

26 January 2011

IGas Energy plc

Operational update

The board of IGas Energy is pleased to give this operational update following the acquisition of Star Energy and the continued CBM drilling programme.

Highlights

- Doe Green drilling in coal completed, indicative flow rates expected by end of March
- Significant shale resource encountered at Ince Marshes well
- Production 15% above independent expert's report since completion

Commenting on the update, Andrew Austin, CEO IGas Energy said "*We are pleased to announce that we have completed the coal drilling phase at Doe Green and that we have seen strong performance from the production assets following the completion of our acquisition of Star Energy. We are also very encouraged by the shale encountered at Ince Marshes as this exceeds what we expected and we look forward to the results of the interpretation of the logs and samples.*"

Doe Green

We have now completed drilling in coal at Doe Green and are currently drilling the sump at DG-4. Once this aspect of the drilling is finished, which is expected in the coming days, production completions will be run in both DG-3 and DG-4 and the wells will then be put on test. We expect to have indicative flow rates following de-watering before the end of March. We now have 1,000 feet of lined lateral in the Florida seams (DG 2), 1,500 feet of lined lateral in the London Delph seam (DG-3) and 1,000 feet of lined lateral in the Plodder seam (DG-4). The area was more faulted than anticipated, particularly in the deeper seams at DG4, which in this seam resulted in more time and complexity in achieving longer lateral lengths. However, we did experience higher levels of gas than we had encountered previously, due to the faulted nature of the seams.

Ince Marshes

We have completed drilling at Ince Marshes and have suspended the well as planned. We encountered a net coal thickness in total of around 36 feet in multiple seams. This was logged and cored and the logs are currently being interpreted. In addition we encountered a very significant shale section of at least 1,000 feet. At TD (target depth) we were still in the shale section. This shale is referred to locally as the Holywell Shale and is referred to as the Bowland Shale in the BGS (British Geographical Society) stratigraphy. Gas indications were observed across the interval. The shale section encountered was also logged, which helped to identify a number of potentially prospective zones, and these results together with rock samples are also now being analysed. Previous independent analysis suggested a GIIP of up to 4.6 tcf in this area.

Production

Production from our assets continues at an average rate of c2,700 boepd, since completion, comprising c2,600bpd of oil with the balance being gas. This is 15 per cent ahead of the forecasts contained in the competent persons report by Senergy in the recent admission document (available on the company's website www.igasplc.com). Approximately 1,500 bopd is currently hedged at \$93.4 per barrel with the balance achieving prices currently in excess of \$106 net per barrel.

Star Acquisition and future work programme

The acquisition and subsequent integration continues smoothly. We have formed a team to review the combined well stock of more than 215 wells at over 100 sites to consider the viability of wells that are currently shut in and any activity that can be undertaken to enhance production. The results of this analysis will be incorporated alongside the interpretation of the results from Doe Green and Ince Marshes in the enlarged group's work programme.

IGas Energy Plc will be holding a site visit for analysts and institutional investors tomorrow, Friday 27th January 2012. No new material information will be disclosed during this visit and the analyst presentation will be posted on the company's website at that time.

John Blaymires, Chief Operating Officer of IGas Energy Plc, 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. Blaymires has more than 27 years experience.

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