remains to be the UK's leading independent unconventional gas producer and to see unconventional gas production in the UK become as important as it is in the USA and is becoming in Australia. 2009 has seen IGas Energy take the first critical steps in achieving this goal with a full year of pilot production at rates that exceed our modeled threshold for commerciality and with fund raisings to accelerate production activity in 2010 (two pilot projects planned) and 2011 (planned full scale production site). 2009 has also seen IGas Energy applying for operatorship of more than 50% of its gas and begin building independent operational capability under the leadership of a recently appointed Chief Operating Officer (COO).

The two fundraisings in 2009 in addition to raising the finance needed for production sites planned for 2010 and 2011, have also materially strengthened IGas Energy's shareholder base. Levine Capital Management BVI became a cornerstone investor and a number of well respected institutions have also become holders. As a result of this process the aggregate shareholding of the Company's original founders has decreased from 81% to 57%, thereby improving the IGas Energy's free float.

I am particularly pleased to report that we have now delivered all our stated near-term objectives as set out in my statement to you of last year.

A 60% increase in CBM Contingent Recoverable Resources, taking the high case (3C) to 1.18Tcf and the mid case (2C) to 0.81Tcf, resulted from two accretive (in terms of gas per share) farm-ins completed in 2009. The mid case numbers alone being sufficient to supply electricity to over 7% of UK households for 15 years. Additionally, preliminary work has shown that the Company has conventional gas and potentially significant shale gas. IGas Energy's shale acreage extends over 1,195 km², has an expected average thickness of 250m and is understood to have a very high potential to be hydrocarbon bearing. These findings have led IGas Energy to retain independent consultants to evaluate the potential of these shales, utilising currently available data.

I would like to welcome John Hamilton to the team as non-executive director. John's experience and background will undoubtedly add to the strength of the board. I would also like to offer my sincere thanks to Peter Redmond whose assistance over the years has been invaluable in the restructuring and refinancing of the Company prior to IGas Energy's listing and subsequently.

I remain confident that the Company is well placed to be the most successful independent unconventional gas producer in the UK and that 2010 and 2011 will be critical years for seeing IGas Energy grow to consistently deliver secure gas, onshore.

Francis Gugen
Executive Chairman

Our strategy

2009 – Now delivered

At the beginning of 2009 our immediate objectives were:

- ☒ Doe Green – Carry out long-term production test and continue commercial gas sales
 - ☒ Swallowcroft – Establish a fully permitted production site
 - ☒ Point of Ayr – Assess potential for a conventional gas play to supplement CBM Contingent Recoverable Resource
 - ☒ Land bank – Establish a bank of permitted drill sites
 - ☒ Reserves – Establish a long-term plan for the conversion of Contingent Recoverable Resource to commercially recoverable reserves
-

2010

Our Strategy is now to deliver commercial production as soon as practicable, to which end our objectives for 2010 are:

- ☒ Pilot production:
 - Continue Pilot Production operations at Doe Green
 - Establish Pilot Production site at Keele in Staffordshire
 - Commence Pilot Production site at Point of Ayr in North Wales
 - ☒ Progress towards full scale production:
 - Recruitment of additional technical capability
 - Further technical and commercial evaluation for first full production site in 2011
 - ☒ Reserves:
 - Update independent evaluation of Contingent Recoverable Resources / Reserves
 - Independently evaluate the shale potential based on currently available data
 - ☒ Land Bank:
 - Increase number of permitted drill sites
-

Our activity:

01 Production

- At Doe Green, we continue to carry out pilot production and in addition to drilling new laterals in our DG2 well we have also perforated a number of coal seams and carried out a trial hydraulic frac and tested DG1. The results of this activity are currently being analysed and lessons learnt for future pilot production sites. We continue to generate electricity for sale to the grid.
- At Swallowcroft we have now commenced site construction at Keele University's science park. This will be our first pilot production well in Staffordshire and is the key to determining the deliverability of the high gas content coal resources in that area.
- At Point of Ayr we have re-interpreted 790 km of pre-existing 2D seismic data, which has given us greater confidence in the extent of the coal and other hydrocarbon resources in the area. This has resulted in a removal of the risk factors previously applied by Equipoise in their GIIP calculations and a significant tightening of the gas in place range. A pilot production site is planned for 2010.

02 Asset growth

- Two farm-up transactions carried out in 2009 have resulted in an increase in our Equity ownership in Swallowcroft and the Northwest from 20% to 35%. At Point of Ayr we have increased our holding from 50% to 75% in an area where we see significant potential from shale gas as well as from CBM.
- Independent verification of mid case GIIP has been revised upwards by 76% to 3.8 Tcf, high case 8.1 Tcf, based on latest data and equity holdings, source Equipoise Solutions Ltd and all net to IGas Energy.
- DeGolyer and MacNaughton's report on our Contingent Recoverable Resources has been updated to reflect changes in the Equity holdings of IGas Energy and now provides independent confirmation of a high case (3C) of 1.18 Tcf, with a mid case (2C) of 0.81 Tcf, all net to IGas Energy.
- The framework agreement with Peel Environmental Limited has now resulted in three permitted multi-well production sites within their land bank and a number more under consideration.

03 Financial flexibility

- On 30 August 2009 we closed a fund raising of £3.46 million, before expenses, at 60p per share. This was accompanied by an accretive farm-up agreement that increased our holding in our Swallowcroft acreage.
- In November we closed a larger fundraising of £13.75 million, before expenses, which has significantly developed and widened our shareholder base. The farm-up agreement that accompanied this was also accretive and progressed our ownership of the Point of Ayr assets to 75% and our Northwest acreage to 35%.
- In total we raised £17.21 million, before expenses, and grew the assets significantly, while equipping ourselves with the funding needed for the production sites planned for 2010 and 2011.

Chief Executive's statement

- ⊗ Leading independent company dedicated to unconventional gas in the UK
 - ⊗ More than a year of pilot production – A UK first
 - ⊗ Applications made to operate more than 50% of our gas
 - ⊗ Operations division now being established
 - ⊗ More than 1.18Tcf of gas (200Mmboe) – high case (3C)
 - ⊗ Access to land, planning, routes to market and customers proven
 - ⊗ No Bank Debt and £17.5 million of cash for 2010 and 2011 production expansion plans
-

2009 has seen the beginning of a transition at IGas Energy, which will continue in 2010 as IGas Energy moves from identification of resource to pilot production

Through the period the Company has taken critical steps in achieving a major transition IGas Energy has now demonstrated that wells including horizontal sections can be successfully drilled in UK coals. The pilot production site at Doe Green has been in operation for more than a year and we continue to be encouraged by the production rates we are experiencing. At Doe Green it has been further demonstrated that a UK well can be dewatered and steady production maintained. 2009 has also seen the activity necessary to enable us in 2010 to establish two more pilot production sites, thus demonstrating further the productive capacity of the coals in these areas. The first site will be at Keele University science park (Swallowcroft). We have commenced groundworks at the location and expect to be on site with a rig in the next couple of months. At Point of Ayr, our third pilot production location, we have identified a number of suitable sites and are in discussions with landowners to secure access. For further details of our activity see the accompanying Our activity table.

IGas Energy has applications pending to operate acreage which contains more than 50% of its gas. In addition it is responsible for the electricity generation and other downstream activities on its jointly operated assets. In order to be able to deliver the substantial activity now planned the Company has increased its operational capability. In response to this evolution in activity from appraising and identifying assets towards developing them, we are establishing an operations division under the leadership of a new COO, who is now actively recruiting key personnel to complement the technical team. This additional technical capability will enable IGas Energy to take greater control of its assets and their rapid commercialisation. We are further growing our ability to deliver by working with suppliers and contractors with whom we have previously had relationships through joint operations. We are also fostering relationships with expertise in other more developed markets for unconventional gas such as the USA and Australia. I am also happy to report that we have also recently strengthened the finance function.

2009 was also a critical year for resource acquisition and identification, with the successful farm-ups and independent resource assessments as referred to in the accompanying Our activity table. It is these successes that have positioned the Company for the accelerated production activity now planned for 2010 and 2011.

We continue to make good progress in building a land bank of multi-well production sites. In addition to our permitted production sites at Doe Green and Brancote, we were granted planning permission at a site at Ellesmere port in January of this year and have recently been granted two more planning permissions, at M6 Junction 21, and Ince Marshes. A further two planning permissions are under consideration at the present time. Several of these sites have been agreed

under our framework agreement with Peel Environmental Limited and we continue to work with them on the identification of further sites. We had a strong response to our advertising campaign earlier in the year where we invited large local energy users to engage with us in looking at developing drill sites on their own land and supplying them with energy directly. We are now processing a number of high quality leads arising from this campaign.

I am also able to report that costs in 2009 were again kept under strict control leading to an operating loss of £0.52 million for 2009 (2008 - £0.46 million). Costs will continue to be actively managed in 2010 but will increase with the accelerated production plans now that we are responsible for financing and operating a much greater part of our activities. Pilot operations are not expected to generate significant revenues in 2010 and the Company will now be devoting its efforts to operational rather than rechargeable service activity. During the year the Company raised £17.21 million, before expenses, which ensures the Company is well placed to execute its production sites planned for 2010 and 2011.

It gives me great pleasure to welcome John Blaymires to the team as COO, who will be responsible for all of our operated and non-operated assets. John has 27 years of international experience in the oil and gas industry gained with both Shell International and Hess Corporation. John has held a variety of senior technical roles with particular emphasis on field development activity (subsurface, drill and operation) in the North Sea, North Africa and the Middle East. More recently he was Technical Director for Hess operations in West Africa and subsequently South East Asia with responsibility for major gas developments. Prior to joining IGas Energy he was Director of Technology Development for Hess based in Houston, where he helped develop a global engineering and geoscience technology group responsible for supporting the E&P business ranging from deepwater to unconventional resources. John has a B.Sc. and PhD in Mining Engineering from Leeds University.

In 2010 the focus is on delivery. Firstly we will be further demonstrating the ability to deliver gas from our assets with additional pilot production. Secondly we will be equipping ourselves for our first full production site in 2011. With the clear production plans we now have, this is about building team and execution capability and I am confident we will be ready to deliver!

Andrew Austin
CEO

Our licences

Northwest (782 sq km ; IGas Energy interest 35%)

Our Northwest acreage has been the centre of much of our activity to date. The productive capacity of the coals has been established by our pilot production site at Doe Green and the ongoing energy export activities at this site. In addition to continuing to assess and model the subsurface we have now obtained planning permission for five production sites in the area ranging from Ellesmere Port in the west in PEDL 190 to the Trafford Centre in the east within PEDL 193. A significant proportion of this acreage is now also considered to have shale that has a very high potential to be hydrocarbon bearing.

Four oaks (PEDLs 145 and 116) – This area is located both north and south of the Mersey, between Liverpool and Warrington

Geologically, the area under licence is formed by strata of Carboniferous and Permo-Triassic age, gently dipping to the south and south-east. The British Geological Society maps show that these strata are cut by a number of north-south striking normal faults, throwing to the east and west, creating a number of normal fault blocks and horsts. The Carboniferous Westphalian coal measures sequence outcrops to the north of the licences and were the principal coal measures exploited in the Lancashire coalfields. The dip of the strata places the Westphalian at depths greater than 6,500 feet to the very south of the licence. This depth has been adopted as the maximum depth for CBM exploitation in the independent GIIP estimates.

In PEDL 145 activity has been concentrated at Doe Green, a drill site located between Warrington and Widnes between the A562 and the Liverpool-to-Manchester railway line. Two wells were drilled at this site in the last quarter of 2006: one was extensively cored and logged, and a lateral leg was drilled from the other. Additional lateral legs have since been drilled and the well has been on long term production test for over a year with the gas being used to generate electricity which is exported via the grid. In 2009 the first well on the site was perforated and fraced. There are no commitments outstanding in relation to this licence and in January 2009 IGas Energy was granted an unconditional FDP (field development plan) covering much of the licence area, permitting commercial gas production and further securing licence interests.

In PEDL 116 in April 2008, an assay well was spudded at Fox Hill Farm. The well achieved its objective to both core and log the coal sequence, and has been plugged and abandoned. The drilling of this well has satisfied the commitments under the licence and extended it into its second term.

Parkside (PEDL 193) - This area is located in South Lancashire, to the southeast of the old Parkside Colliery area of the South Lancashire coalfields and northeast of Warrington. Geologically, the licence is on the southern margin of the Rossendale anticline and on the western margin of the Pennine Axis, and targets the unworked CBM potential of the southern extension of the South Lancashire coalfield which is proven, by prior National Coal Board ("NCB") boreholes, to extend for at least 5 km to the south east. The oldest rocks present in the area belong to the upper part of the Millstone Grit Series of Upper Carboniferous age and are followed conformably by the Lower and Middle coal measures. These geologic strata consist of alternating shales, sandstones and coal seams. The northern and western area of the licence includes part of the underground workings of the abandoned South Lancashire Coalfield. The workings demonstrate the presence of multiple thick (>3 feet) coal seams within the Upper Carboniferous, Westphalian and Pennine coal measures. Exploration work carried out by the former NCB confirms the regional structure of the Coal Measures as gently dipping to the south (at depths up to and exceeding 4,000 feet) and being broken up by a series of normal faults.

It is IGas Energy's intention to confirm the CBM production potential of the licence by drilling a well into the application area, contingent upon achieving the required planning permission, which well would satisfy the licence commitment which is due by July 2014. Identification of potential well sites is ongoing.

North Dee (PEDLs 184 and 190) - The area is located in North Dee, including around Ellesmere Port and Runcorn. The area extends between the tidal estuary of the Dee and the Mersey, with the peninsula of the Wirral (Cheshire) lying between them.

These licences target the unworked CBM potential of the eastern extension of the North Wales coalfields and the south western extension of the Lancashire coalfields. These coals are proven to extend eastwards for at least 20 kilometres in the North Dee area from Buckley to Chester, and southwards from the Wirral to Wrexham.

Geologically the licence area lies on the south eastern margin of the East Irish Sea Basin and on the north western margin of the Permo-Triassic Cheshire basin, forming part of the larger Pennine coal measures basin. The Westphalian Pennine coal measures group of the Pennine basin extends at outcrop or at subcrop across northern England, to the west and east of the Pennines, central England and north Wales. The licence area forms part of the south westerly edge of this basin.

The south western area of PEDL 190 includes the Collinge Borehole drilled by the NCB as part of an old coalfield exploration program. The Collinge borehole demonstrates the presence of multiple thick (>3 feet) coal seams within the Upper Carboniferous and Westphalian coal measures. An NCB depth structure map confirms the regional structure of the coal measures as dipping gently to the south east toward the Cheshire basin.

It is the intention of the partnership to confirm the CBM production potential of these licences by drilling two wells into the application area, contingent upon achieving the required planning permissions, which wells would satisfy the licence commitments which are due by July 2014. Identification of potential well sites is ongoing.

Swallowcroft (563 sq km ; IGas Energy interest 35%, except PEDL 78-2 100%)

Swallowcroft in Staffordshire offers a very intensively located resource with a large number of potentially drillable seams within the coal. We have now commenced the site preparation at Keele science park in PEDL 56-1 and will spud a pilot production well here shortly. In addition in 2009 we acquired PEDL 78-2 and now own 100% of this licence, which we operate. The GIIP on this licence was independently assessed as 78 bcf mid case.

The Swallowcroft area includes PEDLs 40-1, 56-1, 78-1, 78-2, 115-1 and 115-2. The area extends from Newcastle-under-Lyme in the West across to Lichfield in the East and towards Telford in the South, all within the county of Staffordshire.

Swallowcroft Central (PEDLs 40-1 and 56-1) Geologically, the area is formed by a series of open, westward-plunging anticlines and synclines, with rocks of Triassic to Carboniferous age outcropping at surface and with the Carboniferous Westphalian coal measures sequence outcropping to the north of the licences, where they were worked as part of the Staffordshire coalfields. A large fault, the Wem Fault, downthrows Carboniferous strata to the very westerly edge of the licences and although quantification of this throw is uncertain, it is likely that the Carboniferous strata to the west of this fault are too deep for CBM exploration at present. There are no commitments outstanding relating to the Central Swallowcroft licences, which are now both in their second terms.

Greater Swallowcroft (PEDLs 78-1, 78-2 and 115-1, 115-2) Geologically, the area under licence is formed by strata of Carboniferous and Permo-Triassic age. Solid geological maps show the area other than PEDL 78-2 to be generally dipping from south to north, with a complex of north-south trending normal faults, commonly downthrowing to the east in the case of PEDL 78-1 and to the west in the case of PEDLs 115-1 and 115-2. In the case of PEDL 78-2 maps show the coal seams dip in a north and easterly direction and the coal measures outcrop in a south westerly direction, with the productive measures completely removed in the north-west portion of the block.

Extensive work has now been undertaken to select appropriate sites from which to drill, using the Group's existing geological data. In July 2008, a well was spudded at Willoughbridge in PEDL 78-1. This assay well was drilled to core and log the coal measures and extend our knowledge of the coal seam development in the area. The well successfully achieved its objectives and, as planned, the well was plugged and abandoned in early September. The drilling of this well satisfies the commitments under the first term of the licence and extends both PEDLs 78-1 and 78-2 into their second terms. A well was spudded at Fradley in October 2008 and this fulfilled the licence obligations for PEDL 115-2 and ensures the extension of both PEDLs 115-1 and 115-2 into their second terms.

In PEDL 56-1, under an agreement struck with Keele University, a production site will be established at the Keele science park and the university will be a customer for gas produced from this site. During 2009 planning permission was obtained for a pilot production well for which site preparation has already commenced and which is expected to spud shortly.

PEDL 78-2 was acquired 100% by IGas Energy in June 2009 and is operated by the Company.

In March 2010 IGas Energy was granted an unconditional FDP covering part of the Swallowcroft area, permitting commercial gas production and further securing licence interests.

Point of Ayr (211 sq km ; IGas Energy interest 75%)

Point of Ayr is a particularly interesting area for IGas Energy as here we see potential for both conventional and unconventional (from coal and also shale) gas production. In 2009 790km of 2D seismic was reinterpreted in the area and an independent report by Equipose Solutions put the conventional gas potential at up to 37 bcf unrisked within the licence area. A number of leads were identified at the Namurian and Collyhurst levels. Several sites for drilling have been identified onshore in the area and we are looking to progress one of these in 2010.

Onshore the acreage comprises PEDL 107, which lies to the west of the Dee estuary, approximately 15 miles west-south-west of the City of Liverpool and immediately to the east of the town of Prestatyn, within the county of Flintshire. Westphalian A and B age strata are present in the east of this licence, where they have been extensively mined within the Point of Ayr and Mostyn collieries, which are now abandoned. PEDL 107 has limited potential for CBM as a result. Offshore the acreage comprises SPPL 1481, which is contiguous with the onshore licence, and includes offshore blocks 110/18 (part), 110/19 (part) and 110/23 (part). The Westphalian A and B strata mined in PEDL 107 are proven in Block 110/19 (part) by a series of exploration boreholes. 2D seismic lines from a number of sources cover this area and support the presence of coal away from borehole penetrations. As a result, IGas see CBM potential within the offshore blocks. Collectively these licences are referred to as Point of Ayr.

Geologically, the area under licence is formed by strata of Carboniferous and Permo-Triassic age, deformed as an upthrown anticlinal structure, plunging northwards. For the most part, the onshore outcrop (within PEDL 107) is composed of strata older than the Westphalian coal.

measures Mining in the area focussed on Westphalian coals, which, from the available borehole data, are at depths of approximately 650 feet to 2,300 feet below datum Areas of the licence have been extensively mined, and are not prospective for CBM as a result

PEDL 107 is now in its second term and there are no outstanding licence commitments

SPPL 1481 was acquired by IGas Energy as part of the 24th UK Offshore Licensing Round and carries a contingent obligation to drill one well before March 2011 The first term of this licence expires on 31 March 2011, when a 50% relinquishment may be required

IGas has applied for operatorship of Point of Ayr when it increased its interest in the licence to 75%

IGas Energy has already taken a preliminary look at the shale potential of the Point of Ayr acreage Initial indications are that the shale extends over the whole acreage and has an expected average thickness of over 800 feet and is understood to have a very high potential to be hydrocarbon bearing

Drax (200 Sq km ; IGas Energy Interest 20%)

The Drax area is located in Yorkshire, around 15 miles south and east of York itself. The licence is PEDL 92-1.

Geologically, the area under licence is formed by strata of Carboniferous and Permo-Triassic age, gently dipping to the south and south-east Prior mining to the south and west of the area focused on Westphalian B coals, which, from the available borehole data, are at depths of approximately 650 feet to 3,000 feet below surface within PEDL 92 Although the area had been licensed historically for CBM exploration, no boreholes had been drilled on the licence for this purpose prior to IGas Energy acquiring the acreage

A well was spudded at Mill Farm in August 2007 and drilled to a depth of 2,718 feet This well was used to log and core the coal sequence The drilling of this well fulfilled the licence commitments and the licence is now in its second term

Key financial highlights

Income statement

£000	2009	2008
Revenue	828	992
Operating loss	(515)	(458)
Loss for the year	(504)	(386)

Total licence expenditure

Cumulative to end (£000)	2009	2008
Incurred by Group	1,334	476
Carried by Nexen	5,113	4,072

Cash position

- The Group manages its cash and other sources of finance, including its agreements with Nexen, so as to have access to adequate funds to meet the costs of future exploration and development programmes. At 31 December 2009, the Group's net current assets amounted to £16.8 million (2008: £2.1 million) all financed by equity, as the Group has no borrowings.
- As at 31 December 2009 the Group had a consolidated cash position of £17.5 million (2008: £2.3 million). The Group also has access to carry agreements with Nexen under which, as at 31 December 2009, a further £0.6 million (2008: £1.7 million) of the Group's share of certain costs of future licence work programmes (which have to be approved by the Group) will be carried by Nexen.
- Accordingly, at 31 December 2009, in total, the Group had access to in excess of £18.1 million (2008: £4.5 million) of funding.

Principal risks and uncertainties

- The Group is exposed, through its operations, to liquidity risk, which is managed by the Board who regularly review the Group's cash forecasts and the adequacy of available facilities to meet the Group's cash requirements. At the Group's current stage of development, the Board does not consider foreign currency and credit risks to be material.
- The Group is exposed to market price risk through variations in the wholesale prices of gas and electricity in the context of its future production volumes. Currently the Group has not entered into any forward contracts to fix the prices of these commodities. The Board will continue to monitor the benefit of entering into such contracts.
- The Group is exposed to risks associated with geological uncertainty. No guarantee can be given that gas can be produced from any or all of the Group's assets or that gas can be delivered economically.
- The Group is exposed to planning, environmental, licensing and other permitting risks associated with its operations and, in particular, with drilling and production operations. To date, authorities have appeared supportive but there can be no guarantee this will continue.
- The Group is exposed to capital risk resulting from its capital structure. Currently the Group has no borrowings and is solely equity funded. However, the capital structure is continually monitored to ensure it is in line with the business needs and ongoing asset development. Further details of the Group's capital management policy are disclosed in note 14 to the consolidated financial statements.
- The Group is also exposed to a variety of other risks including those related to
 - operational matters (including cost increases, availability of equipment and successful project execution),
 - Nexen operating agreements (including their pursuit of projects),
 - competition,
 - key personnel, and
 - litigation.

Environment, Health and Safety

The Group is committed to preserving the environment and to ensuring we provide safe and healthy work conditions for all our employees and contractors. Nexen, which operates many of our assets, also has strict Environmental and Health and Safety policies.

Directors

Francis Gugen

Executive Chairman

Francis is a founder, largest shareholder and Executive Chairman and 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 Economic Affairs Committee. Francis is also a past president of the UK Offshore Operators Association, past chair of the industries representation on the UK Government Oil & Gas Task Force (Pilot) and past chair of the CBI's Environmental Affairs Committee.

Francis is a chartered accountant having worked for Arthur Andersen for eight years until 1982, principally as an oil and gas specialist. Currently he is non-executive Chairman of Petroleum Geophysical Services ASA and of Chrysaor Limited. Until 2006 he served as Chairman of North Sea gas fields and pipelines operator CH4 Energy Limited before it was acquired in 2006 by Venture Petroleum Plc for Euro 224 million.

Francis devotes such time to the Group as is required to discharge his duties.

Andrew Austin

Chief Executive Officer

Andrew is one of the founders and the Chief Executive Officer and previously he specialised in energy projects in the gas, electricity and renewables sector. Andrew has been an Executive Director since 2004 and for the last four years has been CEO with full time responsibility for day to day operations and business development.

Prior to joining IGas Andrew has been involved in ventures as principal and has also raised substantial funds from private and public equity for clients during the course of his career to date. Andrew 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 Genetics Group and Whitfield Solar.

Brent Cheshire

Executive Technical Director

Brent is one of the founders and is the Technical Director. After 14 years at Shell working both internationally and in the U.K. in petroleum engineering roles, he joined Amerada Hess in 1991, where he had a range of technical management positions, culminating in Senior VP E&P Worldwide Technology and CEO Scandinavia. Brent has significant experience in petroleum engineering, drilling technology and project management and is Managing Director of DONG E&P (UK) Limited, under arrangements that allow him to devote appropriate time to IGas.

Brent is a geology graduate of Durham University where he is currently a member of the Durham University Energy Institute's advisory and development boards.

John Bryant

Senior Independent Non-Executive Director

John is the Senior Independent Director of Weatherly plc, quoted on AIM. He is also a board member of the Attiki Gas Company, which supplies natural gas to Athens and the surrounding districts.

John previously served as president of Cinergy Global Resources Corp, responsible for all international business and global renewable power operations of this US-based electricity and gas utility provider. Before joining Cinergy, John was executive director with Midlands Electricity plc. He has been involved in developing a number of large gas fired power stations both in the UK and overseas, together with both electricity and gas distribution in Europe and Africa, renewable power in Europe and North America and gas and electricity trading. His prior experience was at British Sugar plc, Drexel Limited, the British Oxygen Company and Unilever plc. Drexel, where he was president, was a global oil and gas equipment manufacturing and servicing company.

John is a Fellow of the Institute of Directors and a Fellow of the Royal Society of Arts.

Richard Armstrong

Non-Executive Director

Richard is an associate with Fiske plc, the AIM quoted stockbrokers. He is a former equity analyst with extensive experience in reconstructing and raising capital for turnaround situations especially in the quoted microcap sector. He is currently a Director of CityPoint Investments Plc and PLUS quoted Petrocapital Resources plc.

John Andrew Hamilton – appointed 10 December 2009

Non-Executive Director

John is the Managing Director of Levine Capital management Advisors Limited, a UK incorporated company and a non-executive director at President Petroleum Corporation Plc. John was previously the Group Finance Director of Imperial Energy Corporation Plc. Prior to joining Imperial Energy, John held senior positions at ABN AMRO.

Corporate governance

The Board of Directors support high standards of corporate governance and the guidance set out in the Combined Code on Corporate Governance (the "Combined Code"). As a Company that is quoted on AIM, it is not required to comply with the Combined Code but all the Directors intend to comply with its main provisions as far as is practicable having regard to the size and composition of the Group.

The Board and its committees

The Board of the Company consists of three Executive Directors and three Non-Executive Directors, with Mr Armstrong and Mr Bryant being considered to be independent. The Senior Independent Non-Executive Director is John Bryant and biographies of all the Directors are included on page 15.

The Board retains full and effective control over the Group. The Board meets regularly, at least eight times a year, to consider reports on the operational and financial performance of the Group and to decide on matters reserved unto itself, which include formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and senior personnel appointments.

The Directors have established separate committees each chaired by a Non-Executive Director as follows:

Audit committee

The committee comprises only Non-Executive Directors, being chaired by Richard Armstrong and having as other members John Bryant, Peter Redmond (resigned 10 December 2009) and John Hamilton (appointed 10 December 2009). The Chairman and Chief Executive Officer may attend only at the invitation of the committee.

The committee receives and reviews reports from management and the Group's auditors relating to the Group's annual report and accounts and from management relating to interim results announcements. The committee focuses particularly on compliance with legal requirements, accounting standards and the AIM Rules and on ensuring that effective systems of internal financial and non-financial controls (including for the management of risk and whistle-blowing) are maintained. However, the ultimate responsibility for reviewing and approving the annual report and accounts remains with the Board of Directors. The committee is also responsible for making recommendations to the Board of Directors on the appointment of the external auditors and their remuneration. The committee keeps under review the external auditors' independence and considers the nature, scope, and results of the auditor's work and develops policy on and reviews (reserving the right to approve) any non-audit services that are provided by the external auditors.

The committee normally meets at least three times a year and meets the external auditors at least annually without the presence of the Executive Directors.

Remuneration committee

The committee comprises only Non-Executive Directors, being chaired by John Bryant and having as other members Richard Armstrong, Peter Redmond (resigned 10 December 2009) and John Hamilton (appointed 10 December 2009). The committee, which normally meets at least twice a year, has responsibility for making recommendations to the Board of Directors on the Company's policy on the remuneration of the Chairman, Executive Directors and other senior executives (as are delegated to the committee to consider) and for determining, within agreed terms of reference, specific remuneration packages for each of them, including pension rights, any compensation payments and the implementation of executive incentive schemes. In accordance with the committee's terms of reference, no Director may participate in discussions relating to their own terms and conditions of service or remuneration.

Nomination committee

The Nomination committee is chaired by the Senior Independent Non-Executive Director, John Bryant, and its other members are the Non-Executive Director, Richard Armstrong, and the Chairman, Francis Gugen. The committee, which meets as required throughout the year, has responsibility for considering the size, structure and composition of the Board of Directors, retirements and appointments of additional and replacement Directors and making appropriate recommendations to the Board of Directors. The committee is also tasked with ensuring that plans are in place for orderly succession to the Board of Directors and senior management positions, so as to maintain an appropriate balance of skills and experience within the Group and the Board of Directors. The Chief Executive Officer of the Company is invited to attend meetings of the committee when the committee is discussing matters related to executive management and such other matters as the committee chairman deems appropriate.

At each Annual General Meeting at least one-third of the Directors shall retire from office by rotation. The Directors to retire by rotation shall include, firstly, any Director who wishes to retire at the meeting and not offer himself for re-election and, secondly, those Directors who have been longest in office since their last appointment or reappointment, provided always that each Director shall be required to retire and offer himself for re-election at least every three years. Directors appointed by the Board hold office only until the dissolution of the Annual General Meeting of the Company next following such appointment.

Internal control

The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. The procedures that include, inter alia, financial, operational and compliance matters and risk management are reviewed on an ongoing basis. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need for a separate internal audit function but, bearing in mind the present size and composition of the Group, does not consider it necessary at the current time.

Relations with shareholders

Communications with shareholders are considered important by the Directors. The primary contact with shareholders, investors and analysts is the Chief Executive Officer. The other Executive Directors, however, regularly speak to investors and analysts during the year. Company circulars and press releases have also been issued throughout the year in relation to various proposals and for keeping investors informed about the Group's progress.

The Company also maintains a website on the internet (www.igasplc.com) that is regularly updated and contains a wide range of information about the Group.

Directors' remuneration report

This report explains how decisions regarding Directors' pay are taken

Remit of the Remuneration committee

The committee comprises only Non-Executive Directors, being chaired by John Bryant and having as other members Richard Armstrong, Peter Redmond (resigned 10 December 2009) and John Hamilton (appointed 10 December 2009). The committee, which normally meets at least twice a year, has responsibility for making recommendations to the Board of Directors on the Company's policy on the remuneration of the Chairman, Executive Directors and other senior executives (as are delegated to the committee to consider) and for determining, within agreed terms of reference, specific remuneration packages for each of them, including pension rights, any compensation payments and the implementation of executive incentive schemes. In accordance with the committee's terms of reference, no Director may participate in discussions relating to their own terms and conditions of service or remuneration.

Nature of remuneration

The Remuneration committee considers the following as potential elements of reward

- Annual Salary
- Annual Bonus
- Long-Term Incentive
- Other Benefits, including Pension

These elements are considered in aggregate when assessing competitiveness against the market

With the Company now expanding rapidly to accelerate production and with its application to assume operatorship of more than 50% of its gas, the Remuneration committee is of the view that it is now appropriate to fully review the Company's remuneration policies, particularly since salaries have remained unchanged since before the reverse takeover on 31 December 2007 (the "Reverse") and because there is no long-term incentive plan ("LTIP") in place including for staff currently being recruited. The Remuneration Committee has retained independent advisors to assist them with the design and implementation of any new arrangements, including the establishment of any LTIP, which if implemented is expected to be effective as of 1 January 2010.

Current arrangements

Executive Directors

As part of the reverse the Company chose to take over the employment arrangements that had applied to the three Executive Directors, except that their contracts of employment, which are evergreen, were extended from one month to twelve months' notice, as deemed appropriate for an AIM listed company. Under these arrangements, the three Executive Directors currently have no long-term incentive plan ("LTIP"), are not entitled to any other benefits (including pension) and received salary and bonuses, all earned as Directors, as follows

	Salary £000	Bonus £000	2009 Total £000	Salary and fees £000	Bonus £000	2008 Total £000
F Gugen – Executive Chairman	100	50	150	100	–	100
A Austin – Chief Executive Officer	200	100	300	200	75	275
B Cheshire – Executive Technical Director	100	50	150	100	20	120
Total – Executive Directors	400	200	600	400	95	495

Each of the Executive Directors devotes such time as is required to discharge his duties, which in the case of Andrew Austin is full time

Each Executive Director is entitled to receive a bonus dependent on the achievement of various objective targets and milestones as set by the Remuneration Committee

In view of the success of the Company in delivering its stated objectives for the year and in securing significant new equity funding during the year, which enabled the Company to apply for operatorship of over 50% of its gas and to adopt a materially more ambitious development programme, the Committee determined that exceptional performance had been achieved which merited the payment of a maximum bonus

Non-Executive Directors

The Non-Executive Directors are employed under evergreen contracts subject to three months notice, under which they are not entitled to any pension, benefits or bonuses and received fees all earned as Directors, as follows

	2009 Fees/Salary Total £000	2008 Total £000
J Bryant – Senior Independent	20	17
R Armstrong	20	17
P Redmond – Resigned 10 December 2009	29	17
J Hamilton – Appointed 10 December 2009	1*	-
Total – Non-Executive Directors	70	51

* Of the £1 thousand paid in respect of John Hamilton's services, 50% is paid to Mr Hamilton under his personal appointment letter to act as a non-executive of the Company and the other 50% is paid to Levine Capital Management Advisors Limited under a separate consultancy agreement in respect of the provision of Mr Hamilton's services to the Company

John Bryant

Chairman Remuneration Committee

5 May 2010

Directors' report

The Directors present their report together with the Group and Parent Company financial statements for the year ended 31 December 2009

Business review and future developments

A review of the business and the future developments of the Group are presented in the Chairman's statement (including Our strategy) on pages 4 and 5, the Chief Executive's statement (including Our activity) on pages 6 to 7 and in the Operational review on pages 8 to 12

Results and dividends

The Group's loss for the year after taxation was £504 thousand (2008 loss £386 thousand) The Directors do not recommend the payment of a dividend for the year

Going Concern

After reviewing the Group's budgets and cash flow projections for 2010 and 2011 and taking into consideration the current operating environment, the risks outlined in Note 14 to the consolidated financial statements and the Group's liquidity risk management as set out under Cash position in the Business review on page 13, the Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. It is therefore appropriate to adopt the going concern basis in preparing the financial statements

Principal activity

The Group's principal area of activity is unconventional gas including coal bed methane ("CBM"), intended to result in the production and marketing of methane gas for industrial and domestic use from virgin 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 details of which are outlined in Note 2 of the consolidated financial statements

Share Capital

Details of changes to share capital in the period are set out in Note 15 to the consolidated financial statements

Directors and their interests

The Directors who served during the year were as follows

F R Gugen	Executive Chairman
A P Austin	Chief Executive Officer
B Cheshire	Executive Technical Director
J Bryant	Non-Executive
R J Armstrong	Non-Executive
P Redmond	Non-Executive – Resigned 10 December 2009
J A Hamilton	Non-Executive – Appointed 10 December 2009

The interests of the Directors in the shares of the Company at 31 December 2009 were as follows

	31 December 2009		31 December 2008		31 December 2009	31 December 2008
	Ordinary 50p Shares	%	Ordinary 50p Shares	%	Warrants	Warrants
	Number		Number			
F R Gugen	27,615,764	30.34	27,419,097	43.99	–	–
A P Austin	11,429,253	12.56	11,429,253	18.34	–	–
B Cheshire	11,429,253	12.56	11,429,253	18.34	–	–
J Bryant	50,370	0.06	50,370	0.08	110,000	110,000
R J Armstrong	58,460	0.06	58,460	0.09	110,000	110,000
P Redmond – Resigned 10 December 2009	***	***	50,770	0.08	***	110,000
J Hamilton – Appointed 10 December 2009	85,000**	0.09	–	–	–	–

* Of the warrants issued to Non-Executive Directors, for each Director to whom warrants were issued 82,500 are exercisable into Ordinary 50p Shares at a price of 55p per Ordinary Share and 27,500 are exercisable at a price of 75p per Ordinary Share

** J Hamilton is beneficially interested in 85,000 Ordinary Shares out of a total of 11,720,000 held by Peter Levine and Levine Capital Management BVI, the latter of whom he is deemed to be associated for these purposes

*** P Redmond still held the same shares and warrants as at 31 December 2009 but these are not reported as he was no longer a Director as at this date

Rotation and re-election of Directors

In accordance with the Articles of Association F R Gugen and B Cheshire retire by rotation and being eligible offer themselves for re-election

Directors' insurance and indemnity provisions

Subject to the conditions set out in the Companies Act 2006, the Company has arranged appropriate directors and officers Insurance to indemnify the directors and officers against liability in respect of proceedings brought by third parties. Such provision remains in force at the date of this report

The Company indemnifies the Directors against actions they undertake or fail to undertake as Directors or officers of any Group company, to the extent permissible for such indemnities to meet the test of a qualifying third party indemnity provision as provided for by the Companies Act 2006. The nature and extent of the indemnities is as described in Section 60 of the Company's Articles of Association as adopted on 10 July 2009. These provisions remained in force throughout the year and remain in place at the date of this report

Substantial shareholders

Apart from the Directors' holdings, the only other holding in excess of 3% of the share capital of the Company at the date of this report was

	Number of Shares	%
Peter Levine and Levine Capital Management BVI	11,720,000	12.88
Schroders	3,666,667	4.03
Artemis	2,750,000	3.02

Financial instruments

The Group's principal financial instruments comprise cash balances and other debtors and creditors that arise through the normal course of business as set out in Notes 10 to 12 to the consolidated financial statements. The Group's financial risk management objectives are set out in Note 14 to the consolidated financial statements and the Business review on page 13.

Employment policy

It is the policy of the Group to operate a fair employment policy. No employee or job applicant is less favourably treated than another on the grounds of their sex, sexual orientation, age, marital status, religion, race, nationality, ethnic or national origin, colour or disability and all appointments and promotions are determined solely on merit. The Directors encourage employees to be aware of all issues affecting the Group and place considerable emphasis on employees sharing in its success.

Creditor payment policy and practice

It is the Group's normal practice to agree payment terms with its suppliers and abide by such terms. Payment becomes due when it can be confirmed that goods and/or services have been provided in accordance with the relevant contractual conditions. The amount owed by the Company to trade creditors at the end of the financial year represented 17 days of daily purchases for the Company (2008: 22 days).

Charitable and political contributions

During the year, the Group made no donations (2008: nil).

Status

The Company is not a close company as defined in the Income and Corporation Taxes Act 1988.

The Company is domiciled in the UK and incorporated and registered in England.

Board committees

Information on the Audit, Remuneration and Nomination committees is included in the Corporate Governance section of the annual report on page 16.

Auditors

A resolution to reappoint Ernst & Young LLP as auditor will be proposed at the Annual General Meeting at a fee to be agreed in due course by the Audit Committee and the Board.

Directors' statement as to disclosure of information to the auditors

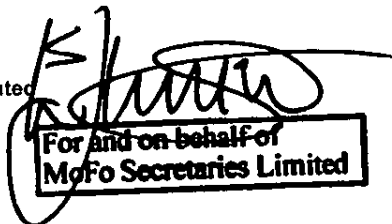
So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors, each Director has taken all the steps that a Director might reasonably be expected to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Annual General Meeting

The Annual General Meeting will be held on 7 June 2010 as stated in the Notice of Meeting which accompanies this Annual Report.

By order of the Board

Mofo Secretaries Limited
Secretary
5 May 2010



For and on behalf of
Mofo Secretaries Limited

Consolidated financial statements – Directors’ statement of responsibilities in respect thereof

The Directors are responsible for preparing the Annual Report and Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union (“IFRSs”)

The Directors are required to prepare Group financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those Group financial statements the Directors are required to

- select suitable accounting policies in accordance with IAS 8 Accounting policies, Changes in Accounting Estimates and Errors and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group’s financial position and financial performance,
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements, and
- prepare the accounts on a going concern basis unless, having assessed the ability of the Group to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditor's report to the members of IGas Energy plc

We have audited the group financial statements of IGas Energy plc for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Statement of Responsibilities set out on page 22, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the group financial statements

- give a true and fair view of the state of the group's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of IGas Energy plc for the year ended 31 December 2009.



Gary Donald (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

5 May 2010

Consolidated income statement

For the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Revenue	2	828	992
Cost of sales		(671)	(826)
Gross profit		157	166
Administrative expenses		(672)	(624)
Operating loss		(515)	(458)
Finance income	6	11	72
Loss on ordinary activities before tax		(504)	(386)
Tax on loss on ordinary activities	7	-	-
Loss from continuing operations attributable to equity shareholders of the Group		(504)	(386)
Basic and diluted (loss) per share (£/share)	8	(0 0076)	(0 0064)

Consolidated statement of comprehensive income

For the year ended 31 December 2009

	2009 £000	2008 £000
Loss for the year	(504)	(386)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(504)	(386)


Consolidated balance sheet

As at 31 December 2009

	Notes	2009 £000	2008 £000
Non-current assets			
Intangible exploration and evaluation assets	9	1,334	476
Property plant and equipment		—	—
		1,334	476
Current assets			
Trade and other receivables	10	258	666
Cash and cash equivalents	11	17,501	2,278
		17,759	2,944
Current liabilities			
Trade and other payables	12	(931)	(843)
Net current assets		16,828	2,101
Total assets less current liabilities		18,162	2,577
Net assets		18,162	2,577
Capital and reserves			
Called up share capital	15	18,617	4,275
Share premium account	17	2,203	420
Share warrant reserve	17	131	167
Retained earnings/(accumulated deficit)		(2,789)	(2,285)
Shareholders' funds		18,162	2,577

These financial statements were approved and authorised for issue by the Board on 5 May 2010 and are signed on its behalf by


Francis Eugen
Chairman


Andrew Austin
Chief Executive Officer

Consolidated statement of changes in equity

For the year ended 31 December 2009

	Called up share capital (Note 15) £000	Share premium account £000	Share warrant reserve £000	Retained earnings/ (accumulated deficit) £000	Total £000
Balance at 1 January 2008	2,664	44	167	(1,899)	976
Changes in equity for 2008					
Loss for the year	—	—	—	(386)	(386)
Issue of shares during year	1,611	484	—	—	2,095
Share issue costs	—	(108)	—	—	(108)
Balance at 31 December 2008	4,275	420	167	(2,285)	2,577
Changes in equity for 2009					
Loss for the year	—	—	—	(504)	(504)
Transfer to Share premium account	—	36	(36)	—	—
Issue of shares during year	14,342	2,868	—	—	17,210
Share issue costs	—	(1,121)	—	—	(1,121)
Balance at 31 December 2009	18,617	2,203	131	(2,789)	18,162

Consolidated cash flow statement

For the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Operating activities			
Loss for the year		(504)	(386)
Finance income	6	(11)	(72)
Decrease/(increase) in trade and other receivables		408	(383)
(Decrease)/increase in trade and other payables, net of accruals related to investing activities		(338)	92
Decrease in current taxation liabilities		-	(1)
Decrease in non-current liabilities		-	(78)
Net cash used in operating activities		(445)	(828)
Investing activities			
Acquisition of exploration and evaluation assets		(432)	(367)
Interest received	6	11	72
Net cash used in investing activities		(421)	(295)
Financing activities			
Cash proceeds from issue of Ordinary Share Capital	15	17,210	2,095
Share issue costs	17	(1,121)	(108)
Net cash from financing activities		16,089	1,987
Net increase in cash and cash equivalents in the year		15,223	864
Cash and cash equivalents at the beginning of the year		2,278	1,414
Cash and cash equivalents at the end of the year	11	17,501	2,278

Consolidated financial statements – notes

As at 31 December 2009

1 Accounting policies

(a) Basis of preparation of financial statements

On 11 December 2009, the Company changed its name from Island Gas Resources plc to IGas Energy plc. The consolidated financial statements of IGas Energy plc (the "Company") and subsidiaries (the "Group") have been prepared under the historical cost convention in accordance with International Financial Reporting Standards, adopted for use by the European Union ("IFRSs") as they apply to the Group for the year ended 31 December 2009, and with the Companies Act 2006. The accounts were approved by the board and authorised for issue on 5 May 2010. IGas Energy plc is a public limited company incorporated and registered in England and Wales.

The Group financial statements are presented in Sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

During the year, the Group adopted the following new and amended IFRS which were applicable to the Group's activities as of 1 January 2009:

International Accounting Standards (IFRS/IAS):

IFRS 2	Amendment to IFRS 2 – Vesting Conditions and Cancellations – This amendment is applicable from 1 January 2009. This standard clarifies that only service conditions and performance conditions are vesting conditions and other features of a share-based payment are not vesting conditions. In addition, it specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group has considered the effect of this interpretation and has concluded that there is no impact on the financial statements.
IFRS 3	Business Combinations (revised January 2008) - This is effective for annual periods beginning on or after 1 July 2009 but has been early adopted by the Group. This standard introduces a number of changes in the accounting for business combinations occurring after this date and will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by partially-owned subsidiaries as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 "Statement of Cash Flows", IAS 12 "Income Taxes", IAS 21 "The Effects of Changes in Foreign Exchange Rates", IAS 28 "Investment in Associates" and IAS 31 "Interests in Joint Ventures". The changes to IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests. This standard has no effect on the financial statements as the Group has not entered into any business combinations since its adoption.
IFRS 7	Improving Disclosures about Financial Instruments – This is effective for annual periods beginning on or after 1 January 2009. The amendments require enhanced disclosures about fair value measurements and liquidity risk. The Group has considered the effect of this amendment and has provided additional disclosures where relevant.
IFRS 8	Operating Segments – This is effective for annual periods beginning on or after 1 January 2009. This standard introduces the "management approach" to segment reporting. IFRS 8, which is mandatory for the Group's 2009 financial information, requires the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. The Group currently only has one reportable business segment, and so the adoption of this standard does not have any effect on the reported results or the state of affairs of the Group but does give rise to additional disclosures.
IAS 1	Presentation of Financial Statements (revised September 2007) – The standard requires the separation of owner and non-owner changes in equity. The statement of changes in equity shall include 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 elected to produce two separate statements which does not have any impact on the financial position of the Group but gives rise to additional disclosures.

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory only for the Group's accounting periods beginning on or after 1 January 2010 or later periods but which the Group has not adopted early. Those that may be applicable to the Group in future are as follows:

Effective date

International Accounting Standards (IFRS/IAS)

IFRS 2	Amendment to IFRS 2 – Group Cash-settled Share-based Payment Transactions – This amendment clarifies that there shall now be included transactions where the transfer of cash or other assets is based on the price (or value) of the equity instruments of another group entity. The Group has considered the effect of this interpretation and has concluded that it is not expected to have any impact on the financial statements.	1 January 2010
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The Directors do not anticipate that the adoption of these standards and interpretations will either individually or collectively have a material impact on the Group's financial statements in the period of initial application. The Group does not anticipate adopting these standards and interpretations ahead of their effective date.

Improvements to IFRS

In May 2008 and April 2009 the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. All applicable and effective amendments were adopted, the majority of which did not have any impact on the accounting policies, financial position or performance of the Group. The adoption of the following amendment resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- **IAS 23 Borrowing costs** The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one, whereby the interest expense is calculated in accordance with IAS 39.

None of the amendments that are effective for the year beginning 1 January 2010 are expected to have any impact on the accounting policies, financial position or performance of the Group.

(b) Going concern

After reviewing the Group's budgets and cash flow projections for 2010 and 2011, and taking into consideration the current operating environment, the risks outlined in Note 14 and the Group's liquidity risk management as set out under Cash position in the Business review on page 13, the Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. It is therefore appropriate to adopt the going concern basis in preparing the financial statements.

(c) Basis of consolidation

The consolidated financial statements present the results of IGL 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 the parent. All intercompany transactions and balances between Group companies, including unrealised profits arising from them, are eliminated in full.

On 31 December 2007 the Company completed a reverse takeover whereby a private company, Island Gas Limited ("IGL"), became a wholly-owned subsidiary of the Company but with IGL's shareholders acquiring 94% of the Ordinary Share capital of the combined entity (the "Reverse"), these arrangements, being more fully described in an admission document dated 27 November 2007 (the "Admission Document"). As a result of the Reverse and in accordance with IFRS the Group's results up to the date of the Reverse became those of IGL.

At 31 December 2009 the Group comprised the Company and its subsidiaries IGL and KP Renewables (Operations) Limited.

(d) Joint ventures

The Group's licence interests are all held jointly with others under arrangements whereby unincorporated and jointly controlled joint ventures are used to explore, evaluate and ultimately develop and produce from its gas interests. Accordingly, the Group accounts for its share of assets, liabilities, income and expenditure of these jointly controlled assets, classified in the appropriate balance sheet and income statement headings, except where its share of such amounts remain the responsibility of another party in accordance with the terms of the carried interests as described at (h) below. Where the Group enters into a farm-up agreement involving a licence in the exploration and evaluation phase, the Group records all costs that it incurs under the terms of the joint operating agreement as amended by the farm-up agreement as they are incurred.

(e) Significant accounting judgements and estimates

Critical judgements in applying the Group's accounting policies

The Group invests in the exploration, evaluation, development and production of gas from the UK. The assessment of the production rates to be derived from such expenditure is a matter of judgement, as is the forecasting of the future economic benefit that may be derived from such production. Finally, the period of time over which the economic benefit associated with the expenditure incurred will arise is also a matter of judgement. These judgements affect the carrying value of non-current assets and impairment calculations related to such assets.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Carrying value of intangible exploration and evaluation assets**

The Group has capitalised intangible exploration and evaluation assets in accordance with IFRS 6, which are evaluated for impairment as described at (h) below. Any impairment reviews, where required, involve significant judgement related to matters such as recoverable reserves, production profiles, gas and electricity prices, development, operating and off-take costs, nature of land access agreements and planning permissions, application of taxes, and other matters. Where the final outcome or revised estimates related to such matters differ from the estimates used in any earlier impairment reviews, the results of such differences, to the extent that they actually affect any impairment provisions, are accounted for when such revisions are made. Details of the Group's intangible exploration and evaluation assets are disclosed in note 9.

(f) Exceptional items

Exceptional items are material items of income or expenditure which, in the opinion of the Directors, due to their nature and infrequency require separate identification on the face of the income statement to allow a better understanding of the financial performance in the year. A full explanation of such items is given in the notes to the financial statements.

(g) Revenue

Revenue comprises the invoiced value of goods and services supplied by the Group, net of value added tax and trade discounts. Revenue is recognised in the case of gas and electricity sales when goods are delivered and title has passed and in the case of services rendered only once a legally binding contract is in place. Amounts billed for services where the contract provides for their delivery over a period of time are recognised evenly over the relevant period, amounts due for all other services are recognised as the services are provided.

(h) Non-current assets (intangible exploration and evaluation assets and property plant and equipment)

Intangible exploration and evaluation assets

The Group accounts for exploration and evaluation costs in accordance with the requirements of IFRS 6 "Exploration for and Evaluation of Mineral Resources" as follows

- Exploration and evaluation assets are carried at cost less any impairment and are not depreciated or amortised
- Expenditures recognised as exploration and evaluation assets comprise those related to acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling (including coring and sampling), activities in relation to evaluating the technical feasibility and commercial viability of extracting gas (including appraisal drilling and production tests), any land rights acquired for the sole purpose of effecting these activities
- Any costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Income statement. Expenditures related to development and production activities are not recognised as exploration and evaluation assets
- Tangible assets acquired for use in exploration and evaluation activities are classified as property, plant and equipment, interests in oil and gas properties. However, to the extent that such tangible assets are consumed in developing an intangible exploration and evaluation asset, the amount reflecting that consumption is recorded as part of exploration and evaluation asset costs
- Expenditures recognised as exploration and evaluation assets are initially accumulated and capitalised by reference to appropriate geographic areas (cash generation units or CGU), which may not be larger than a business segment, currently the entirety of the Group's UK gas business
- Expenditure recognised as exploration and evaluation assets are transferred to property plant and equipment, interests in oil and gas properties when technical feasibility and commercial viability of extracting gas is demonstrable. Exploration and evaluation assets are assessed for impairment (on the basis described below), and any impairment loss recognised, before reclassification
- Expenditures recognised as exploration and evaluation assets are tested for impairment whenever facts and circumstances suggest that they may be impaired, which includes when a licence is approaching the end of its term and is not expected to be renewed, there are no substantive plans for continued exploration or evaluation of an area, the Group decides to abandon an area, whilst development is likely to proceed in an area there are indications that the exploration and evaluation asset costs are unlikely to be recovered in full either by development or through sale
- Net proceeds from any disposal of exploration and evaluation assets are initially credited against previously capitalised costs, with any surplus proceeds being credited to the consolidated Income Statement

Property plant and equipment, interests in oil and gas properties

Property plant and equipment, interests in oil and gas properties are those assets which have been assessed for economic recoverability and are accounted for as follows

- Expenditure relating to evaluated properties is depleted on a unit-of-production basis, commencing at the start of commercial production. The depletion charge is calculated according to the proportion that production bears to the recoverable reserves for each property
- The Group's property plant and equipment, interests in oil and gas properties are assessed for indications of impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, when impairment is computed on the basis as set out below. Any impairment in value is charged to the Income Statement as additional depreciation
- Net proceeds from any disposal of development/producing assets are compared to the previously capitalised costs for the relevant asset or group of assets. A gain or loss on disposal of a development/producing asset is recognised in the Income Statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset or group of assets

Impairment

Impairment reviews, when required as described above, are carried out on the following basis

- By comparing the sum of any amounts carried as exploration and evaluation assets and as property plant and equipment, interests in oil and gas properties as compared to the recoverable amount
- The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The Group generally relies on fair value less cost to sell assessed either by reference to comparable market transactions between a willing buyer and a willing seller or on the same basis as used by willing buyers and sellers in the oil industry. When assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU
- Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the recoverable amount is higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods

Decommissioning

Where a liability for the removal of production facilities or site restoration exists, a provision for decommissioning is recognised. The amount recognised is discounted to its present value and is reflected in the Group's non-current liabilities. A corresponding asset is included in the appropriate category of the Group's Non-current assets (intangible exploration and evaluation assets and property plant and equipment), depending on the accounting treatment adopted for the underlying operations/asset leading to the decommissioning provision. The asset is assessed for impairment and or depleted in accordance with the Group's policies as set out above

Carried interests

Where the Group has entered into carried interest agreements, no amounts are recorded in the financial statements where expenditure incurred under such agreements is not refundable. Where expenditure is refundable, out of what would but for the carry agreements have been the Company's share of production, the Company records amounts as non-current assets, with a corresponding offset in current liabilities or non-current liabilities, as appropriate, but only once it is apparent that it is more likely than not that future production will be adequate to result in a refund under the terms of any carry agreement, when the Group records refunds only to the extent that they are expected to be repayable

Non oil and gas related property plant and equipment

Other property plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual values, over their estimated useful lives at the following rates, with any impairment being accounted for as additional depreciation

Computer equipment	– over three years on a straight line basis
Furniture and fixtures	– over five years on a straight line basis
Leasehold property improvements	– over the period of the lease

The Group does not capitalise amounts considered to be immaterial

(i) Financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash held on current account or on short-term deposits at variable interest rates with maturity periods of up to three months. Any interest earned is accrued monthly and classified as interest income within finance income.

Trade and other receivables

Trade receivables are initially recognised at fair value when related amounts are invoiced, then carried at this amount less any allowances for doubtful debts or provision made for impairment of these receivables.

Trade and other payables

These financial liabilities are all non interest bearing and are initially recognised at the fair value of the consideration payable.

Impairment of financial assets

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of receivables is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

(j) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date including whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Operating leases

Rentals are charged to the Income Statement on a straight line basis over the period of the lease.

(k) Taxation

The tax expense represents the sum of current tax and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the tax authorities. Taxable (loss)/profit differs from the (loss)/profit before taxation as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date. Temporary differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax liabilities are not discounted. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

(l) Share based payments

Where share options or warrants are awarded to employees (including Directors), the fair value of the options or warrants at the date of the grant is recorded in equity over the vesting period. Non-market vesting conditions, but only those related to service and performance, are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. All other vesting conditions, including Market vesting conditions, are factored into the fair value of the options or warrants granted. As long as all other vesting conditions are satisfied, the amount recorded is computed irrespective of whether the Market vesting conditions are satisfied. The cumulative amount recognised is not adjusted for the failure to achieve a Market vesting condition, although equity no longer required for options or warrants may be transferred to another equity reserve.

Where the terms and conditions of options or warrants are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recorded in equity over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the amount recognised in equity is the fair value of goods and services received.

Charges corresponding to the amounts recognised in equity are accounted for as a cost against the profit and loss unless the services rendered (and discharged by share based payments) relate to an issuance of equity or qualify for capitalisation as a non-current asset. In the case of an issuance of equity, the charge is to the same equity reserve as cash costs related to such an issuance would be charged. Costs may be capitalised within non-current assets in the event of services being rendered in connection with an acquisition or intangible exploration and evaluation assets or property plant and equipment.

(m) Equity

Equity instruments issued by the Company are usually recorded at the proceeds received, net of direct issue costs, and allocated between called up share capital and share premium accounts as appropriate.

(n) Foreign currency

Transactions denominated in currencies other than the functional currency UK pound sterling are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences that arise are recorded in the income statement.

2 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 segment and assess its 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 as a single operating segment as the Group's activities all relate to unconventional gas, including CBM in the UK. Therefore the Group has only one operating and reportable segment as reflected in the Group's consolidated financial statements.

All revenue which represents turnover arises within the United Kingdom and relates to external parties. The revenue for 2009 related to the supply of CBM services and expertise under management service contracts, to the supply of electricity generation services and to sales of electricity associated with CBM production. Revenue for 2008 related exclusively to the supply of CBM services and expertise under management service contracts. £828 thousand of the Group's revenue was derived from a single customer (2008: £992 thousand).

All the Group's non-current assets are in the United Kingdom.

3 Operating loss

	2009 £000	2008 £000
Operating loss is stated after charging		
Staff Costs (see notes 4 and 5)	807	558
Auditor's remuneration		
Audit of the financial statements	35	25
Other fees paid to Ernst & Young LLP – Audits of subsidiaries	43	13
Other fees paid to Ernst & Young LLP – Relating to taxation	-	5

4 Employee information

	2009 £000	2008 £000
Staff costs comprised		
Wages and salaries	718	495
Social Security Costs	89	63
	807	558
	No	No
Average number of employees in the period		
Operations, including services	3	2
Administrative	2	1
	5	3

5 Directors' emoluments

The remuneration of the Directors for the year was as follows:

	2009 £000	2008 £000
Directors' emoluments and benefits comprised		
Fees	70	51
Emoluments	600	495
Social Security Costs	76	63
Pension contributions	-	-
	746	609
The highest paid Director received emoluments and benefits as follows		
Emoluments	300	275
Social Security Costs	38	35
Pension contributions	-	-
	338	310

A proportion of the Group's remuneration costs related to Directors has been capitalised in accordance with the Group's accounting policy.

Directors' warrants

At 31 December 2009 the Directors held warrants over the Ordinary Shares of 50p each of the Company as follows, for which they paid £nil and all of which were granted on 27 December 2007

	2008 Number	Exercise price (p/share)	Exercisable at any time up to	2009 Number
R J Armstrong	82,500	55	31 December 2010	82,500
	27,500	75	31 December 2010	27,500
J Bryant	82,500	55	31 December 2010	82,500
	27,500	75	31 December 2010	27,500
P Redmond (Resigned 10 December 2009)	82,500	55	31 December 2010	*
	27,500	75	31 December 2010	*

* P Redmond still held the same warrants as at 31 December 2009 but these are not reported as he was no longer a Director as at this date

The share price at 31 December 2009 was 63 50p (2008 37 50p)

6 Finance income

	2009 £000	2008 £000
Interest receivable comprised		
Bank interest	11	72

Bank interest represents the total interest income on bank deposits

7 Tax on loss on ordinary activities

	2009 £000	2008 £000
UK corporation tax		
Current tax on income for the year	-	-
Total UK taxation	-	-
Tax on loss on ordinary activities	-	-

Factors affecting the tax charge

The tax assessed for the year does not reflect a credit equivalent to the loss on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 21% (2008 20 75%). A reconciliation of the UK small companies statutory corporation tax rate applicable to the Group's loss before tax to the Group's total tax charge is as follows

	2009 £000	2008 £000
(Loss) on ordinary activities before tax	(504)	(386)
(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK for small companies of 21% (2008 20 75%)	(106)	(81)
Tax effect of expenses not allowable for tax purposes	1	1
Net increase in unrecognised losses carried forward	105	80
Tax on loss on ordinary activities	-	-

Tax losses

The Group's tax losses amount to

	2009 £000	2008 £000
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Not considered sufficiently certain of utilisation to set up deferred tax assets*.

Company

Excess management expenses	3,488	2,998
IGL		
Petroliferous – Trading loss	17	17
KP Renewables (Operations) Limited ("KPRO")		
Trading loss	1,200	1,200

Not affecting deferred taxes, as they relate to undepreciated capitalised costs**

Company

Petroliferous – Minerals extraction allowances	1,386	548
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* Deferred tax losses have not been recognised in respect of temporary differences of Group companies whose future profits are not considered sufficiently certain to offset these temporary differences

** As at 31 December 2009 no temporary difference arises as a result of these Minerals Extraction Allowances as they have not been claimed and depreciation of the related capitalised costs has not commenced (2008 nil)

In 2009 IGL was awarded a Field Development Plan and so commenced a Petroliferous Trade (as defined for tax purposes), which will enable it to offset its losses against any future Petroliferous Trade profits. KPRO's losses may only be offset against future profits of KPRO, if any. The tax losses have no expiry date.

8 Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the loss for the year attributable to ordinary equity holders of the parent by the weighted average number of Ordinary Shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the loss attributable to the ordinary equity holders of the parent by the weighted average number of 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

	2009	2008
Basic EPS – Ordinary Shares of 50p each (£)	(0.0076)	(0.0064)
Diluted EPS – Ordinary Shares of 50p each (£)	(0.0076)	(0.0064)
(Loss) for the year attributable to equity holders of the parent – £000	(504)	(386)
Weighted average number of Ordinary Shares in the year – basic EPS	66,412,564	60,780,044
Weighted average number of Ordinary Shares in the year – diluted EPS	66,412,564	60,780,044

There are 440,850 potentially dilutive warrants and options over the Ordinary Shares at 31 December 2009 (2008 525,280), which are not included in the calculation of diluted earnings per share because they were anti-dilutive for the year as their conversion to Ordinary Shares would decrease the loss per share.

There have been no other transactions involving Ordinary Shares or potential Ordinary Shares between the reporting date and the date of completion of these financial statements.

9 Intangible exploration and evaluation assets

	2009 £000	2008 £000
Cost		
At 1 January	476	109
Additions	858	367
At 31 December	1,334	476
Amortisation		
At 1 January	–	–
Charge for the year, including impairment	–	–
At 31 December	–	–
Net book amount		
At 31 December	1,334	476
At 1 January	476	109

Under certain agreements which the Group has in place with Nexen Exploration U K Limited ("Nexen" and 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 earned 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 31 December 2009 £5.1 million had been carried (2008 £4.1 million), which has not been recorded as either non-current assets or liabilities, since to date expenditure has been mainly related to appraisal work and repayment is currently sufficiently uncertain.

On 5 August 2009 and 11 December 2009 the Group entered into farm-up agreements with Nexen (the "Farm-up Agreements"), under which the Group has agreed to meet 100% of certain costs incurred in relation to certain licences, thereby discharging what, but for these agreements, would have been Nexen's share of such licence costs. The Group's commitment is for up to £2 million of gross costs in the case of the agreement of 5 August 2009 and for £5 million of gross costs in the case of the agreement of 11 December 2009. In return the Group's interest in the Swallowcroft licences in Staffordshire (excluding Pedl 78-2) rose from 20% to 35%, in the Point of Ayr licences from 50% to 75% and in Northwest licences from 20% to 35%.

10 Trade and other receivables

	2009 £000	2008 £000
VAT recoverable	99	126
Trade debtors	114	504
Other debtors	3	-
Prepayments	42	36
	258	666

The carrying value of each of the Group's financial assets as stated above is considered to be a reasonable approximation of its fair value

All of the Group's financial assets as stated above are from debtors of good credit standing and have been reviewed for indicators of impairment and no impairment provision was found to be required (2008 £nil)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of assets listed in the table above

The trade debtor balance reported above is from one customer which represents a concentration of credit risk

Of the Group's financial assets as stated above £114 thousand (2008 £127 thousand) were past due but not impaired at the reporting date, of which the ageing was

	2009 £000	2008 £000
Not more than three months	50	35
More than three months but not more than six months	64	77
More than six months but not more than one year	-	15
	114	127

11 Cash and cash equivalents

	2009 £000	2008 £000
Cash at bank and in hand	17,501	2,278
	17,501	2,278

The carrying value of the Group's cash and cash equivalents as stated above is considered to be a reasonable approximation of their fair value

The Group only deposits cash surpluses with major banks that have acceptable credit ratings of "AA" or better, except that the Group will make deposits with banks where the UK government is the major shareholder

12 Current liabilities

	2009 £000	2008 £000
Trade and other payables		
Trade creditors	109	244
Taxation and social security	102	62
Deferred revenue	89	210
Accruals and other creditors	631	327
	931	843
Corporation tax	-	-
	931	843

The carrying value of each of the Group's financial liabilities as stated above is considered to be a reasonable approximation of its fair value. All creditors are payable within one month and no creditors have been outstanding for longer than three months (2008 all within one month)

Information regarding the Group's tax losses is presented in Note 7

13 Commitments

The Group's capital and lease commitments comprised

	2009 £000	2008 £000
Capital Commitments		
Obligation under 13 th licensing round	1,000	1,000
Decommissioning	26	26
Less Amounts covered by Nexen Carry Agreements	(637)	(1,026)
	389	-
Obligation under the second farm-up agreement with Nexen	5,000	-
Total capital commitments	5,389	-

The Nexen Carry Agreements and the farm-up agreements are as further described in note 9, including the up to £2 million provided for by the first farm-up agreement, which is not a firm binding commitment

Operating lease commitments

Minimum lease payments under operating leases recognised in income for the year	35	40
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At the balance sheet date the Group had outstanding commitments for future minimum lease payments under non cancellable operating leases, all falling due in under one year

64	35
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14 Financial instruments

The Group's financial instruments principally comprise cash at bank, and various items such as trade debtors and creditors that arise directly from operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

Financial assets and liabilities

The Group's policy is to ensure that adequate cash is available and the Group does not trade in financial instruments and has not entered into any derivative transactions.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and is the risk that the Group will not be able to meet its financial obligations as they fall due. Cash forecasts and plans are updated frequently and reviewed regularly by management and the Board. The Group's liquidity requirements have been met principally through the Nexen Carry Agreements and internal cash resources. The Group has no long-term borrowings, and based on current projections the Group has sufficient funds to meet current obligations as they fall due. Details of the maturity dates of the Group's financial liabilities are provided in note 12.

Interest rate risk profile of financial assets

Cash at bank earns interest at floating rates related to the published rate of the bank.

Interest rate sensitivity analysis

The Group is exposed to interest rate risk from changes in interest rates impacting future cash flows arising from its financial instruments, principally cash balances held at the balance sheet date. A sensitivity analysis has been performed to demonstrate the sensitivity of financial assets and financial liabilities to a reasonably possible change in interest rates applied to a full year from the balance sheet date, assuming the amount of the assets at balance sheet date are available for the whole year. An increase/ decrease in interest rates of 0.5 basis points, with all other variables held constant, results in an decrease/ increase in the Group's loss before tax of £88 thousand /£(88) thousand respectively (2008 decrease/ increase of £11 thousand /£(11) thousand). There is no effect on the Group's equity other than the equivalent effect to that on loss before tax. This is wholly attributable to the Group's exposure to interest rates on its variable rate cash and cash equivalents.

Credit risk

The maximum exposure to credit risk is equal to the balances as disclosed for trade debtors in note 10 and for cash in note 11.

Cash and Treasury

Cash and treasury credit risks are mitigated through the exclusive use of institutions that carry published grade "AA" or better credit ratings so as to minimise counterparty risk, except that the Group will make deposits with banks where the United Kingdom government is the major shareholder. £16 million of cash and cash equivalents is deposited with a single institution.

Trade receivables

Trade receivables credit risks are mitigated by only dealing with institutions that have investment grade credit ratings. £111 thousand of trade receivables are due from a single counterparty.

Capital management

The Group considers its capital to comprise its Ordinary Share capital and share premium. In managing its capital, the Group's primary objective is to ensure its continued ability to provide a return to equity shareholders, principally through capital growth. The Group currently has no borrowings. The Group's principal cash source has been the issuance of share capital and information regarding the Group's management of cash is provided in the Business review under the heading "Cash position" on page 13.

15 Share capital

On 31 December 2007 the Company completed a reverse takeover whereby IGL became a wholly-owned subsidiary of the Company but with IGL's shareholders acquiring 94% of the Ordinary Share capital of the combined entity (the "Reverse")

In accordance with the required accounting for a reverse, the nominal value of the Company's share capital is not reflected in the Group's consolidated equity. For the purposes of the consolidated accounts share capital was recorded at the date of the Reverse at a value equal to the deemed cost of the Reverse, being the adjusted market value of the Company as last quoted immediately prior to the announcement of the Reverse, plus the equity of IGL, the effective acquiring company.

Accordingly, share capital and the share capital account comprised

	Ordinary Shares		Deferred shares	
	No	£000 Nominal value	No	£000 Nominal value
Authorised				
1 January 2008, Ordinary Shares of 50p each	89,114,796	44,557		
1 January 2008, Deferred Shares of 95p each			46,589,662	443
31 December 2008	89,114,796	44,557	46,589,662	443
10 December 2009 new Ordinary Shares created	22,916,667	11,459		
31 December 2009	112,031,463	56,016	46,589,662	443
	Ordinary Shares		Deferred shares	
	No	£000 Nominal value	No	£000 Nominal value
Issued and fully paid				
1 January 2008, Ordinary Shares of 50p each	59,107,182	29,554		
25 June 2008 shares issued for cash	3,222,460	1,611		
31 December 2008, Ordinary Shares of 50p each	62,329,642	31,165	-	-
14 July 2009 shares issued for cash	5,766,666	2,883		
10 December 2009 shares issued for cash	22,916,667	11,459		
31 December 2009, Ordinary Shares of 50p each	91,012,975	45,507	-	-
		£000		
Share capital account				
At 1 January 2008		2,664		
Shares issued during the year		1,611		
At 31 December 2008		4,275		
Shares issued during the year		14,342		
At 31 December 2009		18,617		

The following share transactions took place since 1 January 2008

- 25 June 2008 – The Company issued 3,222,460 Ordinary 50p Shares at a price of 65p each,
- 14 July 2009 – The Company issued 5,766,666 Ordinary 50p Shares at a price of 60p each, and
- 10 December 2009 – The Company issued 22,916,667 Ordinary 50p Shares at a price of 60p each,

Deferred shares have no voting rights and shall not be entitled to any dividends or any other right or participation in the profits of the Group

16 Share warrant reserve

The Company has made equity settled share based payments, all valued using Black-Scholes, as follows

	2009 £000	2008 £000
Directors		
Balance 1 January	167	167
Transfer to Share premium account	(36)	-
Balance 31 December	131	167

All warrants vested on grant and accordingly the key assumptions made in arriving at the Black-Scholes valuations were share price on date of grant, adjusted for subsequent consolidations where appropriate and the length of time for which the warrants will remain exercisable. A long-term risk free interest rate of 5% and an implied volatility of 20% were used in valuing the warrants at the time of granting. It was also assumed that no dividends would be paid during the life of the warrants.

Movement in the Share warrant reserve during the year was as follows

	2009 No	2009 Weighted average exercise price (pence)	2008 No	2008 Weighted average exercise price (pence)
At 1 January	523,830	58	523,830	58
Granted in Period	-	-	-	-
Lapsed in Period	(83,830)	50	-	-
Outstanding at 31 December	440,000	60	523,830	58
Exercisable at 31 December	440,000	60	523,830	58

The weighted average remaining contractual life for the equity settled share options outstanding as at 31 December 2009 is 12 months (2008: 21 months) with the maximum remaining term of options granted being 12 months (2008: 24 months). The range of exercise prices for options outstanding at the end of the year was 55p to 75p (2008: 50p to 75p). In 2007, the Company received services from certain professional advisers in exchange for the Company's shares. These warrants lapsed on 10 April 2009. Details of share options granted to Directors are disclosed in note 6.

17 Other reserves

- **Share premium account** – The share premium account of the Group arises from the capital that the Company raises upon issuing shares that are in excess of the nominal value of the shares net of the costs of issuing the new shares and from transfers from Share warrant reserve, when warrants lapse. During the year the Company issued 28,683,333 Ordinary 50p Shares at a price of 60p each (2008: 3,222,460 Ordinary 50p Shares at a price of 65p each). The cost of the issue was £1,121 thousand (2008: £108 thousand). Also during the year the effect of warrants lapsing was to transfer to Share premium reserve £36 thousand (2008: £nil). Together these events resulted in a net movement in the Share Premium reserve of £1,783 thousand (2008: £376 thousand).
- **Retained Earnings** – This represents the historic accumulated losses less profits made by the Group accounted for under reverse accounting as explained in Note 1(m).

18 Related party transactions

Key management personnel

There are no key management personnel other than Directors of the Company, details of whose remuneration is set out in Note 5.

19 Subsequent events

On 23 April 2010, 82,500 share warrants were exercised at an average of price of 55p per share, leading to an increase in the total number of shares in issue to 91,095,475.

Parent Company financial statements – Directors' statement of responsibilities in respect thereof

The Directors are responsible for preparing the Annual Report and Parent Company financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union ("IFRSs")

The Directors are required to prepare the Parent Company financial statements for each financial year which present fairly the financial position of the Parent Company and its financial performance and cash flows for that period. In preparing the Parent Company financial statements the Directors are required to

- select suitable accounting policies in accordance with IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors* and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Parent Company's financial position and financial performance,
- state that the Parent Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements, and
- prepare the accounts on a going concern basis unless, having assessed the ability of the Company to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of IGas Energy plc

We have audited the parent company financial statements of IGas Energy plc for the year ended 31 December 2009 which comprise the Parent Company Statement of Comprehensive Income, the Parent Company Balance Sheet, the Parent Company Statement of Changes in Equity, the Parent Company Cash Flow Statement and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 40, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009,
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of IGas Energy plc for the year ended 31 December 2009.



Gary Donald (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

5 May 2010

Parent Company statement of comprehensive income

For the year ended 31 December 2009

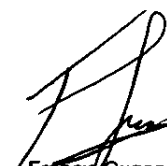
	2009 £000	2008 £000
Loss for the year	(500)	(457)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(500)	(457)


Parent Company balance sheet

As at 31 December 2009

	Notes	2009 £000	2008 £000
Non-current assets			
Investments in subsidiaries	2	50,512	50,512
		50,512	50,512
Current assets			
Trade and other receivables	3	538	364
Cash and cash equivalents	4	17,485	2,210
		18,023	2,574
Current liabilities			
Trade and other payables	5	(112)	(252)
		(112)	(252)
Net current assets		17,911	2,322
Total assets less current liabilities		68,423	52,834
Net assets		68,423	52,834
Capital and reserves			
Called up share capital	9	45,507	31,165
Merger reserve	11	22,222	22,222
Share premium account	11	6,095	4,312
Share warrant reserve	10	131	167
Retained earnings (accumulated deficit)		(5,532)	(5,032)
Shareholders' funds		68,423	52,834

These financial statements were approved and authorised for issue by the Board on 5 May 2010 and are signed on its behalf by


Francis Gugen
Chairman


Andrew Austin
Chief Executive Officer

Parent Company statement of changes in equity

For the year ended 31 December 2009

	Called up share capital £000	Merger reserve £000	Share premium account £000	Share warrant reserve £000	Retained earnings (accumulated deficit) £000	Total £000
Balance at 1 January 2008	29,554	22,222	3,936	167	(4,575)	51,304
Changes in equity for 2008						
Loss for the year	-	-	-	-	(457)	(457)
Issue of shares	1,611	-	484	-	-	2,095
Share issue costs	-	-	(108)	-	-	(108)
Balance at 31 December 2008	31,165	22,222	4,312	167	(5,032)	52,834
Changes in equity for 2009						
Loss for the year	-	-	-	-	(500)	(500)
Transfers to Share premium account	-	-	36	(36)	-	-
Issue of shares	14,342	-	2,868	-	-	17,210
Share issue costs	-	-	(1,121)	-	-	(1,121)
Balance at 31 December 2009	45,507	22,222	6,095	131	(5,532)	68,423

Parent Company cash flow statement

For the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Operating activities.			
Loss for the year		(500)	(457)
Finance income		(11)	(62)
Increase in trade and other receivables		(174)	(283)
Decrease in trade and other payables		(140)	(264)
Decrease in creditors due after one year		-	(78)
Net cash used in operating activities		(825)	(1,144)
Investing activities			
Interest received		11	62
Net cash from investing activities		11	62
Financing activities			
Cash proceeds from issue of Ordinary Share Capital	9	17,210	2,095
Share issue costs	11	(1,121)	(108)
Net cash from financing activities		16,089	1,987
Net increase in cash and cash equivalents in the year		15,275	905
Cash and cash equivalents at the beginning of the year		2,210	1,305
Cash and cash equivalents at the end of the year	4	17,485	2,210

Parent Company financial statements – notes

As at 31 December 2009

1 Accounting policies

(a) Basis of preparation of financial statements

On 11 December 2009, the Company changed its name from Island Gas Resources plc to IGas Energy plc. The Parent Company financial statements of IGas Energy plc (the "Company") have been prepared under the historical cost convention in accordance with International Financial Reporting Standards, adopted for use by the European Union ("IFRSs") as they apply to the Company for the year ended 31 December 2009, and with the Companies Act 2006. The financial statements were approved and authorised for issue by the Board of Directors on 5 May 2010. IGas Energy plc is a public limited company incorporated and registered in England and Wales.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

As a Consolidated income statement is published in this Annual Report, a separate income statement for the Company is not presented within these financial statements as permitted by Section 408 of the Companies Act 2006.

During the year, the Company adopted the following new and amended IFRS which were applicable to the Company's activities as of 1 January 2009:

International Accounting Standards (IFRS/IAS)

IFRS 1 and IAS 27	Consolidated and Separate Financial Statements (revised January 2008), certain amendments are effective for financial years beginning on or after 1 January 2009 and certain for annual periods beginning on or after 1 July 2009 but have been early adopted by the Company. The amendments to IFRS 1 allows an entity to determine the cost of investment in subsidiaries, jointly controlled entities or associates in its opening IFRSs financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS requires all dividends from subsidiary, jointly controlled entity or associate to be recognised in the income statement. The Company has considered the effect of this interpretation and has concluded that there is no impact on the financial statements as no subsidiaries paid dividends during the year.
IFRS 2	Amendment to IFRS 2 – Vesting Conditions and Cancellations – This amendment is applicable from 1 January 2009. This clarifies that only service conditions and performance conditions are vesting conditions and other features of a share-based payment are not vesting conditions. In addition, it specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Company has considered the effect of this interpretation and has concluded that there is no impact on the financial statements.
IFRS 3	Business Combinations (revised January 2008). This is effective for annual periods beginning on or after 1 July 2009 but has been early adopted by the Company. This standard introduces a number of changes in the accounting for business combinations occurring after this date and will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by partially-owned subsidiaries as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 "Statement of Cash Flows", IAS 12 "Income Taxes", IAS 21 "The Effects of Changes in Foreign Exchange Rates", IAS 28 "Investment in Associates" and IAS 31 "Interests in Joint Ventures". The changes to IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests. This standard has no effect on the financial statements as the Company has not entered into any business combinations since its adoption.
IFRS 7	Improving Disclosures about Financial Instruments – This is effective for annual periods beginning on or after 1 January 2009. The amendments require enhanced disclosures about fair value measurements and liquidity risk. The Company has considered the effect of this amendment and has provided additional disclosures where relevant.
IFRS 8	Operating Segments – This is effective for annual periods beginning on or after 1 January 2009. This standard introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Company's 2009 financial statements, require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. The adoption of this standard does not impact the Company's financial statements as segmental information is provided in the Company's consolidated financial statements.
IAS 1	Presentation of Financial Statements (revised September 2007) – The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include 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 Company has elected to produce two separate statements which does not have any impact on the financial position of the Company but gives rise to additional disclosures.

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods but which the Company has not adopted early. Those that may be applicable to the Company in future are as follows:

International Accounting Standards (IAS/IFRSs)

IFRS 2	Amendment to IFRS 2 – Group Cash-settled Share-based Payment Transactions – This amendment clarifies that there shall now be included transactions where the transfer of cash or other assets is based on the price (or value) of the equity instruments of another group entity. The Company has considered the effect of this interpretation and has concluded that it is not expected to have any impact on the financial statements	1 January 2010
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The Directors do not anticipate that the adoption of these standards and interpretations will either individually or collectively have a material impact on the Company's financial statements in the period of initial application. The Company does not anticipate adopting these standards and interpretations ahead of their effective date.

Improvements to IFRS

In May 2008 and April 2009 the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. None of the amendments that are effective for the year ended 31 December 2009 had any impact on the accounting policies, financial position or performance of the Company. None of the amendments that are effective for the year beginning 1 January 2010 are expected to have any impact on the accounting policies, financial position or performance of the Company.

(b) Going concern

After reviewing the Company's budgets and cash flow projections for 2010 and 2011, and taking into consideration the current operating environment, the risks outlined in note 14 and the company's liquidity risk management as set out under Cash position in the Business review on page 13, the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. It is therefore appropriate to adopt the going concern basis in preparing the financial statements.

(c) Significant accounting judgements and estimates

Critical judgements in applying the Company's accounting policies

The principal activity of the Company's major subsidiary, IGL, which has been accounted for at fair value at acquisition less provision for impairment, is Coal Bed Methane ("CBM"). The testing of the Company's investment in subsidiary for impairment involves the assessment of IGL's CBM business, including IGL's production rates which are a matter of judgement, as is the forecasting of the future economic benefit that may be derived from such production. Finally, the period of time over which the economic benefit associated with the investment in subsidiary might arise is also a matter of judgement. These judgements affect the carrying value of non-current assets and impairment calculations related to such assets.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

• Carrying value of investment in subsidiaries

The Company evaluates investments in subsidiaries, that have been accounted for at fair value at acquisition less provision for impairment as described at (e) below. Any impairment reviews, where required, involve significant judgement related to matters such as recoverable reserves, production profiles, gas and electricity prices, development, operating and offtake costs, nature of land access agreements and planning permissions, application of taxes, and other matters. Where the final outcome or revised estimates related to such matters differ from the estimates used in any earlier impairment reviews, the results of such differences, to the extent that they actually affect any impairment provisions, are accounted for when such revisions are made. Details of the Company's Investments are disclosed in note 2.

(d) Non-current assets (investments in subsidiaries)

Investments in subsidiaries

Investments held as non-current assets are held at cost less provision for impairment unless the investments were acquired in exchange for the issue or part issue of shares in the Company, when they are initially recorded in the Company's balance sheet at the fair value of the shares issued together with the fair value of any consideration paid, including costs of acquisition less any provision for impairment which may subsequently be required.

The Company's investments held as non-current assets are assessed for indications of impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, when impairment is calculated on the basis as set out below. Any impairment in value is charged to the income statement as additional depreciation.

Impairment

Impairment reviews, when required as described above, are carried out on the following basis:

- By comparing any amounts carried as investments held as non-current assets with the recoverable amount.
- The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The Company generally relies on fair value less cost to sell assessed either by reference to comparable market transactions between a willing buyer and a willing seller or on the same basis as used by willing buyers and sellers in the oil industry. When assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Where there has been a charge for impairment in an earlier period that charge will be reversed in a later period where there has been a change in circumstances to the extent that the recoverable amount is higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined had no impairment loss been recognised in prior periods.

(e) Financial Instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash held on current account or on short-term deposits at variable interest rates with original maturity periods of up to three months. Any interest earned is accrued monthly and classified as interest income within finance income.

Trade and other receivables

Trade receivables are initially recognised at fair value when related amounts are invoiced, less any allowances for doubtful debts or provision made for impairment of these receivables.

Trade and other payables

These financial liabilities are all non-interest bearing and are initially recognised at the fair value of the consideration received.

Impairment of financial assets

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

(f) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date including whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Operating leases

Rentals are charged to the Income Statement in the year on a straight line basis over the period of the lease.

(g) Taxation

The tax expense represents the sum of current tax and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the tax authorities. Taxable (loss)/profit differs from the (loss)/profit before taxation as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date. Temporary differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax liabilities are not discounted. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

(h) Share based payments

Where share options or warrants are awarded to employees (including Directors), the fair value of the options or warrants at the date of the grant is recorded in equity over the vesting period. Non-market vesting conditions, but only those related to service and performance, are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. All other vesting conditions, including Market vesting conditions, are factored in to the fair value of the options or warrants granted. As long as all other vesting conditions are satisfied, the amount recorded is computed irrespective of whether the market vesting conditions are satisfied. The cumulative amount recognised is not adjusted for the failure to achieve a market vesting condition, although equity no longer required for options or warrants may be transferred to another equity reserve.

Where the terms and conditions of options or warrants are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recorded in equity over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the amount recognised in equity is the fair value of goods and services received.

Charges corresponding to the amounts recognised in equity are accounted as a cost against the profit and loss which will usually be to the parent company Income Statement unless the services rendered (and discharged by share based payments) relate to an issuance of equity or qualify for capitalisation as a non-current asset. In the case of an issuance of equity, the charge is to the same equity reserve as cash costs related to such an issuance would be charged. Costs may be capitalised within non-current assets in the event of services being rendered in connection with an acquisition or intangible exploration and evaluation assets or property, plant and equipment.

(i) Equity

Equity instruments issued by the Company are usually recorded at the proceeds received, net of direct issue costs, and allocated between called up share capital, share premium accounts or merger reserve as appropriate.

(j) Foreign Currency

Transactions denominated in currencies other than the functional currency UK pound sterling are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences that arise are recorded in the income statement.

2 Non-current assets – investments in subsidiaries

Investments in subsidiaries comprises

	£000
At 1 January 2008	50,512
Acquisition in the year, at fair value	–
Disposals in the year	–
At 31 December 2008	50,512
At 31 December 2009	50,512

The subsidiary undertakings of the Company at 31 December 2009 and 2008 which are all 100% owned directly by the Company and are all incorporated in England and Wales, were

Name	Principal activity
Island Gas Limited	Production and marketing of unconventional gas , including Coal Bed Methane
KP Renewables (Operations) Limited	Electricity Generation

3 Trade and other receivables

	2009 £000	2008 £000
VAT recoverable	59	125
Other debtors	3	–
Amounts due from subsidiary undertakings	436	225
Prepayments	40	14
	538	364

The carrying value of each of the Company's financial assets as stated above is considered to be a reasonable approximation of its fair value

All of the Company's financial assets as stated above are from debtors of good credit standing and have been reviewed for indicators of impairment and no impairment provision was found to be required (2008 £nil)

Amounts due from subsidiary undertakings result from services provided by and payments on behalf of IGL. Payment of amounts outstanding, which are payable on demand, are made to meet the Company's liquidity management requirements

Of the Company's financial assets as stated above, other than amounts due from subsidiary undertakings (whose ageing is as explained in the previous paragraph), £59 thousand (2008 £112 thousand) were past due but not impaired at the reporting date, the ageing of which was

	2009 £000	2008 £000
Not more than three months	32	35
More than three months but not more than six months	27	77
	59	112

4 Cash and cash equivalents

	2009 £000	2008 £000
Cash at bank and in hand	17,485	2,210
	17,485	2,210

The carrying value of the Company's cash and cash equivalents as stated above is considered to be a reasonable approximation of their fair value

The Company only deposits cash surpluses with major banks that have acceptable credit ratings of "AA" or better, except that the Company will make deposits with banks where the UK government is the major shareholder

5 Current liabilities

	2009 £000	2008 £000
Trade and other payables		
Trade creditors	32	89
Taxation and social security	–	–
Accruals and other creditors	80	163
	112	252

The carrying value of each of the Company's financial liabilities as stated above is considered to be a reasonable approximation of its fair value. All creditors are payable within one month and no creditor has been outstanding for longer than three months (2008 – no creditor was outstanding for more than three months)

6 Taxation

Tax losses, none of which is considered sufficiently certain of utilisation to set up deferred tax assets, amount to

	2009 £000	2008 £000
Trading loss	–	–
Excess management expenses	3,488	2,998

Excess management expenses may only be offset against future profits, if any, of the Company generated in its capacity as a Group holding company

7 Commitments

At the balance sheet date the Company had outstanding commitments for future minimum lease payments under non cancellable operating leases, all falling due in under one year of £48 thousand (2008 £nil)

8 Financial instruments

The Company's financial instruments principally comprise cash at bank, and various items such as trade debtors and creditors that arise directly from operations. The main purpose of these financial instruments is to provide finance for the Company's operations

Financial assets and liabilities

The Company's policy is to ensure that adequate cash is available and the Company does not trade in financial instruments and has not entered into any derivative transactions

Liquidity risk

Liquidity risk arises from the Company's management of working capital and is the risk that the Company will not be able to meet its financial obligations as they fall due. Cash forecasts and plans are updated frequently and reviewed regularly by management and the Board. The Company's liquidity requirements have been met principally through internal cash resources. The Company has no long-term borrowings, and based on current projections the Company has sufficient funds to meet current obligations as they fall due. Details of the maturity dates of the Company's financial liabilities are provided in note 5

Interest rate risk profile of financial assets

Cash at bank earns interest at floating rates related to the published rate of the bank

Interest rate sensitivity analysis

The Company is exposed to interest rate risk from changes in interest rates impacting future cash flows arising from its financial instruments, principally cash balances held at the balance sheet date. A sensitivity analysis has been performed to demonstrate the sensitivity of financial assets and financial liabilities to a reasonably possible change in interest rates applied to a full year from the balance sheet date, assuming the amount of the assets at balance sheet date are available for the whole year. An increase/ decrease in interest rates of 0.5 basis points, with all other variables held constant, results in a decrease/ increase in the Company's loss before tax of £87 thousand /£(87) thousand respectively (2008 decrease/ increase of £11 thousand /£(11) thousand). There is no effect on the Company's equity other than the equivalent effect to that on loss before tax. This is wholly attributable to the Company's exposure to interest rates on its variable rate cash and cash equivalents

Credit risk

The maximum exposure to credit risk is equal to the balances as disclosed for amounts due from subsidiary undertakings in note 3 and cash in note 4

Cash and Treasury

Cash and treasury credit risks are mitigated through the exclusive use of institutions that carry published grade "AA" or better credit ratings so as to minimise counterparty risk, except that the Company will make deposits with banks where the United Kingdom government is the major shareholder. £16 million of cash and cash equivalents is deposited with a single institution

Trade receivables

Trade receivables credit risks are mitigated by only dealing with institutions that have investment grade credit ratings or that are subsidiaries where risks are managed as explained under Capital management below

Capital management

The Company considers its capital to comprise its ordinary share capital and share premium. In managing its capital, the Company's primary objective is to ensure its continued ability to provide a return to equity shareholders, principally through capital growth. The Company currently has no borrowings. The Company's principal cash sources have been the issuance of share capital, and information regarding the Company's management of cash is provided in the Business review under the heading "Cash position" on page 13

9 Share capital

	Ordinary Shares		Deferred shares	
	No	£000 Nominal value	No	£000 Nominal value
Authorised				
1 January 2008, Ordinary Shares of 50p each	89,114,796	44,557		
1 January 2008, Deferred shares of 95p each			46,589,662	443
31 December 2008	89,114,796	44,557	46,589,662	443

10 December 2009 new Ordinary Shares created	22,916,667	11,459		
31 December 2009	112,031,463	56,016	46,589,662	443
	Ordinary Shares £000 No Nominal value		Deferred shares £000 No Nominal value	
Issued and fully paid				
1 January 2008, Ordinary Shares of 50p each	59,107,182	29,554		
25 June 2008 shares issued for cash	3,222,460	1,611		
31 December 2008, Ordinary Shares of 50p each	62,329,642	31,165		
14 July 2009 shares issued for cash	5,766,666	2,883	–	–
10 December 2009 shares issued for cash	22,916,667	11,459		
31 December 2009, Ordinary Shares of 50p each	91,012,975	45,507	–	–

The following share transactions took place since 1 January 2008

- 25 June 2008 – The Company issued 3,222,460 Ordinary 50p Shares at a price of 65p each,
- 14 July 2009 – The Company issued 5,766,666 Ordinary 50p Shares at a price of 60p each,
- 10 December 2009 – The Company issued 22,916,667 Ordinary 50p Shares at a price of 60p each,

The costs of all share issues have all been charged to the share premium account and are as disclosed in the parent company statement of changes in equity

Deferred shares have no voting rights and shall not be entitled to any dividends or any other right or participation in the profits of the Company

10 Share warrant reserve

The Company has made equity settled share based payments, all valued using Black-Scholes, as follows

	2009 £000	2008 £000
Directors		
Balance 1 January	167	167
Transfers to Share Premium	(36)	–
Balance 31 December	131	167

All warrants vested on grant and accordingly the key assumptions made in arriving at the Black-Scholes valuations were share price on date of grant, adjusted for subsequent consolidations where appropriate and the length of time for which the warrants will remain exercisable. A long-term risk free interest rate of 5% and an implied volatility of 20% were used in valuing the warrant at the time of granting. It was also assumed that no dividends would be paid during the life of the warrants.

Movements in the Share warrant reserve during the year were as follows

	2009 No	2009 Weighted average exercise price (pence)	2008 No	2008 Weighted average exercise price (pence)
At 1 January	523,830	58	523,830	58
Granted in Period	–	–	–	–
Lapsed in Period	(83,830)	50	–	–
Outstanding at 31 December	440,000	60	523,830	58
Exercisable at 31 December	440,000	60	523,830	58

The weighted average remaining contractual life for the equity settled share options outstanding as at 31 December 2009 is 12 months (2008: 21 months) with the maximum remaining term of options granted being 12 months, (2008: 24 months). The range of exercise prices for options outstanding at the end of the year was 55p to 75p (2008: 50p to 75p). In 2007, the Company received services from certain professional advisors in exchange for the Company's shares. A share-based payment was recognised with respect to the fair value of the services received. These lapsed on 10 April 2009.

11 Other reserves

- Merger reserve – The merger reserve arose as a result of a reverse acquisition on 31 December 2007 whereby IGL became a wholly owned subsidiary of the Company but with IGL's shareholders acquiring 94% of the Ordinary Share Capital of the Company. The reserve represents the difference in the fair value and the nominal value of the shares issued. The reserve is not distributable.

- **Share Premium account** – The share premium account of the Company arises from the capital that the Company raises upon issuing shares that are in excess of the nominal value of the shares net of the costs of issuing the new shares and from transfers from Share warrant reserve, when warrants lapse. During the year the Company issued 28,683,333 Ordinary 50p Shares at a price of 60p each (2008: 3,222,460 Ordinary 50p Shares at a price of 65p each). The cost of the issue was £1,121 thousand (2008: £108 thousand). Also during the year the effect of warrants lapsing was to transfer to Share premium reserve £36 thousand (2008: £nil). Together these events resulted in a net movement in the Share Premium reserve of £1,783 thousand (2008: £376 thousand).
- **Retained Earnings** – This represents the historic accumulated losses made by the Company.

12 Related party transactions

(a) With Group companies

A summary of the transactions in the year is as follows

	2009 £000	2008 £000
Subsidiaries		
Amounts due from/(to) subsidiary		
Island Gas Limited		
Balance 1 January	225	–
Services performed by subsidiary	(112)	(30)
Net cash advances	(196)	(264)
Services performed for subsidiary	519	519
Balance 31 December	436	225

KPR (Operations) Limited

Balance 1 January and 31 December

– –

A summary of year end balances is as follows

Amounts due from Subsidiary		
Island Gas Limited	436	225

Payment terms are as mutually agreed between the Group's companies

(b) With Directors

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. In the opinion of the Board, the Group's key management are the Directors of the Company. Information regarding their compensation is given in Note 5 to the consolidated accounts.

Of the total emoluments in 2009 disclosed in note 5 to the consolidated accounts, £66 thousand (2008: £39 thousand) is directly related to services provided to the Company, with the remainder relating to services provided to Island Gas Limited.

13 Subsequent events

On 23 April 2010, 82,500 share warrants were exercised at an average of price of 55p per share, leading to an increase in the total number of shares in issue to 91,095,475.

Proposed business of the Annual General Meeting

Introduction

You will find set out at the end of this document the formal Notice of the Annual General meeting of IGas Energy plc. This section provides some additional information on the Resolutions being proposed at the Annual General Meeting. The following definitions apply throughout this session of the document unless the context requires otherwise.

"1985 Act"	the Companies Act 1985
"2006 Act"	the Companies Act 2006
"Accounts"	the audited financial statements of the Company for the year ended 31 December 2009
"Annual General Meeting" or "AGM"	the annual general meeting of the Company convened for Monday 7 June 2010 pursuant to the Notice of Annual General Meeting which appears at the end of this document
"Articles"	the articles of association of the Company in force at the date of this document
"Board" or "Directors"	the board of directors of the Company
"Form of Proxy"	the form of proxy accompanying this document for use at the Annual General Meeting
"New Articles"	the new Articles of Association of the Company proposed to be adopted at the AGM
"Ordinary Shares"	ordinary shares of 50p each in the capital of the Company
"Resolutions"	the resolutions set out in the Notice of Annual General Meeting which appears at the end of this document
"Shareholders"	holders of Ordinary Shares

Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Mofo Secretaries Limited, Citypoint, One Ropemaker, London EC2Y 9AW at 10.30am on Monday 7 June, at which resolutions will be proposed

- 1 to receive and adopt the Company's Annual Report and Accounts for the financial year ended on 31 December 2009, and the Directors' Report and the Independent Auditors' Report on those accounts,
- 2 to receive and approve the Remuneration Report of the Directors for the financial year ended on 31 December 2009 and the Independent Auditors' Report on the auditable part of the Remuneration Report,
- 3 to reappoint as a Director Francis Gugen who, in accordance with the Articles, is required to retire by rotation at the Annual General Meeting and, being eligible, offers himself for reappointment,
- 4 to reappoint as a Director Brent Cheshire who, in accordance with the Articles, is required to retire by rotation at the Annual General Meeting and, being eligible, offers himself for reappointment,
- 5 to reappoint as a Director John Hamilton who, in accordance with the Articles, having been appointed since the last annual general meeting is required to retire at the Annual General Meeting and, being eligible, offers himself for reappointment,
- 6 to reappoint Ernst & Young LLP as the auditors of the Company until the next annual general meeting,
- 7 to authorise the Directors to determine the level of the remuneration of the auditors,
- 8 to grant the Directors authority to allot shares in the capital of the Company,
- 9 to grant the Directors the power to disapply the statutory pre-emption rights for certain shares,
- 10 to adopt the New Articles

Resolutions 1 and 2 and 6 and 7 are self explanatory. Information on the other Resolutions is provided below. Resolutions 1 – 8 are ordinary resolutions which require to be passed the approval of a simple majority of Shareholders present and voting in person or by proxy or authorised representative. On a show of hands each Shareholder so present has one vote, but should a poll be demanded each such Shareholder has one vote for each share held by him or her. Resolutions 9 and 10 are special resolutions that require to be passed the approval of 75% of such Shareholders, determined in the same way as for the ordinary resolutions.

Resolution No 3 – reappointment of Francis Gugen as a Director

Mr Gugen is liable to retire by rotation at the Annual General Meeting under the Articles, and offers himself for re-election. Having considered his re-election, the Nomination Committee considers that his performance remains effective, particularly having regard to his responsibilities as Executive Chairman.

Mr Gugen is one of the founders and Executive Chairman of the Company and 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 Economic Affairs Committees and is also a past President of the UK Offshore Operators Association, past chair of the industries representation on the UK Government Oil & Gas Task Force (Pilot) and the chair of the CBI's Environmental Affairs Committee. Mr Gugen is a chartered accountant having worked for Arthur Andersen for eight years until 1982, principally as an oil & gas specialist. Currently he is Chairman of the board 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, focused on developing North Sea oil and gas fields of Fraudscreen Limited, a new financial services business. Mr Gugen devotes such time to the Group as is required to discharge his duties.

Resolution No 4 – reappointment of Brent Cheshire as a Director

Mr Cheshire is liable to retire by rotation at the Annual General Meeting under the Articles, and offers himself for re-election. Having considered his re-election, the Nomination Committee considers that his performance remains effective, particularly having regard to his responsibilities as Executive Technical Director.

Mr Cheshire is one of the founders and is the Technical Director of the Company. After 14 years at Shell, he 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, under arrangements that allow him to devote appropriate time to the Company. Mr Cheshire is a petroleum engineer having graduated as a geologist from Durham University. Since leaving Amerada, he has been a senior adviser to the Danish Oil and Natural Gas Company, assisting it with the design and implementation of its growth strategy.

Resolution No 5 – reappointment of John Hamilton as a Director

Mr Hamilton was appointed as a Non-Executive Director on 10 December 2009, which was subsequent to the last annual general meeting and, in accordance with the Articles, he must retire at this Annual General Meeting, but he offers himself for re-appointment. Upon appointment the Board considered that his experience made him a suitable candidate to compliment the board. The Nomination Committee has considered his re-appointment and considers that his performance remains effective, particularly having regard to his responsibilities as a Non-Executive Director.

Mr Hamilton is the Managing Director of Levine Capital Management Advisors Limited, a UK incorporated company and a non-executive director at President Petroleum Corporation Plc. Mr Hamilton was previously the Group Finance Director of Imperial Energy Corporation PLC, the Russia-focused oil exploration and production company. Prior to joining Imperial Energy, Mr Hamilton held senior positions at ABN AMRO.

Resolution No 8 – authority to issue shares

At the Annual General Meeting held on 10 July 2009, the Directors were authorised, in accordance with section 80 of the 1985 Act, to allot Ordinary Shares, grant rights to subscribe for shares or to convert any security into Ordinary Shares up to an aggregate nominal amount of £10,388,273. This authority expires at the conclusion of this Annual General Meeting.

In addition, at the General Meeting held on 10 December 2009, the Directors were authorised, in accordance with section 551 of the 2006 Act, to allot Ordinary Shares, grant rights to subscribe for shares or to convert any security into Ordinary Shares up to an aggregate nominal amount of £11,458,333.50 (in addition to the existing authority conferred on the Directors by the ordinary resolution passed by the Company on 10 July 2009). This authority expires, if not previously revoked, on 10 December 2010. It is therefore proposed to revoke the existing authorities and replace them with a new authority, granted under section 551 of the 2006 Act, which will allow the Directors to allot Ordinary Shares and to grant rights to subscribe for or to convert any securities into Ordinary Shares up to an aggregate nominal amount of £15,168,829 representing approximately one third of the issued ordinary share capital of the Company as at 31 December 2009 and a further aggregate nominal amount of £15,168,829 representing approximately a further third of such issued share capital, which will be available only for rights issues and other pre-emptive issues of equity shares.

The proposal that the authority to allot new Shares shall extend to a further third of the issued share capital is in accordance with the guidelines issued by the Association of British Insurers ("ABI") which confine the use of this amount to rights issues only. The Directors have no present intention of exercising this authority. However, if they do exercise the authority, the Directors intend to follow the emerging best practice as regards its use (including as regards Directors standing for re-election) as recommended by the ABI and the National Association of Pension Funds.

Assuming the passing of the resolution, the new authority will expire fifteen months from the date of the passing of the resolution or until the conclusion of the next annual general meeting, if earlier, and will revoke all previous authorities to the extent that they have not already been utilised apart from other specific authorities taken in respect of outstanding warrants and options which will continue unaffected. The Directors have no present intention of issuing any share capital of the Company, but the passing of this Resolution will enable the Directors to take advantage of any opportunities which may arise.

Resolution No 9 – disapplication of pre-emption rights

Section 561 of the 2006 Act contains pre-emption rights that require all equity shares which it is proposed to allot for cash to be offered to existing shareholders in proportion to existing shareholdings, unless a special resolution is passed to disapply such rights. Such rights do not apply to an issue otherwise than for cash, such as an issue in consideration of an acquisition. The Directors believe that these requirements are too restrictive and, it is proposed that the Directors should be able to allot shares amounting to no more than an aggregate nominal amount of £6,825,975 representing approximately 15 per cent of the equity share capital of the Company (including treasury shares) at the date of the Accounts otherwise than on a pre-emptive basis. In addition, it is customary to disapply the statutory pre-emption rights altogether, and substitute similar non-statutory provisions because, for technical reasons, the statutory rights are difficult to apply in certain circumstances. The proposed resolution therefore provides that all allotments for cash in excess of the 15 per cent limit, must be in the form of rights issues, open offers or other pre-emptive issues except for the one third of the existing issued share capital reserved only for rights issues in accordance with the previous resolution, and free of the statutory constraints. The broadening of the proposed resolution to include pre-emptive issues other than rights issues is a departure from the strict wording of the ABI guidelines which is limited to rights issues, which

the Directors regard as too restrictive, especially as AIM companies normally make open offers and not rights issues. The above departures in resolutions 8 and 9 from the strict wording of the ABI guidelines should not be taken to indicate that they are being disregarded, but rather that the proposed resolutions are designed to provide greater flexibility for the Directors to determine the form of any future pre-emptive issues in the light of market conditions and practice, at the time such an issue may be proposed.

Resolution No 10 – adoption of the New Articles

On 1st October 2009, all the provisions of the memorandum of association of the Company other than the subscription clause, including the objects clause and share capital clause became incorporated into the Company's Articles of Association, pursuant to the 2006 Act. Companies incorporated under the 2006 Act will not, unless special provision is made have any objects clause (their activities being unrestricted) or any limitation on the number of shares they may issue, and the prevailing market practice is for pre-2006 Act incorporated companies to follow suit. Notwithstanding that the share capital is unlimited, the Directors cannot allot any shares without authority from the shareholders to do so, except pursuant to any employee share scheme. The proposed resolution therefore deletes from the Articles all the provisions carried over from the memorandum of association, except those provisions setting out the name of the company, and adopts the New Articles which comply fully with the Companies Act 2006. An explanation of the principal changes made in the New Articles appears on page 55 of this document. The New Articles, showing all the changes from the previous Articles shall be available for inspection 15 minutes prior to and during the AGM and at the offices of the Company's solicitors, Morrison & Foerster, CityPoint, One Ropemaker Street, London EC2Y 9AW from the date of circulation of the notice of AGM.

Action to be Taken

A Form of Proxy for use at the Annual General Meeting is enclosed. If you are a Shareholder you are advised to complete and return the form in accordance with the instructions printed on it so as to arrive at the Company's registrars, Computershare Investor Services plc, The Pavilions, Bridgewater Road, Bristol BS1 8AE, as soon as possible, but in any event no later than 10.30am on Thursday 3 June 2010. Alternatively, you may e-mail or fax your completed proxy form by following the instructions in Note (3) to the Notice of Meeting.

Such an electronic appointment must also be made no later than 10.30am on Thursday 3 June 2010.

The return of a Form of Proxy or the electronic appointment of a proxy does not preclude you from attending and voting at the Annual General Meeting if you so wish.

Recommendation

The Directors consider the Resolutions to be proposed at the Annual General Meeting to be in the best interests of the Company and its Shareholders. Accordingly, the Directors unanimously recommend Shareholders to vote in favour of all the Resolutions, as they intend to do in respect of their own beneficial holdings comprising 50,668,100 Ordinary Shares, representing 55.62% of the issued share capital.

EXPLANATION OF THE CHANGES BETWEEN THE EXISTING AND PROPOSED NEW ARTICLES

1 The Company's objects

On 1st October 2009 the objects clause and all other provisions contained in the Company's memorandum were henceforth deemed to be contained in the Company's articles of association but the Company can remove these provisions by Special Resolution. The Company's memorandum contains, amongst other things, the objects clause which sets out the scope of the activities which the Company may undertake. This is drafted in very wide terms. The Companies Act 2006 states that unless a company's articles provide otherwise a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which on 1st October 2009 become part of the Company's articles of association, except the provision specifying the name of the Company. Resolution 10 will achieve this. As this resolution will also remove the statement in the memorandum regarding limited liability, the New Articles contain an express statement as to the limited liability of the shareholders.

2. The Company's share capital

Resolution 10 will also remove from the existing articles of association the statement of the Company's former authorised share capital which on 1st October 2009 became a provision of the articles limiting the nominal amount of shares which the Directors can allot. The New Articles do not contain such a limit, so the share capital of the Company will be unlimited. The Directors will still however require an authority from the shareholders to allot shares, as contained in the proposed resolution No 8 except that no such authority is required to allot shares pursuant to an employee share scheme.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of IGas Energy plc will be held at the offices of Mofo Secretaries Limited, Citypoint, One Ropemaker, London EC2Y 9AW on Monday 7 June 2010 at 10 30am to consider, and if thought fit, pass the following resolutions of which resolutions 1 - 8 will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions

ORDINARY BUSINESS

- 1 To receive and adopt the Company's Annual Report and Accounts for the financial year ended 31 December 2009 and the Directors' Report, and the Independent Auditors' Report on those accounts
2. To receive and approve the Remuneration Report of the Directors for the financial year ended on 31 December 2009 and the Independent Auditors' Report on the auditable part of the Remuneration Report
3. To reappoint as a Director, Francis Gugen, who is retiring by rotation in accordance with Article 38 of the Company's Articles of Association and who being eligible is offering himself for reappointment
4. To reappoint as a Director, Brent Cheshire, who is retiring by rotation in accordance with Article 38 of the Company's Articles of Association and who being eligible is offering himself for reappointment
- 5 To reappoint as a Director, John Hamilton, who having been appointed since the last annual general meeting is retiring in accordance with Article 33 of the Company's Articles of Association and who being eligible is offering himself for reappointment,
6. To reappoint Ernst & Young LLP as auditors of the Company from the conclusion of this Meeting until the conclusion of the next annual general meeting of the Company at which accounts are laid
7. To authorise the Directors to determine the remuneration of the auditors

SPECIAL BUSINESS

- 8 That in substitution for all existing authorities for the allotment of shares by the Directors, which are hereby revoked but without prejudice to any allotment, offer or agreement already made pursuant thereto, the Directors of the Company be and are hereby generally and unconditionally authorised, pursuant to section 551 of the 2006 Act to exercise all the powers of the Company to
 - (A) allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares (all of which transactions are hereafter referred as an allotment of "relevant securities") up to an aggregate nominal amount of £15,168,829, and
 - (B) allot equity securities (within the meaning of section 560(1) of the 2006 Act) up to an aggregate nominal amount of £15,168,829 in connection with a rights issue or other pre-emptive offer which satisfies the conditions and may be subject to all or any of the exclusions specified in paragraph (B)(1) of the next following resolution

in each case for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) 15 months after the date of the passing of this resolution or at the conclusion of the next annual general meeting of the Company following the passing of this resolution, whichever occurs first, provided that the Company may before such expiry, variation or revocation make an offer or agreement which would or might require such relevant or equity securities to be allotted after such expiry, variation or revocation and the Directors may allot relevant or equity securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired or been varied or revoked
9. That, subject to and conditionally upon the passing of resolution No 8, the Directors are hereby empowered pursuant to section 570 of the 2006 Act to allot equity securities (as defined by section 560 of the 2006 Act) for cash pursuant to the authority conferred by resolution No 8 as if section 561 of the 2006 Act did not apply to any such allotment provided that such power
 - (A) shall, subject to the continuance of the authority conferred by resolution No 8, expire fifteen months after the passing of this resolution or at the conclusion of the next annual general meeting of the Company following the passing of this resolution, whichever occurs first, but may be previously revoked or varied from time to time by Special Resolution but so that the Company may before such expiry, revocation or variation make an offer or agreement which would or might require equity securities to be allotted after such expiry, revocation or variation and the Directors may allot equity securities in pursuance of such offer or agreement as if such power had not expired or been revoked or varied, and
 - (B) shall be limited to
 - (1) the allotment of equity securities of up to an aggregate nominal amount of £15,168,829 pursuant to a rights issue, open offer, scrip dividend scheme or other pre-emptive offer or scheme which is in each case in favour of holders of Ordinary Shares and any other persons who are entitled to participate in such issue, offer or scheme where the equity securities offered to each such holder and other person

are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held or deemed to be held by them for the purposes of their inclusion in such issue, offer or scheme on the record date applicable thereto, but subject to such exclusions or other arrangements as the Directors may deem fit or expedient to deal with fractional entitlements, legal or practical problems under the laws of any overseas territory, the requirements of any regulatory body or stock exchange in any territory, shares being represented by depositary receipts, directions from any holders of shares or other persons to deal in some other manner with their respective entitlements or any other matter whatever which the Directors consider to require such exclusions or other arrangements with the ability for the Directors to allot equity securities and sell relevant shares not taken up to any person as they may think fit, and

- (2) the allotment of equity securities for cash otherwise than pursuant to sub-paragraph (1) up to an aggregate maximum nominal amount of £6,825,975

10 That with effect from the passing of this resolution

- (A) the existing Articles of Association of the Company are hereby amended by deleting all the provisions of the Company's former Memorandum of Association which, by virtue of section 28 of the 2006 Act, are to be treated as provisions of the Company's Articles of Association, other than the provisions specifying the name of the Company, and
- (B) the New Articles of Association produced to the meeting and initialled by the Chairman thereof for the purpose of identification are hereby adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association

5 May 2010

By Order of the Board
MoFo Secretaries Limited
International House
1-6 Yarmouth Place
London
W1J 7BU
Registered in England & Wales
Company No 04981279

NOTES

- (1) A Shareholder entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend, speak and vote on a show of hands and on a poll instead of him or her. A proxy need not be a member of the Company. Where a Shareholder appoints more than one proxy, each proxy must be appointed in respect of different shares comprised in his or her shareholding which must be identified on the proxy form. Each such proxy will have the right to vote on a poll in respect of the number of votes attaching to the number of shares in respect of which the proxy has been appointed. Where more than one joint Shareholder purports to appoint a proxy in respect of the same shares, only the appointment by the most senior Shareholder will be accepted as determined by the order in which their names appear in the Company's register of members. If you wish your proxy to speak at the meeting, you should appoint a proxy other than the chairman of the meeting and give your instructions to that proxy.
- (2) A corporation which is a Shareholder may appoint one or more corporate representatives who have one vote each on a show of hands and otherwise may exercise on behalf of the Shareholder all of its powers as a shareholder provided that they do not do so in different ways in respect of the same shares.

To be effective an instrument appointing a proxy and any authority under which it is executed (or a notanally certified copy of such authority) must be deposited at the offices of Computershare Investor Services plc, at PO Box 1075, The Pavilions, Bridgewater Road, Bristol BS99 6ZZ not later than 10 30am on 3 June 2010 except that, (a) should the meeting be adjourned, such deposit may be made not later than 48 hours before the time of the adjourned meeting and (b) in the case of a poll taken more than 48 hours after it was demanded, such deposit may be made not later than 24 hours before the time appointed for the taking of the poll. In calculating the said periods of 48 and 24 hours for deposit of a proxy, there is to be excluded any part of a day which is a Saturday or Sunday, Christmas Day, Good Friday or a bank holiday in England. A Form of Proxy is enclosed with this notice. Shareholders who intend to appoint more than one proxy can obtain additional Forms of Proxy from Computershare Investor Services plc by telephoning them on 0870 707 1106. Alternatively, the form provided may be photocopied prior to completion. The Forms of Proxy should be returned in the same envelope and each should indicate that it is one of more than one appointments being made. Alternatively you may e-mail your completed proxy form as an attachment to an e-mail headed "Appointment of proxy for AGM of IGas Energy plc on 7 June 2010" addressed to the Company Secretary at igas@mofo.com or faxing it to the registrars with a cover sheet similarly endorsed on 020 7496 8564 in each case with evidence of the authority of the person submitting it, where required. A notice of a revocation of a proxy's authority can only be accepted electronically by this method and if using this method the heading or cover sheet should read "Revocation of proxy appointment for AGM of IGas Energy plc on 7 June 2010".

A proxy form or a revocation of a proxy's authority submitted by any of these electronic means must be received by the same deadline as applies to proxy forms submitted by post or by hand
Completion and return of the Form of Proxy or the electronic appointment of a proxy will not preclude Shareholders from attending and voting in person at the meeting

- (3) An abstention (or "vote withheld") option has been included on the Form of Proxy and in the available options for electronic proxy voting. The legal effect of choosing the abstention option on any resolution is that the Shareholder concerned will be treated as not having voted on the relevant resolution. The number of votes in respect of which there are abstentions will however be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.
- (4) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that *only those Shareholders* registered in the register of members of the Company as at 10 30am on 3 June 2010 or, in the event that the meeting is adjourned, in such register not later than 48 hours before the time of the adjourned meeting, shall be entitled to attend, or vote (whether in person or by proxy) at the meeting in respect of the number of shares registered in their names at the relevant time. Changes after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.
- (5) None of the e-mail addresses and Fax Numbers referred to in this document may be used for any purpose other than those specified.

Glossary

£	The lawful currency of the United Kingdom
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
Bcf	Billions of standard cubic feet
CBM	Coal bed methane
Contingent Recoverable Resource	<p>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.</p> <p>All amounts shown in this annual report have been compiled by statistical aggregation.</p>
DECC	Department of Energy and Climate Change
GIIP	Gas initially in place
IGL	The Company's subsidiary holding all its licences
MMboe	Millions of barrels of oil equivalent
MMscfd	Millions of standard cubic feet per day
PEDL	United Kingdom petroleum exploration and development licence
Scf	Standard cubic feet
Tcf	Trillions of standard cubic feet of gas
UK	United Kingdom

