



6 August 2009

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

Increase in equity ownership through “farm up” in Swallowcroft area

The board of IGas, the leading coal bed methane (CBM) developer in the UK, is delighted to announce that the Company reached agreement on 5 August 2009 with its partner Nexen Exploration UK Limited to extend IGas’ equity ownership of its acreage in the Swallowcroft area in Staffordshire through a Farm Up. The increase in equity from 20 per cent to 35 per cent is in return for an operational investment of up to £2 million.

As a result, IGas’ gas initially in place (GIIP) has increased, with immediate effect, by around 339 billion cubic feet (bcf) or 55.6 million barrels of oil equivalent (boe). This represents an increase of around 16 per cent on the Company’s risk-weighted, net mid-case estimate for GIIP from 2,169 bcf as assessed by Equipoise Solutions and announced on 26 May 2009 to 2,508 bcf.

DeGolyer and MacNaughton has revised its Net Contingent Recoverable Resource estimates to account for the change in equity ownership, and the 2C resource has risen from 503 bcf to 571 bcf.

The £2 million investment will be targeted at enhancing and bringing forward operations in this acreage. Accordingly, the Company will now progress plans to commence drilling at Keele University Science Park (PEDL 56-1) before the end of the year.

Revised IGas’ Resources	Low Case	Mid Case	High Case
Revised Net risked GIIP (bcf) <i>(source: Equipoise Solutions)</i>	1,273	2,508	5,777
	1C	2C	3C
Revised Net Contingent Recoverable Resource (bcf)* <i>(source: DeGolyer and MacNaughton)</i>	398	571	821

*DeGolyer & McNaughton has prepared the Contingent Recoverable Resource estimates in accordance with the Petroleum Resources Management System (PRMS), an industry recognised standard. Contingent Recoverable Resources are discovered potentially recoverable quantities of hydrocarbons for which no development decisions can or have as yet been made. There is no certainty that it will be commercially viable to produce any portion of the contingent resources evaluated

Andrew Austin, IGas’ CEO said:

“We said when we announced our recent fund raising that we would use part of the proceeds to accelerate our activity and potentially increase IGas’

resource base. We have chosen to do this within our current acreage portfolio which underlines our confidence in the quality of our assets."

The Swallowcroft area includes licences PEDL 40-1, 56-1, 78-1, 115-1 and 115-2. The area extends from Newcastle-under-Lyme in the west across to Lichfield in the east within the county of Staffordshire. Wells were spudded in July 2008 at Willoughbridge (PEDL 78-1) and in October 2008 at Fradley (PEDL 115-2); both wells were designed to extend the Company's knowledge and fulfil licence obligations.

As part of a separate arrangement, IGas is also pleased to announce that it has acquired 100 per cent of PEDL 78-2, which lies to the south and west of the Company's existing Swallowcroft area. This has increased the Company's total acreage by around 100km² to 1,756km². IGas is now the 100 per cent owner and operator of this licence and intends to commission and publish an independent audit of GIIP on this acreage by the end of 2009.

Ends

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Notes to Editors:

Island Gas Resources plc ("IGas")

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

IGas has ownership interests of between 20 and 100 per cent in eleven PEDLs in the UK, wholly owns two methane drainage licences and has a 50 per cent interest in three offshore blocks under one Seaward Petroleum Production Licence. These licences cover a gross area of approximately 1,756 sq. km. The mid case GIIP is up 181 per cent from 893 at year end 2007 to 2,508 bcf (source Equipoise Solutions Ltd). Independent analysis by world leading reservoir engineers, DeGolyer and McNaughton, confirms Contingent Recoverable Resource of up to 821 bcf of gas (3C), equivalent to

around 135 million barrels of oil. The Contingent Recoverable Resource is derived from a statistical aggregation of contingent resource ranges calculated on an individual coal seam basis.

In May 2009 the Group announced it had been granted a further Field Development Programme approval by DECC for its plans for the commercial production of CBM gas from the Swallowcroft area.

The coal seam both generates and traps the gas, which can be extracted by drilling horizontally into the seam and collected for use as fuel. CBM is exactly the same as other forms of natural gas, and is used to provide both industrial and domestic power and has the potential to be an important new source of energy for the UK. The CBM industry in the UK is in its infancy, but with the continuing decline in natural gas reserves from the North Sea, it is likely to become an increasingly attractive alternative potential source of energy. CBM has become a significant source of gas both in North America and Australia over a relatively short period of time during which both have seen an almost exponential growth in CBM production.

For further information please visit www.igasplc.com.

Equipoise Solutions

Equipoise is a privately owned independent consulting company established in 1998 with offices in South London. The company specialises in petroleum geology and geophysics. The work has been supervised by Dr Adam Law, Director of Equipoise, a post graduate in Geology and a Fellow of the Geological Society of London. He has 15 years experience in the evaluation of oil and gas fields and acreage. Mr Donald Alastair Scott has reviewed and approved these estimates. Mr Scott is a Director of Equipoise, and has over 40 years experience in the evaluation of oil and gas acreage.

For further information on Equipoise Solutions, please visit www.equipoisesolutions.ltd.uk.

DeGolyer and MacNaughton

DeGolyer and MacNaughton performs a variety of services related to the upstream sector of the petroleum industry, including evaluation of the hydrocarbon potential of exploration areas, estimation and classification of reserves to be recovered from new discoveries, verification of hydrocarbon reserves, production forecasting, and appraisal of properties for prospective acquisition, divestiture, issuance of securities, or financing purposes. During seven decades, the firm has successfully performed studies on hundreds of thousands of petroleum properties in more than 100 countries and provides independent reserve auditing services to some of the world's largest oil & gas companies. For further information on DeGolyer and MacNaughton please visit www.demac.com.

The statistical aggregated net Contingent Recoverable Resource quantities are summarised below in terms of billions of standard cubic feet (bcf).

Net Contingent Recoverable Resources*	1C	2C	3C
Statistical Aggregate	398bcf	571bcf	821bcf

In addition, DeGolyer and MacNaughton has arithmetically summed the total net Contingent Recoverable Resources. The arithmetically summed net Contingent Recoverable Resource quantities are summarised below in terms of bcf:

Net Contingent Recoverable Resources*	1C	2C	3C
Arithmetically Summed	240bcf	492bcf	1049bcf

*A Contingent Resource is classified as quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. Further, there is, as of a given date, no certainty that it will be commercially viable to produce any portion of the contingent resources evaluated. Contingent Recoverable Resources are further divided into three status groups: marginal, sub-marginal, and undetermined. IGas' contingent resources all fall into the undetermined group. Undetermined is the status group where it is considered premature to clearly define the ultimate chance of commerciality.

Nexen Inc.

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

For further information on Nexen please visit www.nexeninc.com.

Qualified Person

Brent Cheshire, Executive Technical Director of IGas, and a qualified person as defined in the Guidance Note for Mining, Oil and Gas Companies, March 2006, of the London Stock Exchange, has reviewed and approved the technical information contained in this announcement. Mr Cheshire has more than 30 years experience.

Glossary

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

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