

# **Independent Oil and Gas plc**

Interim Report for the

Six Months ended

30 June 2013

# Independent Oil and Gas plc

## Report and unaudited financial statements for the six months ended 30 June 2013

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### Country of incorporation of parent company

United Kingdom

### Legal form

Public limited company with share capital

### Directors

Mehdi Varzi  
Marie-Louise Clayton  
Peter Young  
Mark Routh  
Michael Jordan

### Secretary and registered office

Ben Harber  
One America Square  
Crosswall  
London  
EC3N 2SG

### Company number

07434350

### Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

# Independent Oil and Gas plc

## Business review for the six months ended 30 June 2013

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The directors present the unaudited condensed consolidated financial statements of Independent Oil and Gas plc ("the Company") and its subsidiaries ("the Group") for the six months ended 30 June 2013. All amounts are shown in Pounds Sterling, unless otherwise stated.

### **Business activities**

During the first six months of 2013 management continued to pursue the appraisal and development of its Skipper and Blythe field interests and also completed a successful application for the Skipper West exploration licence.

### **Risks and uncertainties**

The Group operates in the oil and gas industry, an environment subject to a range of inherent risks and uncertainties. Being at an early stage the prime risks to which the Group is subject are the access to sufficient funding to continue its operations, the status and financing of its partners, changes in cost and reserves estimates for its assets, operational delays and failures, changes in forward commodity prices and the successful development of its oil and gas reserves.

### **Key performance indicators**

The Group's main business is the acquisition and exploitation of oil and gas acreage. Non-financial performance is tracked through the accumulation of licence interests and the successful discovery and exploitation of oil and gas reserves.

### **Future developments**

Once sufficient new finance has been obtained the Group plans to appraise and develop its existing discoveries in conjunction with its partners, explore its new licence interests and seek new investment opportunities.

In this context the Company announced on 16 September 2013 its intention to seek admission to the Alternative Investment Market ("AIM") of the London Stock Exchange with associated new funding.

Mark Routh

**CEO**

23 September 2013

# Independent Oil and Gas plc

## Independent review report to the members of Independent Oil and Gas plc

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### Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated cash flow statement and the related notes.

### Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

*[Signature of BDO LLP]*

BDO LLP

Chartered Accountants and Registered Auditors

London

United Kingdom

23 September 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Independent Oil and Gas plc

## Condensed consolidated statement of comprehensive income for the six months ended 30 June 2013

	Note	2013 6 months £	2012 12 months £
Other administrative expenses		70,026	391,587
Exchange loss/(gain)		77,430	(45,026)
		<hr/>	<hr/>
Operating loss		<b>147,456</b>	<b>346,561</b>
Finance expense	3	86,999	99,858
		<hr/>	<hr/>
Loss before tax		<b>234,455</b>	<b>446,419</b>
Taxation	4	-	-
		<hr/>	<hr/>
<b>Loss from continuing operations</b>		<b>234,455</b>	<b>446,419</b>
		<hr/>	<hr/>
<b>Total comprehensive loss</b>		<b>234,455</b>	<b>446,419</b>
		<hr/>	<hr/>
<b>Loss per ordinary share attributable to equity holders of parent</b>	5	<b>0.5p</b>	<b>0.9p</b>
		<hr/>	<hr/>

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior periods are included in the income statement.

# Independent Oil and Gas plc

## Condensed consolidated statement of changes in equity for the six months ended 30 June 2013

Group	Share capital £	Share premium £	Convertible debt option reserve £	Retained Profit/(deficit) £	Total equity £
At 31 December 2011	471,768	12,992,373	-	(172,633)	13,291,508
Share capital issued	1,389	86,107	-	-	87,496
Issue of convertible loan notes	-	-	122,412	-	122,412
Loss for the year	-	-	-	(446,419)	(446,419)
<b>At 31 December 2012</b>	<b>473,157</b>	<b>13,078,480</b>	<b>122,412</b>	<b>(619,052)</b>	<b>13,054,997</b>
Share capital issued	-	-	-	-	-
Issue of convertible loan notes	-	-	11,073	-	11,073
Loss for the period	-	-	-	(234,455)	(234,455)
<b>At 30 June 2013</b>	<b>473,157</b>	<b>13,078,480</b>	<b>133,485</b>	<b>(853,507)</b>	<b>12,831,615</b>

### Share capital

Amounts subscribed for share capital at nominal value.

### Share premium account

Amounts received by the Company on the issue of its shares in excess of the nominal value of the shares.

### Convertible debt option reserve

Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital).

### Retained deficit

Cumulative net gains and losses recognised in the Statement of Comprehensive Income net of amounts recognised directly in equity.

# Independent Oil and Gas plc

## Condensed consolidated statement of financial position at 30 June 2013

	Note	2013 30 June £	2012 31 December £
<b>Non-current assets</b>			
Oil and gas costs pending determination	6	15,195,979	15,171,428
<b>Current assets</b>			
Other receivables	7	25,657	30,206
Cash and cash equivalents		10,549	22,703
		36,206	52,909
<b>Total assets</b>		<b>15,232,185</b>	<b>15,224,337</b>
<b>Current liabilities</b>			
Loan notes	8	(496,065)	(396,353)
Trade and other payables	8	(347,108)	(311,733)
	8	(843,173)	(708,086)
<b>Non-current liabilities</b>			
Trade and other payables	9	(1,557,397)	(1,461,254)
<b>Total liabilities</b>		<b>(2,400,570)</b>	<b>(2,169,340)</b>
<b>Net assets</b>		<b>12,831,615</b>	<b>13,054,997</b>
<b>Capital and reserves</b>			
Called up equity share capital	10	473,157	473,157
Share premium account	10	13,078,480	13,078,480
Convertible debt option reserve	8	133,485	122,412
Retained deficit		(853,507)	(619,052)
		<b>12,831,615</b>	<b>13,054,997</b>

The financial statements were approved and authorised for issue by the Board of Directors on 23 September 2013 and were signed on its behalf by:

Peter Young  
Director

# Independent Oil and Gas plc

## Condensed consolidated cash flow statement for the six months ended 30 June 2013

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	Note	2013 6 months	2012 12 months
<b>Cash flows from operating activities</b>			
Cash used in operations	11	(37,490)	(198,935)
		<hr/>	<hr/>
Net cash used in operating activities		<b>(37,490)</b>	<b>(198,935)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible non-current assets		(17,164)	(428,648)
		<hr/>	<hr/>
Cash used in investing activities		<b>(17,164)</b>	<b>(428,648)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		-	87,496
Proceeds from issue of loan notes		42,500	444,743
		<hr/>	<hr/>
<b>Net cash generated from financing activities</b>		<b>42,500</b>	<b>532,239</b>
Decrease in cash and cash equivalents in the period		(12,154)	(95,344)
Cash and cash equivalents at start of period		22,703	118,047
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>		<b>10,549</b>	<b>22,703</b>
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# Independent Oil and Gas plc

## Notes forming part of the financial statements for the six months ended 30 June 2013

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### 1 Accounting policies

#### *General Information*

Independent Oil and Gas plc is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements for the six months ended 30 June 2013 include the accounts of the Company and its wholly-owned subsidiaries IOG (North Sea) Limited (formerly IOG (Blythe) Limited) and IOG (Skipper) Limited, together referred to as the 'Group'.

#### *Statement of significant accounting policies*

These condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union. These financial statements do not include all disclosures required in a complete set of annual financial statements and therefore should be read in conjunction with the Group's financial statements for the year ended 31 December 2012.

As no financial statements were prepared for the six month period ended 30 June 2012, comparative information provided in this report has been extracted from the 2012 financial statements and consequently 2012 comparative information in the Consolidated Statement of Financial Position and in the Consolidated Cash Flow Statement as well as the associated notes is for the full year 2012.

The accounting policies used in the preparation of the 2013 condensed consolidated financial statements for the six months to 30 June 2013 are consistent with those used in the preparation of the Group's audited financial statements for the year ended 31 December 2012 which have been filed with the Registrar of Companies. The IASB has issued a number of IFRS and IFRIC amendments or interpretations since the last annual report was published. It is not expected that any of these will have a material impact on the Group.

The annual financial statements are prepared in accordance with IFRSs as adopted by the European Union. The Independent Auditors' Report included in the statutory Annual Report for 2012 was unqualified; did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006, and did not include reference to any matters to which the auditor drew attention by way of emphasis.

#### *Going concern*

The directors have been considering a number of options in order to raise additional finance to fund the Group's ongoing oil and gas appraisal and development activities. In this context the Company announced on 16 September 2013 its intention to seek admission to the Alternative Investment Market ("AIM") of the London Stock Exchange with associated new funding.

As a result, the directors consider that the Group has adequate working capital for at least the next twelve months. Accordingly, the directors continue to adopt the going concern basis in preparing the interim report and accounts.

# Independent Oil and Gas plc

Notes forming part of the financial statements  
for the six months ended 30 June 2013 (*continued*)

## 2 Segmental information

The Group complies with IFRS 8, Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the directors to allocate resources to the segments and to assess their performance. In the opinion of the directors, the operations of the Group comprise one class of business, being the exploration and development of oil and gas opportunities in the North Sea.

## 3 Finance expense

	2013 £	2012 £
Loan interest	68,284	74,022
Other Interest	18,715	25,836
	<u>86,999</u>	<u>99,858</u>

## 4 Taxation

### a) Current taxation

There was no tax charge during the year since the Group had no income. Expenditures to date will be accumulated for offset against future tax charges. The average standard rate applicable to 2012 was 24.5% and to the first six months of 2013 was 23.5%.

### b) Deferred taxation

Due to the nature of the Group's exploration activities there is a long lead time in either developing or otherwise realising exploration assets. A deferred tax asset will only be created if there is reasonable certainty that profits will be earned in the foreseeable future.

## 5 Loss per share

The calculation of earnings per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

	2013 £	2012 £
Loss for the period	(234,455)	(446,419)
Weighted average number of share	47,323,417	47,290,405
<b>Loss per share basic and diluted</b>	<u><b>(0.5)p</b></u>	<u><b>(0.9)p</b></u>

# Independent Oil and Gas plc

Notes forming part of the financial statements  
For the six months ended 30 June 2013 (*continued*)

## 6 Non-current assets

### Oil and gas costs pending determination - Group

	2013 £	2012 £
<i>At cost</i>		
At beginning of the period	15,171,428	14,556,759
Acquisitions	-	229,588
Additions	24,551	385,081
	<hr/>	<hr/>
At end of the period	15,195,979	15,171,428
	<hr/>	<hr/>
Write-downs at the beginning and end of the period	-	-
	<hr/>	<hr/>
<i>Net book value</i>		
At 30 June/31 December	<b>15,195,979</b>	<b>15,171,428</b>
	<hr/> <hr/>	<hr/> <hr/>
At 1 January	<b>15,171,428</b>	<b>14,556,759</b>
	<hr/> <hr/>	<hr/> <hr/>

On 1 April 2012 long term creditors assumed under the terms of the acquisition of interest in the Blythe and Skipper fields increased by £229,588 (US\$370,861) in accordance with the relevant agreement as that creditor had not been repaid by 31 March 2012.

In August 2012 ATP Oil & Gas Corporation, the US parent of the Company's operating partner for its oil and gas assets, ATP Oil & Gas (UK) Ltd, filed for protection from its creditors under Chapter 11 of the US Bankruptcy Code. Bids have been requested for ATP's assets and the directors understand that negotiations with preferred bidders have commenced with expected completion in the near future. Once a sale has been completed and a new operator appointed, the management expect the operator to propose appraisal and development plans for the fields. Pending completion of this process the Blythe and Skipper licences have been extended to 31 December 2013. Management expects the licences to be further extended by the Department of Energy and Climate Change once a new operator has been installed.

## 7 Other receivables

	2013 £	2012 £
<b>Group</b>		
Value added tax recoverable	<b>25,657</b>	<b>30,206</b>
	<hr/> <hr/>	<hr/> <hr/>

# Independent Oil and Gas plc

## Notes forming part of the financial statements for the six months ended 30 June 2013 (*continued*)

### 8 Current liabilities

	2013 £	2012 £
<b>Group</b>		
Loan notes	496,065	396,353
Trade payables	160,896	186,889
Amounts due to joint venture partners	42,227	22,171
Accruals	143,985	102,673
	<u>843,173</u>	<u>708,086</u>

During the first six months of 2013 the Company raised additional finance totalling £42,500 (2012-£444,743) through the issue of loan notes. Interest accrues on the loan notes at a rate of 7.5% per annum and totalled £17,528 for the first six months of 2013 (2012 - £19,958) bringing total interest to £37,486 at 30 June 2013. In the event of an AIM admission or Initial Public Offering of the Company, the loan notes plus accrued interest will convert into ordinary shares of the Company at a price equivalent to 80% of the offering price. Otherwise the loan notes will be redeemed on 30 September 2013. In view of the right to conversion into equity of the loan notes, a fair value of £133,485 (2012 - £122,412) has been ascribed to the equity component and is reflected in the convertible debt option reserve within capital and reserves. There has been an additional interest charge of £50,756 (2012 - £54,064) to reflect the effective interest rate of the loan notes.

### 9 Non-current liabilities

	2013 £	2012 £
<b>Group</b>		
Trade creditors	<u>1,557,397</u>	<u>1,461,254</u>

These trade creditors were assumed by the Group in conjunction with acquisition of licence interests in 2011. Of the Group total, £1,174,123 is due no later than 31 March 2015 whilst the balance is not due until after sustained production is achieved from the Skipper field.

# Independent Oil and Gas plc

Notes forming part of the financial statements  
for the six months ended 30 June 2013 (*continued*)

## 10 Equity share capital

	Number	Share capital £	Share premium £	Total £
<i>Allotted, issued and fully paid</i>				
At 1 January 2012				
- Ordinary shares of 1 pence each	47,184,705	471,768	12,992,373	13,464,141
Equity issued	138,712	1,389	86,107	87,496
<hr/>				
At 31 December 2012				
- Ordinary shares of 1 pence each	<b>47,323,417</b>	<b>473,157</b>	<b>13,078,480</b>	<b>13,551,637</b>
<hr/>				
Equity issued	-	-	-	-
<hr/>				
At 30 June 2013				
- Ordinary shares of 1 pence each	<b>47,323,417</b>	<b>473,157</b>	<b>13,078,480</b>	<b>13,551,637</b>
<hr/>				

## 11 Cash flow statement

	2013 £	2012 £
Loss after tax	234,455	446,419
<i>Adjustments for:</i>		
Capitalisation	-	12,432
Interest on loan notes	(68,284)	(74,022)
Interest on long-term payable	(18,714)	(25,836)
Foreign exchange	(77,429)	45,024
(Decrease)/increase in trade and other receivables	(4,549)	2,091
Increase in trade and other payables	(27,989)	(207,173)
	<hr/>	<hr/>
<b>Cash used in operations</b>	<b>37,490</b>	<b>198,935</b>
	<hr/>	<hr/>

# Independent Oil and Gas plc

## Notes forming part of the financial statements for the six months ended 30 June 2013 (*continued*)

### 12 Capital commitments

The Group has authorised and committed to capital expenditure in the current period as part of the exploration and development work programme for the licences in which it participates:

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Authorised but not contracted	70,000	64,000
Contracts	132,500	132,000
	<u>202,500</u>	<u>196,000</u>

All capital commitments derive from the Group's participation in its joint venture operations and entities. Pending resolution of the financial position of the operator of both exploration licences, ATP (UK) Limited, current commitments are limited to licence fees and general work.

### 13 Related party transactions

Key management and personnel remuneration for the period was £13,770 (2012: £20,910).

Acura Oil & Gas Limited, of which Michael Jordan is a director, acquired 37,200 shares during 2012 for £23,473 bringing its total holding to 8,862,779 shares being 18.8% of the total issued share capital with no further additions during 2013 to-date. Acura also subscribed for £30,000 of loan notes during the first six months of 2013 (2012: £Nil).

Mark Routh acquired 37,768 shares during 2012 for £23,818 bringing his total holding to 2,285,516 shares being 4.8% of the total issued share capital with no further additions during 2013 to-date. He also subscribed for £200,000 in loan notes in 2012 upon which £21,123 of interest was outstanding at 30 June 2013. Subsequent to the period end, Mark Routh subscribed for a further £40,000 of loan notes.

Peter Young received £13,770 for consultancy services during the period (2012: £20,910), of which £Nil was outstanding at 30 June 2013 (2012: £4,335), and also subscribed for 8,000 shares in 2012 for £5,048 bringing his total holding to 6,548,281 being 13.9% of the total issued share capital with no further additions during 2013 to-date. In addition his wife, Fiona Young, held 6,600,436 shares (2012: 6,600,436) being 13.9% of the total issued share capital.

Marie Louise Clayton held 2,419,518 shares (2012: 2,419,518) directly plus a further 40,655 shares acquired in 2012 through Clayton Consulting Partners, of which she is a director, being 5.1% and 0.1% of the total issued share capital respectively with no further additions during 2013 to-date.

Thomas Hardy acquired 5,020 shares during 2012 bringing his total to 303,787 shares being 0.6% of the total issued share capital with no further additions during 2013 to-date.

### 14 Subsequent events

Since 30 June 2013 the Company has raised additional finance totalling £129,892 through the issue of additional loan notes. Interest accrues on the loan notes at a rate of 7.5% per annum. In the event of an admission to AIM or Initial Public Offering of the Company the loan notes plus accrued interest will convert into ordinary shares of the Company at a price equivalent to 80% of the offering price. Otherwise the loan notes will be redeemed on 30 September 2013.