Independent Oil and Gas plc

Interim report
for the six months ended 30 June 2016

The Directors present their interim report of operations and unaudited consolidated financial statements of Independent Oil and Gas plc ("the Company") and its subsidiaries ("the Group") for the six months ended 30 June 2016. All amounts are shown in Pounds Sterling, unless otherwise stated.

This interim financial report is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the interim report which has not been reviewed by the Company's auditors. In addition to the results for the first six months of 2016 ("1H 2016") comparative information is provided for the six months ended 30 June 2015 ("1H 2015") and the year ended 31 December 2015 ("FY 2015").

As disclosed in note 1**,** the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs). 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.

Chief Executive's Review

In the first half of 2016 we continued to expand and progress our portfolio, with important acquisitions signed in the Southern North Sea ("SNS") giving us the platform to develop two gas hubs in the SNS with combined 2C resources of almost 400 BCF. During the period considerable work was also dedicated to preparing to drill the appraisal well on the Skipper discovery, now operated and owned 100% by the Company and shortly after the period end the well was successfully drilled. This is an important milestone for IOG as the Company's first 100% owned and operated well, successfully undertaken amid challenging industry conditions. This achievement is testament to the IOG team's ability to collaborate with financial partners, industry contractors, service providers and regulators in the midst of the industry downturn.

In February 2016 we agreed a £10 million convertible three-year loan with London Oil and Gas Limited ("LOG") which was subsequently completed in March. This was in addition to the previously announced funding facilities from GE Oil & Gas Ltd ("GE") of £2m to part fund the Skipper well and from LOG of £2.75m and £800k. In combination this brought the total funding available to £15.55 million, providing an excellent platform to consolidate and expand the business. The £10 million LOG loan is secured against IOG's assets and is fully convertible at LOG's election into ordinary shares in IOG at 8p.

Of the £10 million LOG loan, £3 million is specifically designated to covering corporate general and administrative expenses ("G&A") over the term, which ensures IOG has working capital and financial security up to 2018. The remaining £7 million is earmarked for portfolio development, whether organically or through suitable M&A activity, subject to specific approval to drawdown from LOG. As detailed below, soon after closing the funding we were able to deploy some of these funds towards value-accretive transactions focused on the Southern North Sea. The Company continues to evaluate other appropriate acquisition opportunities as they arise.

IOG was very pleased to appoint Martin Ruscoe as a Director of the Company and board representative of LOG. Martin has vast experience in broking and investment, with over 200 institutional fund-raisings to his name, making him an excellent addition to the team. Under the terms of the £10 million loan, LOG retains the right to appoint one further representative to the IOG board.

Subsequent to the reporting period, IOG was also delighted to make two further important additions to the board, with David Peattie coming in as Independent Non-Executive Chairman and Andrew Hay as Senior Independent Non-Executive Director. A petroleum engineer by background, David is a very experienced oil and gas executive, having worked for BP for 33 years including in a number of important technical, commercial and senior management positions. He was subsequently CEO of Fairfield Energy. Andrew is a managing director in Edmond de Rothschild Securities (UK) Limited's corporate finance group, which he ran for 15 years, specialising in M&A and capital raising. Andrew is also the Senior Independent Non-Executive Director of Aminex plc, the East Africa focussed oil and gas company with a full listing on the London Stock Exchange. He previously held senior positions at Schroders and ING Barings. Doug Fenwick also joined the management team as Technical Director having worked with us on several projects over the last few years. Doug was formerly the CEO of MPX Energy Ltd and is a qualified Petroleum Geologist with over 35 years' industry experience. He is currently chair of audit for The Geological Society. These are all superb additions to the IOG team which will further strengthen our capabilities as we scale up for the various development projects in our portfolio.

Also subsequent to the reporting period Mike Jordan resigned from the board and leaves with IOG's thanks for his contribution and best wishes for the future.

Concluding the funding arrangements with LOG and GE has put IOG in a position not only to survive the ongoing industry downturn but to capture some of the opportunities that it has created. During the period, IOG was able to sign two very important acquisitions, namely Blythe and the Vulcan Satellites, the former of which also completed during the period and the latter is due to complete in the near future.

In April 2016, IOG signed an SPA to acquire the other 50% of the licence which contains the Blythe gas discovery in the Southern North Sea, via our subsidiary IOG North Sea Limited. The transaction completed in June 2016. The consideration was £1.5 million at completion with a further US$5 million to be paid upon first gas. This was an important transaction for a number of reasons. Firstly, it doubled IOG's independently verified 2P reserves to 34.3 BCF or 6.1 MMBoe at an attractive price of $2.31/Boe. Secondly, IOG became Operator of the Blythe licence, which requires no further appraisal and is ready for development. Thirdly, this put IOG in control of the Blythe hub for the first time, as – subject to completion of the Cronx acquisition – we now own 100% of this licence and adjacent ones holding other discoveries and prospects which could be co-developed with Blythe, such as Cronx, Elgood, Harvey, Truman, Hambleton, Tetley and Rebellion. Control over the Blythe area enables IOG to move forward with a development plan to bring this dormant discovery into production. Finally, it opens up the possibility of further evaluation of the discovered gas in the Carboniferous beneath Blythe and the oil in the Zechstein fractured carbonates above the main Blythe reservoir. IOG has long viewed Blythe as the centrepiece of the first development in our hub strategy and this transaction is a key step to realising that ambition.

In June 2016, IOG signed a SPA with Verus Petroleum to acquire its subsidiary Oyster Petroleum Limited, which on completion will hold the three Vulcan Satellites fields. The consideration is £5 million in total, spread over several milestones up to first gas from the fields, with only £1 million to be paid at completion. The Vulcan Satellites are independently estimated to hold 320.7 BCF 2C recoverable resources collectively between them and like Blythe they are ready for development with no further appraisal required.

This is another very significant transaction for IOG. Upon completion, this will substantially increase the Company's 2C recoverable resources, potentially to more than 100 MMBoe. Just as importantly, the Vulcan Satellites will represent a second Southern North Sea gas hub, only 30-45km east of the Blythe gas hub. Our development plans aim to realise considerable synergies between the two hubs, thereby improving the overall economics considerably. We are in advanced discussions about an export route for these gas hubs and work has already commenced on the Field Development Plans.

The entry price for the Vulcan Satellites is very low at only $0.22/Boe and furthermore, Oyster Petroleum Limited holds approximately $25.6m in UK pre-trading expenditure which can reduce the future amount of tax payable. Overall, the transaction is a very good fit, giving IOG control over a larger portfolio of dormant discoveries in the Southern North Sea all of which have the potential to be developed through common existing infrastructure. Upon completion, IOG will have approximately two thirds gas and one third oil in its resources and reserves, leaving us a well-balanced and diversified operator with sufficient scale to become a significant development and production company.

IOG is targeting to convert its 102 MMBoe combined 2P reserves and 2C resources from its existing portfolio of assets and acquisitions into 2P reserves and within five years reaching a production target of 50,000 barrels of oil equivalent per day ("Boepd") from a combination of the two SNS hub developments and Skipper.

The ongoing slump in oil prices and particularly tough conditions in the North Sea market mean that companies like IOG need to show real tenacity, flexibility and creativity in order to succeed. I believe we continue to demonstrate all these qualities to a great extent. As a small, focussed team we have already shown our ability to make limited resources stretch a long way and there is still much more that we can do in this regard. The commercial structures that IOG put together for the Skipper appraisal well are a useful example of collaborative project planning in the current climate, creating a positive outcome for all parties. Considerable time and effort was spent in the first half of this year putting the appropriate arrangements in place with the drilling contractor, oilfield service companies, our well management company and numerous other well service and equipment providers, in order to make the Skipper well happen and ensure a successful outcome. These counterparties are all expected to be involved in any subsequent development of the Skipper field. Thanks to these efforts, the cost of the well was to a large extent deferred until the end of 2017. In addition to deferrals, we also secured a loan from GE, one of the key suppliers which covered a significant portion of the well budget. This contractor-led approach on Skipper points to a new phase of industry collaboration in the North Sea, which is very encouraging not only for the Skipper but also for IOG's Southern North Sea gas hubs. Capital efficiency, innovative structuring and collaborative risk sharing will continue to be key themes.

Although the industry environment is likely to remain challenging, we continue to believe that there is a viable future for the North Sea when assets are in the right hands and managed appropriately with a reduced cost base. Over the first half of 2016 we have begun to see industry cost structures finally re-adjusting to the 'lower for longer' oil price reality in which we have operated since 2014. At the same time, we have a regulator in the OGA who is empowered not merely to regulate, but actively to promote greater efficiency and collaboration and to help operators like IOG to achieve the UK target of Maximising Economic Recovery from the North Sea. The North Sea M&A market is active and where smart solutions can be found for tricky issues like decommissioning liabilities, mutually beneficial deals can be done. It remains one of IOG's strategic priorities to find suitable production acquisitions that would make us a producer as well as a developer and provide a healthy cash flow. Alongside this we continue to work extremely hard on progressing our development projects. In the next phase we will be working on three distinct North Sea developments, which promises to be a very exciting time for the Company. It has been pleasing to watch the share price recover from its lows around the turn of the year and regain to be well above those levels at the time of writing and we are optimistic that we can add significant additional value. We thank our shareholders for their continued support and look forward to providing further news flow over the remainder of the year.

Operational Review

Skipper

The Skipper oil discovery is in Block 9/21a in the Northern North Sea in licence P1609. During July-August 2016, IOG drilled the planned appraisal well on Skipper with the primary objective of obtaining reservoir quality oil samples in order to ascertain the properties of the Skipper oil in order to design the optimum field development plan. Skipper has independently verified gross 2C resources of 26.2 MMBbls.

Although the oil is moving in the reservoir, the first sample results indicate that the oil is approximately 11° API and has a significantly higher viscosity than expected. These measurements do not align with our observations and therefore the remaining samples need to be reviewed and tested. Next steps will then be reservoir modelling to consider potential development options. Determining commerciality may therefore take several months. The quality of the sands, although not cored, suggest permeabilities in excess of 10 Darcies, significantly better than previously assumed. As the crest of the Skipper reservoir in the appraisal well was found to be 44ft shallower than prognosed, management's estimate of the most likely oil in place has increased from 136.5 MMBbls to 142.6 MMBbls.

Blythe

As detailed above, IOG now owns 100% of the Blythe licence P1736, having acquired the other 50% and Operatorship from Alpha Petroleum Resources Limited during the period. Taking over the Operatorship has enabled IOG to control the development process for Blythe and a number of work-streams are now running in parallel, including preparation of the FDP, negotiations around an offtake solution and discussions with infrastructure and service providers for the development. The Company aims to submit the FDP by the end of 2016 and first gas is targeted in mid-2018. The plan remains to develop Blythe through a single horizontal tri-lateral well.

Blythe needs no further appraisal and has independently verified gross 2P reserves of 34.3 BCF (6.1 MMBoe) which is 17.2 BCF (3.0 MMBoe) net to IOG.

IOG has undertaken a Blythe Hub 3D seismic reprocessing project over a 250km2 data set acquired from Schlumberger Western-Geco covering the Blythe Hub licence areas. Re-interpretation and re-mapping is underway with initial results of the Leman horizon mapping giving improved structural definition than pervious data sets. The plan is to map the Rotliegendes Leman formation, the oil-bearing Hauptdolomit above and the gas-bearing Carboniferous below the main discoveries across the entire Blythe hub acreage. This will not only allow for the optimisation of the well locations for the development wells planned in the Rotliegendes discoveries, but will also give IOG the best view it has had to date of the hydrocarbon bearing structures both above and beneath the main Blythe field. In particular, the opportunity to fracture-stimulate the Carboniferous discovery beneath Blythe, should now be able to be assessed. The Blythe Hub seismic re-mapping project should be completed by October 2016.

Blythe East Area - Truman Prospect and Harvey Discovery

A licence award over blocks 48/23a and 48/24b was announced in December 2013 in the 27th Licencing Round and signed in February 2014. IOG has committed to make a drill or drop decision on this licence by December 2016. IOG has identified two potential structures in the area in the Rotliegend Sandstone, one of which (Harvey) has confirmed gas shows when drilled by Arco in 1984. The Blythe Hub seismic re-mapping project will give IOG more clarity on the commerciality of Truman and Harvey.

Cronx

The Company announced on 5 March 2014 that it had agreed to acquire a 100% working interest in the Cronx licence (Block 48/22a, licence P1737) from Swift Exploration. The Cronx gas discovery is 14km north-west of the Blythe field. An initial consideration of £100,000 was paid in 2014 and another £100,947 in March 2016 with the balance of £289,000 to be paid upon completion with production milestone payments to be paid to Swift as previously detailed.

Agreement has been reached to extend the Cronx SPA by one month to the end of October 2016. Completion of the acquisition is subject to OGA approval.

Cronx was discovered in 2007 by well 48/22b-6 drilled by Perenco UK Ltd. Cronx is most likely to be developed in conjunction with the Elgood discovery as part of the Blythe hub, with export being via Blythe.

The Blythe Hub seismic re-mapping project has given IOG more clarity on the commerciality of Cronx.

Elgood

The Elgood Field was discovered in 1991 by well 48/22-4, drilled by Enterprise Oil. It is a good quality Rotliegend Leman sandstone reservoir that tested gas at rates in excess of 17 MMscfd. Gas was also tested from the Hauptdolomit interval 700 feet above the Leman interval but at low rates without stimulation.
IOG estimates that the gas in place at Elgood is 7 BCF (minimum), 19 BCF (Most Likely), 30 BCF (maximum), with recoverable gas resources of 5 BCF (minimum), 15 BCF (Most Likely) and 24 BCF (maximum). Elgood would be developed as part of the Blythe gas hub alongside Cronx.

Tetley & Rebellion Prospects

IOG estimates that the gas in place at Tetley & Rebellion prospects on licence P2260 is 10 BCF (minimum), 26 BCF (Most Likely), 69 BCF (maximum), with recoverable gas resources of 7 BCF (minimum), 20 BCF (Most Likely) and 44 BCF (maximum). Tetley also has a small oil resource with estimated OIIP of 1MMBbl (minimum), 5 MMBbls (Most Likely) and 14 MMBbls (maximum). The Blythe Hub seismic re-mapping project will give IOG more clarity on the commerciality of Tetley & Rebellion.

Hambleton Discovery

Block 48/22c, previously awarded 100% to IOG in November 2014 in the 28th UK offshore licensing round, was extended by 42km² in 2015 to include the Hambleton discovery. Hambleton was discovered in 2005 by well 48/22c-5, drilled by Century Exploration. It is a good quality Rotliegend Leman sandstone reservoir that was not progressed to development due to its size and the prevailing gas prices at the time.
IOG estimates that the gas in place at Hambleton is 3 BCF (minimum), 8 BCF (Most Likely), 33 BCF (maximum), with recoverable gas resources of 2 BCF (minimum), 6 BCF (Most Likely) and 26 BCF (maximum). The Blythe Hub seismic re-mapping project will give IOG more clarity on the commerciality of Hambleton.

Financial Review

The post-tax loss for the first six months of 2016 was £1.06 million, compared to a loss of £0.20 million for the first six months of 2015 and a profit of £5.32 million for full year 2015.

The current period loss includes charges of £0.34 million for other administrative expenses (1H 2015 – £0.18 million), exploration costs of £0.17 million (1H 2015 - £0.01 million), share-based payments of £0.27 million (1H 2015 – £0.20 million) and an exchange loss of £0.16 million (1H 2015 - £0.02 million gain) plus finance expenses of £0.12 million (1H 2015 - £0.17 million gain).

Increases in other administrative expenses and exploration costs reflect higher levels of corporate and asset activity. Share-based payments relate to the fair value of issued share options spread over their vesting periods. Full year 2015 results included a £6.17 million reversal of provisions for impairment of oil and gas properties made in 2014. An exchange loss of £0.16 million for the current period compared to a gain of £0.02 million for the equivalent period of 2015, reflecting fluctuations in exchange rates for US$ denominated creditors. Finance expenses include £0.05 million (1H 2015 - £nil) of loan charges calculated on an effective interest rate basis plus £0.05 million (1H 2015 - £0.04 million) of other interest. The equivalent period of 2015 included a gain of £0.25 million reflecting the realised value of shares sold under the funding facility with Darwin Strategic Limited ("Darwin") compared to their lower carrying value.

Oil and gas costs held as non-current assets of £17.01 million at 30 June 2016 (31 December 2015 - £14.82 million) represent charges incurred on the Group's Skipper and Blythe pre-development interests including a 1H cost of £1.50 million for the acquisition of an additional 50% of the Blythe licence and field. Current assets include an advance of £0.49 million (31 December 2015 - £nil) against the rig contract for the Skipper well and £1.25 million (31 December 2015 - £1.36 million) of prepaid costs for loan facilities that remained undrawn at mid-year. Current liabilities include an amount or £0.82 million due to Weatherford Technical Services (31 December 2015 - £1.46 million), the reduction reflecting a transfer to non-current liabilities after a partial deferral until 20 December 2017. Capital and reserves increased during the period from £13.48 million at 31 December 2015 to £14.19 million through the issue of 2,982,139 new ordinary shares in satisfaction of options exercised and 13,603,664 new ordinary shares in settlement of charges related to the Skipper well and corporate costs, partly offset by the loss for the period. In addition, a convertible debt reserve of £0.15 million was created reflecting the equity element of convertible debt drawings.

After adjustment for non-cash items, cash used in operations was £0.44 million (1H 2015 – £0.28 million). Investing activities comprised the purchase of intangible exploration assets of £0.42 million (1H 2015 - £0.35 million) plus £1.5 million for the Blythe acquisition (2015 - £nil). This was principally funded through borrowings of £2.37 million (1H 2015 - £0.12 million net repayment).

Funding and liquidity

As at 30 June 2016 the Group had cash resources of £107,000 plus undrawn loan facilities totalling £13.18 million. This funding is expected to be sufficient to meet existing obligations and to take the Company's Blythe gas field through to the submission of an FDP, at which point the Company intends to arrange finance for the full development project.

The Company has reached agreement that part of the costs of the Skipper appraisal well will be satisfied through the issue of ordinary shares and that other costs may be deferred until end 2017. This demonstrates that the Company has a capability to reach effective arrangements with contractors to minimise near term cash outflows. Management will continue to seek mutually beneficial arrangements of this type so as to manage its cash resources efficiently.

On this basis, management considers that the Company has sufficient financial resources to meet its obligations and contracted commitments over at least the next twelve months.

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. Further details can be found in the audited Financial Statements for the year ended 31 December 2015.

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.

Outlook

IOG has made great strides during the first half of the year and is now preparing to work on three different development projects, one in the Northern North Sea and two in the Southern North Sea. Despite a tough industry environment, there is significant value to be unlocked from each of these projects in the IOG portfolio by managing low cost developments. The Group is now significantly better funded than this time last year and this in turn will enable us to focus our efforts on planning the developments, building the right industry partnerships and securing the necessary development finance. The Company has also strengthened both the board and the management and technical team, and further additions are likely to be made as we enter a period of unprecedented activity. I am more confident than ever that we have the right people, assets and strategy to achieve our ambitions of becoming a successful mid-cap development and production company with more than 100 MMBoe in 2P reserves and 50,000 Boe production over the coming years.

Mark Routh
CEO

29 September 2016

Independent Oil and Gas plc

Consolidated statement of comprehensive income
for the six months ended 30 June 2016

	Note	Unaudited 1H 2016 £000	Unaudited 1H 2015 £000	Audited FY 2015 £000
Other administrative expenses		(340)	(184)	(512)
Reversal of impairment	6	-	-	6,169
Exploration costs written off		(167)	-	(10)
Share-based payments	11	(268)	(198)	(321)
Foreign exchange (loss)/gain		(163)	16	(65)
Total administrative and other (expenses)/gains		(938)	(366)	5,261
Operating (loss)/profit		**(938)**	**(366)**	**5,261**
Finance (expense)/income	3	(123)	168	61
(Loss)/profit for the period before tax		**(1,061)**	**(198)**	**5,322**
Taxation	4	-	-	-
Total comprehensive (loss)/profit for the period attributable to equity holders of the parent		**(1,061)**	**(198)**	**5,322**
(Loss)/profit for the period per ordinary share – basic	5	**(1.2)p**	**(0.29)p**	**7.4p**
(Loss)/profit for the period per ordinary share – diluted	5	**(1.2)p**	**(0.29)p**	**6.5p**

The loss for the period (2015: profit for the year) arose from continuing activities.

Independent Oil and Gas plc

Consolidated statement of changes in equity
for the six months ended 30 June 2016

Group	Share capital £000	Share premium £000	Share-based payment reserve £000	Convertible debt reserve £000	Retained deficit £000	Total equity £000
At 1 January 2015	692	17,163	1,754	-	(13,629)	5,980
Share capital issued	30	315	-	-	-	345
Issue of share options	-	-	321	-	-	321
Issue costs	-	(10)	-	-	-	(10)
Issue of warrants	-	-	1,272	-	-	1,272
Settlement of loan	65	181	-	-	-	246
Profit for the year	-	-	-	-	5,322	5,322
At 31 December 2015	**787**	**17,649**	**3,347**	**-**	**(8,307)**	**13,476**
Share capital issued						
- upon exercise of options						
- in satisfaction of creditors	136	1,097	-	-	-	1,233
- gain on subsequent sale	-	99	-	-	-	99
Convertible loan – equity element	-	-	-	146	-	146
Share options exercised	30	345	(345)	-	-	30
Issue of share options	-	-	234	-	-	234
Issue of warrants	-	-	35	-	-	35
Loss for the period	-	-	-	-	(1,061)	(1,061)
At 30 June 2016	**953**	**19,190**	**3,271**	**146**	**(9,368)**	**14,192**

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.

Share-based payment reserve
Amounts reflecting fair value of options and warrants issued.

Convertible debt reserve
Amounts reflecting the equity element of convertible debt instruments.

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

Consolidated statement of financial position
at 30 June 2016

	Note	Unaudited 30 June 2016 £000	Unaudited 30 June 2015 £000	Audited 31 December 2015 £000
Non-current assets				
Exploration and evaluation assets	6	**17,007**	**7,886**	**14,818**
Current assets				
Other receivables and prepayments		1,824	156	1,493
Derivative financial asset		-	181	-
Cash and cash equivalents		107	26	23
	7	**1,931**	**363**	**1,516**
Total assets		**18,938**	**8,249**	**16,334**
Current liabilities				
Loans		-	(358)	-
Trade and other payables		(1,504)	(158)	(2,565)
	8	**(1,504)**	**(516)**	**(2,565)**
Non-current liabilities				
Trade and other payables	9	**(1,133)**	**(1,608)**	**(293)**
Loans		**(2,109)**	**-**	**-**
Total liabilities		**(4,746)**	**(2,124)**	**(2,858)**
NET ASSETS		**14,192**	**6,125**	**13,476**
Capital and reserves				
Called-up equity share capital	10	953	698	787
Share premium account	10	19,190	17,302	17,649
Share-based payment reserve	11	3,271	1,952	3,347
Convertible debt reserve		146	-	-
Retained deficit		(9,368)	(13,827)	(8,307)
		14,192	**6,125**	**13,476**

The financial statements were approved and authorised for issue by the Board of Directors on 29 September 2016 and were signed on its behalf by:

Peter Young
Director

Independent Oil and Gas plc

Consolidated cash flow statement
for the six months ended 30 June 2016

	Unaudited 1H 2016 £000	Unaudited 1H 2015 £000	Audited FY 2015 £000
Cash flows from operating activities			
(Loss)/profit after tax	(1,061)	(198)	5,322
Adjustments for:			
Reversal of impairment of oil and gas properties	-	-	(6,169)
Finance cost of derivative asset	-	19	-
Interest on loans and creditors rolled up	95	38	123
Share-based payments	268	198	321
Foreign exchange	163	(16)	65
Creditors settled in shares	87	-	-
Gain on derivative financial assets	-	(254)	(204)
Decrease/(increase) in trade and other receivables	112	(10)	(136)
(Decrease)/increase in trade and other payables	(108)	(58)	187
Net cash used in operating activities	**(444)**	**(281)**	**(491)**
Cash flows from investing activities			
Purchase of intangible non-current assets	(420)	(350)	(494)
Acquisition of intangible non-current assets	(1,500)	-	-
Net cash used in investing activities	**(1,920)**	**(350)**	**(494)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares	30	-	345
Share issue costs	-	-	(10)
Share of gain from subsequent sale of shares	52	-	-
Loans drawn down/(repaid)	2,366	(121)	(237)
Amounts received from derivative financial instruments	-	380	512
Net cash generated from financing activities	**2,448**	**259**	**610**
Increase/(decrease) in cash and cash equivalents in the period	84	(372)	(375)
Cash and cash equivalents at start of period	23	398	398
Cash and cash equivalents at end of period	**107**	**26**	**23**

Significant non-cash transactions:
During the first six months of 2016, the Company issued 13,603,664 ordinary shares at an average price of 9.06 pence in satisfaction of various liabilities totalling £1,233,000.

1 Accounting policies

General Information

Independent Oil and Gas plc is a company domiciled in the United Kingdom. The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 include the accounts of the Company and its wholly-owned subsidiaries IOG North Sea 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 2015.

The principal accounting policies used in the preparation of the condensed consolidated financial statements for the six months to 30 June 2016 are consistent with those used in the preparation of the Group's audited financial statements for the year ended 31 December 2015 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, International Accounting Standards and Interpretations (collectively "IFRSs") and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS. The Independent Auditors' Report included in the statutory Annual Report for 2015 was unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The Report did however include reference to matters to which the auditor drew attention by way of emphasis regarding Going Concern.

Funding and liquidity

As at 30 June 2016 the Group had cash resources of £107,000 plus undrawn loan facilities totalling £13.18 million. This funding is expected to be sufficient to meet existing obligations and to take the Company's Blythe gas field through to the submission of a field development plan, at which point the Company intends to arrange finance for the full development project.

The Company has reached agreement that part of the costs of the Skipper appraisal well will be satisfied through the issue of ordinary shares and that other costs may be deferred until end 2017. This demonstrates that the Company has a capability to reach effective arrangements with contractors to minimise near term cash outflows. Management will continue to seek mutually beneficial arrangements of this type so as to manage its cash resources efficiently.

On this basis, management considers that the Group has sufficient financial resources to meet its obligations and contracted commitments over at least the next twelve months.

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 UK North Sea.

3 Finance expense/(gain)

	1H 2016 £000	1H 2015 £000	FY 2015 £000
Interest on creditors	49	38	123
Finance cost of derivative asset	-	19	-
Gain on derivative financial asset	-	(254)	(204)
Effective interest rate on loan facilities	46	-	-
Other finance expense	28	29	20
	123	**(168)**	**(61)**

4 Taxation

a) Current taxation

There was no tax charge during the period since the Group had no income. Expenditures to-date will be accumulated for offset against future tax charges. The average standard rate applicable to the first six months of 2016 was 20% and to the first six months of 2015 was 20.5%.

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 the value of 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)/profit 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.

	1H 2016 £000	1H 2015 £000	FY 2015 £000
(Loss)/gain for the period	(1,061)	(198)	5,322
Weighted average number of ordinary shares	88,210,213	69,264,601	71,510,947
Weighted average number of ordinary shares – diluted basis	n/a	n/a	81,608,317
(Loss)/profit per share – undiluted	**1.2 p**	**(0.29)p**	**7.4p**
(Loss)/profit per share – diluted	**1.2 p**	**(0.29)p**	**6.5p**

6 Non-current assets

Oil and gas costs pending determination	**30 June 2016 £000**	**30 June 2015 £000**	**31 December 2015 £000**
At cost:			
At beginning of the period	16,903	15,767	15,767
Acquisitions	1,500	-	-
Additions	689	373	1,136
At end of the period	19,092	16,140	16,903
Write-downs at beginning of the period	(2,085)	(8,254)	(8,254)
Impairment reversal	-	-	6,169
At end of period	(2,085)	(8,254)	(2,085)
Net book value:			
At 30 June/31 December	**17,007**	**7,886**	**14,818**
At 1 January	**14,818**	**7,513**	**7,513**

These costs principally comprise expenditures on the Group's Blythe and Skipper field interests plus some amounts on newly awarded licence interests. The Blythe and Skipper licences have been extended to 31 December 2016.

On 22 December 2015, the Company announced the completion of the acquisition of the other 50% interest in licence P1609 (Block 9/21a) containing the Skipper field from Alpha Petroleum Limited. The Company now owns 100% of the licence and field and has assumed operatorship. Under the terms of the agreement the Company will pay US$3 million upon approval of a Skipper field development plan and a further US$15 million shortly after field production has commenced. At year-end 2015 following a revised valuation, the total impairment of £6,169,000 previously provided against the field in 2014 was reversed and the gain was taken to the statement of comprehensive income.

On 19 April 2016, the Company signed an agreement to acquire the other 50% interest in licence P1736 (Blocks 48/22b and 48/23a) containing the Blythe gas discovery, from Alpha Petroleum Limited for an initial consideration of £1.5 million payable at completion with deferred consideration of a further US$5 million to be paid at first gas. On 21 June 2016, IOG announced the completion of this acquisition and consequently now owns 100% of the field and has assumed operatorship.

7 Current assets

	30 June 2016 £000	30 June 2015 £000	31 December 2015 £000
Share subscriptions due	4	145	-
Prepaid costs associated with undrawn loan facilities	1,253	-	1,354
Other receivables and prepayments	567	11	139
Derivative financial asset	-	181	-
Cash and cash equivalents	107	26	23
	1,931	**363**	**1,516**

Prepaid costs include £1,253,000 (31 Dec 2015 - £1,354,000) representing the fair value of warrants plus legal and other costs associated with arrangement of loan facilities that had not been drawn down at 30 June 2016. Upon draw-down, the amounts will be debited against the respective loan facilities and will be amortised over the life of each facility through the effective interest rate method. During 1H 2016, total costs increased by £54,000 and £157,000 were debited against the loan facilities.

Other receivables and prepayments include an advance payment of £496,000 due under the contract for the rig to drill the Skipper well in 3Q 2016. This was satisfied through the issue of 2,700,000 ordinary shares.

The derivative financial asset represented the carrying value of notes held in Darwin Strategic Limited which were fully redeemed during 2015.

8 Current liabilities

	30 June 2016 £000	30 June 2015 £000	31 December 2015 £000
Loans	-	358	-
Trade and other payables	1,201	62	2,307
Amounts due to joint venture partners	165	35	63
Accruals	138	61	195
	1,504	**516**	**2,565**

During the first half of 2016, Group trade and other payables denominated in US$ were increased by £163,000 (1H 2015 – reduction of £16,000) through changes to the £/US$ exchange rate.

Of the Group's total trade payables, £832,000 is due to Weatherford Technical Services Limited no later than 31 December 2016. A further £833,000 is due no later than 20 December 2017 which was recently extended from 20 September 2016 and consequently that amount has been transferred to non-current liabilities. However, if during the remainder of 2016, Brent closes above US$50 per barrel for 30 consecutive days, that amount will also become payable by 31 December 2016. Interest is charged on both current and non-current amounts at 9% p.a. and will increase to 12% effective 1 January 2017 for any amounts outstanding.

At 30 June 2015, loans totalling £358,000 were outstanding to Darwin Strategic Limited of which £112,000 was subsequently paid during 2H 2015 before the balance of £246,000 was converted into ordinary shares on 13 October 2015.

9 Non-current liabilities

	30 June 2016 £000	30 June 2015 £000	31 December 2015 £000
Trade and other payables	1,133	1,608	293
Loans	2,109	-	-
	3,242	**1,608**	**293**

Of the Group's non-current trade and other payables, £300,000 is not due until after sustained production is achieved from the Skipper field and is non-interest bearing. The balance of £833,000 is due by 20 December 2017 unless the conditions described in note 8 arise. Interest on that amount is charged at 9% during 2016 rising to 12% thereafter.

On 7 December 2015 new loan facilities were announced for £2.75 million and £2.0 million arranged with London Oil and Gas Limited and GE Oil and Gas Limited respectively. On 11 December 2015 a further loan was announced for £0.8 million arranged with London Oil and Gas Limited. Each facility remained undrawn as 31 December 2015. Warrants were issued to London Oil and Gas Limited and GE Oil and Gas Limited in respect of the above facilities and recorded at fair value. As the facilities were undrawn at year end 2015, the value of the warrants plus associated costs were treated as a prepayment at the year-end. On draw down the prepayment amounts are debited against the loan facility and amortised over the life of the facility through the effective interest rate calculation.

At 30 June 2016, £866,000 had been drawn against the £2.75 million facility and £1,500,000 had been drawn against the £10 million facility. Interest and other charges, calculated on an effective interest basis, of £46,000 had been added to total amounts outstanding. In addition, an equity element of £146,000 has been calculated and transferred to reserves. Costs of £157,000 associated with the drawn amounts have been transferred from prepayments and debited against these facilities.

10 Equity share capital

	Number	Share capital £000	Share premium £000	Total £000
Allotted, issued and fully paid				
At 1 January 2015				
- Ordinary shares of 1 penny each	69,247,764	692	17,163	17,855
Equity issued	609,500	6	139	145
Equity issued	210,174	2	48	50
Settlement of loan via issue of shares	6,507,399	65	181	246
Equity issued	2,142,858	22	128	150
Placing fees	-	-	(10)	(10)
At 31 December 2015				
- Ordinary shares of 1 penny each	**78,717,695**	**787**	**17,649**	**18,436**
Equity issued:				
- management options exercised	2,982,139	30	345	375
- in satisfaction of creditors	13,603,664	136	1,097	1,233
- gain on subsequent sale of shares	-	-	99	99
At 30 June 2016				
- Ordinary shares of 1 penny each	**95,303,498**	**953**	**19,190**	**20,143**

On 25 June 2015, the Company issued 609,500 ordinary shares and on 2 July 2015 the Company issued a further 210,174 ordinary shares at subscription prices of 23.79 pence each to raise total proceeds of £145,000 and £50,000 respectively.

On 13 October 2015, the Company issued 6,507,399 ordinary shares at a subscription price of 3.777 pence each in satisfaction of total debt of £246,000. The conversion price reflected 85% of the average quoted market price for IOG's shares over the three lowest average prices over the preceding 10-day trading period.

On 21 October 2015, the Company issued 2,142,858 ordinary shares at a subscription price of 7 pence each to raise total proceeds of £150,000.

During 1H 2016, the Company issued 13,603,664 shares at an average price of 9.06 pence to satisfy certain creditors totalling £1,233,000. Of these, 9,945,953 were issued to AGR at 6.45 pence with the arrangement that, should AGR subsequently sell such shares as prices in excess of 9.675 pence each, then 50% of such gain would be paid to IOG. By 30 June, 4,070,953 shares had been sold generating net proceeds of £99,000 for IOG of which £52,000 had been received by 30 June 2016.

11 Share options and warrants

During 1H 2016, a total of 2,982,139 management 1 penny options were exercised and ordinary shares issued for a total value of £30,000. Fair value amounts of £345,000 previously charged for these options were transferred from the share-based payment reserve to the share premium account.

On 1 March 2016, the Company issued 2,888,561 staff options at an exercise price of 1p vesting on 1 March 2016 and expiring on 28 February 2021. A fair value of 6.44 pence was calculated, using the Black Scholes model, generating a total charge in the period of £186,000.

On 29 March 2016, 500,000 warrants with an exercise price of 8 pence, expiring on 31 March 2019, were issued to Weatherford Technical Services. A fair value of 6.90 pence was calculated using the Black Scholes model, generating a total charge in the period of £34,000. The £48,000 balance of share-based payment charges in the period relate to previously issued options whose fair value is spread over extended vesting periods.

12 Publication of Non-Statutory Accounts

The financial information contained in this interim statement does not constitute statutory accounts as defined under the Companies Act 2006. The financial information for the full preceding year is based on the audited statutory accounts for the financial year ended 31 December 2015, which are available at the Company's registered office at 60 Gracechurch Street, London, EC3V 0HR and on its website at www.independentoilandgas.com.

This interim statement will be made available at the Company's registered office at 60 Gracechurch Street, London, EC3V 0HR and on its website at www.independentoilandgas.com.

Country of incorporation of parent company

United Kingdom

Legal form

Public limited company with share capital

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