

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

16 September 2020

IGas Energy plc (AIM: IGAS)
("IGas" or "the Company")

IGas Acquires Geothermal Energy Generation Business

IGas is pleased to announce that it has today entered into a share purchase agreement ("SPA") to acquire GT Energy UK Limited ("GT Energy"), a developer of deep geothermal heat projects onshore in the UK.

The acquisition is in line with IGas's strategy of diversifying into the wider UK energy market whilst leveraging its core competencies as an UK onshore operator.

Geothermal Energy in Europe

Geothermal energy, a type of renewable energy, is increasingly being used across the world, with a number of towns and cities adopting it to provide heat and electricity to both significant users, such as large council buildings, warehouses and the general public through district heating systems.

Within Europe alone, in the past 5 years, the installed capacity of deep geothermal heating and cooling plants has increased by over 1GWth, with 327 plants, a total capacity of 5.5GWth, in operation. There are 57 plants in the Paris basin, providing heat around Paris and in the area around Munich, Southern Germany, there are 37 projects that supply significant quantities of renewable heat to suburbs and towns.

Currently in the UK, residential heating alone represents over 20% of primary energy demand, more than 90% of which is from non-renewable sources. In the challenge to meet net-zero, decarbonising heat will be fundamental. There is the potential for approximately 50-100 geothermal projects across the UK with an average size of 10MWhth.

This acquisition is IGas's entry point into this fast emerging sector, an area that through the energy transition IGas expects to see significant growth.

GT Energy

GT Energy's principal project is a 14MW deep geothermal project in the Etruria Valley, Stoke-on-Trent. The project is anticipated to supply zero carbon heat to the city of Stoke-on-Trent on a long-term 'take or pay' contract ("TPA") with Stoke-on-Trent City Council ("SoTCC"). It is anticipated that the heat will be supplied through the SoTCC owned and operated district heating network, which is undergoing installation.

The project received pre-accreditation from the Department of Business, Enterprise and Industrial Strategy under the Renewable Heat Incentive scheme earlier in 2020 and it will have tariff guarantee from Ofgem prior to construction.

All the geophysical work on the project is complete and the necessary permitting in place. Planning was granted historically for the project and needs to be renewed. Under the current timetable it is anticipated that drilling and testing could commence in Q2/Q3 2021 with the installation operational by March 2022.

The combination of the two businesses will create significant synergies, utilising IGas's expertise in well engineering, drilling and onshore operations with GT Energy's knowledge in deep geothermal projects, including negotiating long-term heat supply contracts. This will allow both the efficient execution of the Stoke-on-Trent project and the building of a significant pipeline of projects some of which could utilise IGas's existing well stock and longstanding relationships in its current operational areas.

The Transaction

Under the terms of the SPA, IGas will make an initial payment of £500,000 (the "Initial Purchase Price") to the Sellers to be satisfied in 2,222,223 IGas ordinary shares on completion by the transfer of 1,844,637 shares held by IGas (not as treasury shares, as defined under the AIM Rules) and allotment and issue of 377,586 shares. The Initial Purchase Price will be subject to post-completion adjustment following the preparation of completion accounts, with any positive or negative adjustment being made against any additional consideration upon satisfaction of future milestone events ("Milestone Consideration").

The maximum consideration payable to the Sellers under the SPA is £12 million and the ordinary shares of IGas which may be issued under the SPA shall not exceed Twenty-Nine Point Nine Per Cent ($\leq 29.9\%$) of the fully diluted issued ordinary share capital of IGas. In addition to the Initial Purchase Price, the Company may be required to pay the Milestone Consideration, see further information. GT Energy has entered into a term sheet with Gravis Capital Management Limited (Gravis) which provides indicative and non-binding terms, on behalf of Funds managed by Gravis, to fund a significant proportion of the c. £20m project through a limited-recourse debt facility. Such provision of finance is conditional on, inter alia, signature of the TPA by SoTCC and GT Energy, agreement and execution of the financing documentation, the completion of Gravis' due diligence and internal Gravis and third-party approvals. GT Energy is currently engaged in advanced negotiations with SoTCC in respect of the TPA.

The key sellers of GT Energy holding in excess of 10% are AURUM (Development) Nominees Ireland Limited; Vivienne Keane; Low Carbon Innovation Fund and Pdraig Hanly. (A full list of all sellers are set out in the table, see further information).

Save for certain customary carve-outs set out in the SPA (including where the prior written consent of the Company is given), each Seller (other than Mr Hanly) has undertaken to IGas that it shall not, during the period of twelve months following any relevant date of transfer of, or allotment and issue of specific tranches of ordinary shares in IGas to be allotted under the SPA from the Company to each Seller ("Transfer Date"), sell, transfer or otherwise dispose of, or create any encumbrance over, any of the relevant IGas ordinary shares which were transferred to and/or allotted and issued (as the case may be) to that relevant Seller upon the Transfer Date. Mr Hanly has agreed to the same lock-up restriction, save that the lock-up period applies for twenty-four months from the Transfer Date in respect of the relevant IGas ordinary shares which were transferred to and/or allotted and issued (as the case may be) to him upon the Transfer Date.

Pdraig Hanly, the founder and Managing Director of GT Energy, will continue to run the business, remaining on the board of GT Energy and joining IGas's Executive Committee.

In the year ended 31 December 2019, the Company did not generate any turnover and incurred a loss of £0.11 million related to expenditure on progressing its geothermal project. Net assets were £0.99 million, primarily consisting of capitalised geothermal research and development expenditure.

Commenting Stephen Bowler, Chief Executive Officer, said:

"I am delighted to be announcing the acquisition of GT Energy today, a leading geothermal energy business in the UK, a major strategic milestone for the Company and a logical step given the operational synergies of our onshore business.

Whilst there is a clear need for oil and gas in a 2050 net zero environment, it is our intention to also play an important role in the UK's energy transition. The acquisition of GT Energy provides us with an exciting entry point into this highly attractive, growth market, one that has seen material progress in Europe over the past five years.

The decarbonisation of electricity generation has already made significant steps forwards with renewables and gas replacing coal, and the next significant area that must be addressed, to achieve the UK's net zero ambitions, is the decarbonisation of heat. We anticipate that this will dramatically increase the development of deep geothermal heating plants in the UK and across Europe.

There are considerable growth opportunities for IGas, a leading UK onshore operator, as we continue to look at ways of maximising returns from our existing operations and engineering expertise, and also seek to high-grade potential opportunities for other forms of energy, including electricity generation and storage.

We are well positioned to become a leading operator of a variety of energy sources in the UK."

Padraig Hanly, GT Energy founder, commented:

"IGas, as a long established and trusted onshore operator, is the perfect partner to realise the GT Energy vision to deliver affordable, renewable heat from deep geothermal energy.

The SToCC District Heat Network will use our deep geothermal heat energy to produce up to 45 GWh a year, save 10,000 tonnes of CO₂ a year and lower energy costs by up to 10%. It's the UK's first ever low-carbon heat network system on this scale, and will help heat thousands of homes and businesses in the city."

GT Energy was advised by Turquoise International.

A presentation will be made to analysts today at 9.30am via conference call and a copy can be found at www.igasplc.com/investors/presentations.

IGas will announce interim results for the six months ended 30 June 2020 on 22 September 2020.

For further information please contact:

IGas Energy plc Tel: +44 (0)20 7993 9899

Stephen Bowler, Chief Executive Officer

Ann-marie Wilkinson, Director of Corporate Affairs

Investec Bank plc (NOMAD and Joint Corporate Broker) Tel: +44 (0)20 7597 5970

Sara Hale/Jeremy Ellis/Tejas Padalkar

BMO Capital Markets (Joint Corporate Broker) Tel: +44 (0)20 7653 4000

Tom Rider/Neil Elliot

Canaccord Genuity (Joint Corporate Broker) Tel: +44 (0)20 7523 8000
Henry Fitzgerald-O'Connor/James Asensio

Vigo Communications Tel: +44 (0)20 7390 0230
Patrick d'Ancona/Chris McMahon

Further information

The acquisition constitutes a substantial transaction under AIM Rule 12.

In addition to the Initial Purchase Price, the Company may be required to pay Milestone Consideration upon:

- (i) financial close, within five years of the date of the SPA (the "First Milestone Longstop"), of a funding facility in respect of GT Energy's principal project (described above) on terms reasonably acceptable to the Company (the "First Milestone");
- (ii) subject to completion of the First Milestone first delivery of heat to the district heat network under the TPA;
- (iii) subject to completion of the First Milestone, six months following (ii),
- (iv) subject to completion of the First Milestone the first anniversary of (ii);
- (v) the first of either (being the "Business Development Milestone"):
 - a. GT Energy securing a further geothermal project in the UK by successfully completing certain key targets relevant thereto (as set out in the SPA), within the earlier of (a) the fifth anniversary of the date of the SPA, and (b) the second anniversary of an announcement by the UK Government of a new RHI Scheme, or in the reasonable opinion of the Company, equivalent scheme; or
 - b. One Thousand British Pounds (GBP £1,000) per full kW electrical generating capacity installed, capped at £1 million (for 1000kW or more) subject to and measured on the date upon which, *inter alia*, validation of a planning application to allow electricity generation at the primary project location, and installation and successful commissioning of an electricity generation plant which utilises excess heat from the primary project, together with the ability to utilise such electricity to supply the Project's electricity requirements, and / or connect to a private wire or the national grid as the case may be.

The Milestone Consideration will be satisfied by the allotment of ordinary shares in IGas, as is derived by, for each Seller, dividing their proportion of the relevant Milestone Consideration (see table below in respect of proportions) by: (a) in respect of ordinary shares in IGas to be allotted in respect of the First Milestone: either (i) if the First Milestone is satisfied within thirty (30) months of the date of the SPA, the volume weighted average price of IGas's ordinary shares as derived from the AIM section of the London Stock Exchange Daily Official List ("VWAP"), on the one hundred and eighty (180) dealing days preceding the date of the SPA ("First VWAP"), or (ii) if the First Milestone is

satisfied in the period falling on or after thirty (30) months from the date of the SPA and before the First Milestone Longstop, the VWAP on the thirty (30) dealing days preceding the date of the satisfaction of the First Milestone (“Second VWAP”); (b) in respect of ordinary shares in IGas to be allotted in respect of any other milestone (other than the Business Development Milestone), either the First VWAP or Second VWAP as was applicable, or would have been applicable to (as the case may be), to any ordinary shares in IGas to be allotted under the First Milestone; and (c) in respect of ordinary shares in IGas in respect of the Business Development Milestone, the VWAP on the ninety (90) dealing days preceding the date of satisfaction of the relevant Business Development Milestone, with, in each case, the resulting number being rounded down to the nearest whole share and subject to, *inter alia*, admission to trading on AIM of the relevant shares.

The full table of Sellers and the proportion of consideration/ordinary shares in IGas as satisfaction for consideration under the SPA are as follows:

SELLER	SALE SHARES	PROPORTION OF CONSIDERATION (%)
Miles Courtney AMBLER	7,602	0.85%
Randa ASTLEY-COOPER	3,041	0.34%
AURUM (DEVELOPMENT) NOMINEES IRELAND LIMITED (Formerly Known As Investec (Development) Nominees Ireland Limited)	155,159	17.38%
AURUM NOMINEES LIMITED	4,265	0.48%
Dermot BROWNE	40,720	4.56%
Martin BURGESS	4,080	0.46%
Anne COOPER	40,720	4.56%
John DINGEMANS	2,146	0.24%
Teresa DUNNE	58,221	6.52%
Padraig HANLY	18,128	2.03%
Stuart HARLEY	3,059	0.34%
Vivienne KEANE	98,731	11.06%
UNIVERSITY OF EAST ANGLIA (IN ITS CAPACITY AS THE LOW CARBON INNOVATION FUND)	152,991	17.14%
Nick LYTH	760	0.09%
Peter MARR	10,199	1.14%
Con MCCARTHY	59,717	6.69%
Michael MORONY	10,199	1.14%

NEXUS INFRASTRUCTURE PLC	1,521	0.17%
Charles E.P. PLOWDEN	10,524	1.18%
Dermot QUINLAN	31,915	3.58%
Colin G.E. ROGERS	31,573	3.54%
Oliver Jeremy Rowe SALVESEN	7,015	0.79%
Raleigh Douglas SALVESEN	6,799	0.76%
Toby Christian SALVESEN	6,801	0.76%
SYNERGY GROWTH NOMINEE LIMITED	14,278	1.60%
TURQUOISE CAPITAL LLP	5,262	0.60%

ADDITIONAL SHAREHOLDERS TO BE EXISTING AT COMPLETION

Padraig HANLY (EMI Option Exercise)	89,252	10.00%
TURQUOISE INTERNATIONAL LIMITED (Nil Paid Shares Award)	8,925	1.00%
Riccardo PASQUALI (Consultant) (Nil Paid Shares Award)	8,925	1.00%

Glossary

GWth gigawatt-thermal

MW megawatt