



12 March 2008

ISLAND GAS RESOURCES PLC
('IGas' or 'the Company')

Trading Statement

The Board of IGas, which has the potential to be a significant onshore UK gas producer, is pleased to provide the following trading update following its admission to AIM on 31 December 2007.

Advancement of stated objectives

The Company has made good progress against its immediate objectives as stated in the admission document of 27 November 2007, as outlined below.

- Commencing gas sales from coal bed methane ('CBM') production by end 2008:*
IGas has, through its operator Nexen Exploration (UK) Limited ('Nexen'), successfully drilled a 2000 ft (610 metre) lateral leg on its Doe Green site (PEDL 145) in Cheshire. Production testing has shown good quality gas flowing continuously to surface and the permeability of the coal has been demonstrated. IGas expects to commence gas sales from this site before the end of Q4 2008;
- Securing routes to market:*
IGas has secured an electricity grid connection agreement of one megawatt at its Doe Green site. The Company has also agreed heads of terms to supply gas directly to a prospective customer from a site in Staffordshire;
- Continue to gather data and production experience to enable a proportion of GIIP to be classified as 'recoverable resource':*
IGas expects to select a reserve auditor shortly who will assist in the verification process;
- Fulfill all well obligations on licences to secure ownership into a second term:*
Well plans and land access are now in place for all sites to secure ownership of licences into their second terms. IGas has obtained planning permission for at least one well site from each County Council having jurisdiction over its acreage;
- Apply for further acreage together with partner Nexen:*
IGas and Nexen have applied for additional acreage in the 13th onshore oil and gas licensing round. Applications were submitted to the Department for Business Enterprise and Regulatory Reform ('BERR') in early February. Under the 13th licensing round, most onshore acreage that is not already licensed, within certain boundaries, is available. .

Other achievements

In addition IGas has:

- Obtained encouraging results from the well at Mostyn Quay at Point of Ayr in Flintshire, Wales (PEDL 107), which are now undergoing detailed analysis. Drilling of the well began in early December 2007 following the granting of planning permission. The well logged and cored the coal sequence and obtained data related to gas content and the permeability of the coals. This well satisfied the drill or drop obligation on PEDL 107;
- Received an extension of 10 months from BERR for its acreage in Swallowcroft in Western Staffordshire (PEDL 115) and for its acreage at Speke near Liverpool (PEDL 116); and

- Gained all relevant permissions for drilling an appraisal well at Foxhills Farm near Halewood (PEDL 116) and expects to begin drilling operations on this well shortly.

Activity for 2008

IGas anticipates undertaking the following activity during 2008:

1H 2008 (Remaining period)

- As indicated above, the Company expects to drill an appraisal well at Foxhills Farm near Halewood on PEDL 116; and
- Continue production testing at its Doe Green site in PEDL 145.

2H 2008

- Drill an appraisal well in the Swallowcroft area on PEDL 115;
- Drill a further appraisal well in the Swallowcroft area on acreage in PEDL 78;
- Consider the potential for a production well in the Swallowcroft area;
- Obtain a response from BERR regarding IGas' application for acreage in the 13th on-shore licensing round;
- Apply for a Field Development Plan for the northern section of PEDL 145 (Four Oaks); and
- Utilise its electricity grid connection agreement for the Doe Green site to commence gas sales.

Following this trading statement, IGas intends to provide an update of progress on a quarterly basis.

IGas' CEO Andrew Austin said: "I am pleased to report the progress the Company is making in developing its operations across the country. IGas is on track to deliver its immediate objectives as set out at the time of our admission to AIM. We continue to demonstrate the viability of producing onshore gas from coal bed methane in the UK, and its increasingly attractive potential to become an important new source of energy."

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Notes to editors

Island Gas Resources

Founded in 2003, IGas' subsidiary, Island Gas Limited, was set up to produce and market the methane gas which is found in seams of coal. The coal seam both generates and traps the gas, which can be extracted by drilling horizontally into the seam and collected for use as fuel. Coal Bed Methane is exactly the same as other forms of natural gas, and is used to provide both industrial and domestic power and has the potential to be an important new source of energy for the UK. The CBM industry in the UK is in its infancy, but with the continuing decline in natural gas from the North Sea, it is likely to become an increasingly attractive alternative potential source of gas. CBM has become a significant source of gas both in North America and Australia over a relatively short period of time during which both have seen an almost exponential growth in CBM production.

IGas currently has ownership interests of between 20 and 50 per cent in eight Petroleum and Exploration Development Licences (PEDLs) in the UK, wholly owns two methane drainage licences (MDLs) and has a 50 per cent interest in three offshore blocks under one seaward petroleum production licence (SPPL).

These licences cover a gross area of approximately 1,000 sq km. IGas' share of Gas Initially In Place (GIIP) is estimated to be in the order of 893 billion cubic feet (bcf) at a mid-case estimate, and could range between 395 bcf and 3,436 bcf respectively.

Coal Bed Methane

- CBM is the natural gas found in most coal deposits.
- It is used as a fuel in exactly the same way as conventional gas.
- Coal seams can hold large quantities of gas (six to seven times more than the equivalent volume of rock in a conventional gas reservoir).
- Gas is stored within the molecular structure of the coal, on the surface and in natural fractures (cleats). Typically water pressure keeps the gas trapped.
- When the water pressure is released, the gas flows through the fractures into a well bore where it can be collected.
- CBM is produced by drilling a well which contacts the coal seams. Once water is pumped out, the pressure is lowered and gas migrates through the coal, up the well bore to surface.