Independent Oil and Gas plc – Interim Results 2014

London, 30 September 2014 - Independent Oil and Gas Plc, the AIM listed UK oil and gas development and production company, announces its interim results for the six month period ended 30 June 2014.

Highlights for the period to 30 June:

- Blythe East exploration area licence awarded on 12 February 2014
- Three licence applications made in UK 28th licensing round, with discovered resources of approximately 45 MMBOE. Awards expected to be announced in Q4 2014
- Acquisition of Cronx licence to the east of Blythe agreed with completion, subject to financing, expected in Q4 2014 resulting in IOG becoming 100% owner and operator
- Investment in systems and processes to meet DECC requirements to be exploration operator
- Sale of the operating company and 50% co-owner of the Blythe and Skipper fields completed. IOG now has a fully funded partner in Alpha Petroleum Resources Limited in those assets
- Equity and loan facilities arranged with Darwin Strategic Limited
- finnCap appointed as nominated adviser and broker
- Loss after tax of £1.47 million (1H 2013 – £0.23 million), cash used in operations £0.64 million (1H 2013 - £0.04 million)

Further operational progress since 1 July:

- MOU signed with AGR Well Management Ltd to deliver the Cronx well in summer 2015
- Discussions with nearby infrastructure owners to Cronx commenced, with the aim of accelerating first gas to late 2016
- MOU signed with Ping Petroleum to bid jointly for producing assets in the UKCS
- Several potential production asset acquisitions already under evaluation
- Termsheet agreed with BP Gas Marketing Ltd for a secured bridging loan of £3m to be used to part fund the Cronx licence commitment well

Mark Routh, CEO of IOG, said:

"We have made considerable progress in the first half of 2014 increasing our asset base, with the pending acquisition of Cronx and the award of the Blythe East Area Licence. In addition, the uncertainty around the ownership of our partner in Blythe and Skipper has been lifted with Alpha Petroleum being fully funded.

We can look forward to a number of value driving events in the months ahead which will increase our reserve base and move our projects closer to production.

Post period end, we consider the loan anticipated by the term sheet with BP Gas Marketing Ltd to be a validation of the IOG team and its portfolio of assets including the pending acquisition of the Cronx asset and the loan would be used to part fund the drilling of the Cronx commitment well next year."

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Independent Oil and Gas plc

Interim report
for the six months ended 30 June 2014

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 2014. 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 half-yearly financial report which has not been reviewed by the Company's auditors. In addition to the results for the first six months of 2014 ("1H 2014") comparative information is provided for the six months ended 30 June 2013 ("1H 2013") and the year ended 31 December 2013 ("FY 2013").

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

It has been a busy six months at IOG and we have been focused on preparing our assets for the next stage of their development. At the beginning of the year IOG continued to deliver on building its asset base around its Hub Strategy by securing the award of a licence a few kilometres to the east of our Blythe asset. The prospect and discovery in this licence have been named Truman and Harvey following our convention of naming fields after British breweries.

Following this trend and further delivering on our Hub Strategy, in March IOG secured the acquisition of a licence to the west of Blythe which we have named Cronx. Whilst this acquisition is still pending completion, the company is now actively preparing to drill the commitment well into Cronx to prepare for its development. The base case for Cronx is to tie back to a hub at Blythe following first production from Blythe but we have now commenced discussions with nearby infrastructure owners regarding an alternate plan which could accelerate first gas by more than a year to late 2016. Significantly this asset should be IOG's first operated asset as we have prepared all that is necessary to apply for and become approved as an 'Exploration Operator' on this licence. We have invested in Environmental Management Systems, Safety Management Systems and have drawn up procedures and processes to gain the approval of the Department of Energy to operate in the UKCS. This is an important aspect of IOG's business strategy.

In February this year the uncertainty surrounding the sale of ATP Oil and Gas UK Ltd ("ATP"), our partner which is the operator and 50% co-owner of IOG's Blythe and Skipper assets was successfully resolved. ATP was acquired by a private equity backed firm and renamed Alpha Petroleum Resources Ltd ("Alpha"). Alpha is fully financed and as a result the Department of Energy and Climate Change ("DECC") granted extensions to the Blythe and Skipper licences to 30 September 2015, which otherwise could have been lost.

With our support, Alpha has recently been reviewing the offtake route for Blythe, which could result in a slippage to first gas beyond 2016, although this is not yet certain. If this does happen we will be further incentivised to accelerate Cronx first gas via a different host. The options being considered include investigating a subsea development option for Blythe which has the double benefit of significantly reducing the development cost and potentially preserving the initial schedule to first gas.

IOG is preparing to drill the appraisal well on Skipper next summer. We are assessing all options to fund our share of this well, one of which is a potential farm-out of a share in the licence which may proceed in conjunction with Alpha.

Another work stream that required significant time and effort and use of shareholders' funds was the application by the company for three licences in the 28th Offshore Licensing Round, which contain 45 MMBoe proven and contingent resources. We believe that the successful award of these licences would be transformational for IOG and akin to a significant exploration well success. The awards are anticipated in Q4 2014.

We are also very pleased to have announced on 26 September 2014 the Memorandum of Understanding with Ping Petroleum Ltd. We have been working together to try and acquire some producing assets and this MOU formalises the arrangements. Such acquisitions would significantly reduce the funding requirements for our development portfolio and allow IOG's very experienced team, along with Ping, to maximise recovery and improve efficiency on any successful acquisitions.

We are pleased that the uncertainty over the past few years resulting from the referendum for Scottish independence has now been removed. We also welcome the announcement by HMRC to review tax rates in the UKCS to ensure maximum recovery of reserves from this mature basin. We look forward to the results and the full implementation of the Wood Review recommendations. We remain very excited by the opportunities open to IOG both in terms of our existing assets, additional complementary development assets and also the potential to acquire producing assets.

We are pleased to now be working with finnCap, one of the leading AIM brokers and Nomads with a track record of helping high potential small cap companies like IOG becoming fully fledged profitable mid cap companies.

We consider the loan anticipated by the term sheet with BP Gas Marketing Ltd to be a validation of the IOG team and its portfolio of assets including the pending acquisition of the Cronx asset and the loan would be used to part fund the drilling of the Cronx commitment well next year.

We would like to thank our shareholders for their continued support to date and look forward to providing news in the short term regarding the 28th Round; the Cronx acquisition and development plans; the Skipper appraisal well; and development progress on Blythe.

Operational review

Acquisition of Cronx

The Company announced on 5 March 2014 that it had agreed to acquire a 100% working interest in the Cronx licence from Swift Exploration. The initial consideration of £100,000 has been paid with the balance of £368,000 to be paid on completion in Q4 2014. Swift will also receive modest milestone payments as follows:

- An initial payment of £200,000 is due upon first commercial production and then further payments of £200,000 are payable on achieving each of 5 billion cubic feet ("BCF"), 10 BCF, 15 BCF, 20 BCF and 25 BCF of commercial production from the Licence.
- On achieving 30 BCF and each subsequent 5 BCF of commercial production, up to a maximum of 125 BCF, further payments of £600,000 are due. Unless total commercial production exceeds 125 BCF, a pro rata payment capped at £600,000 is payable on final abandonment of production.
- The expected recovery from Cronx from IOG's Competent Person's Report is 17.6 BCF
- If commercial production from the licence exceeds 125 BCF then the maximum aggregate milestone payments by IOG will be £13.2 million, equivalent to $1.08/BOE. If commercial production is 17.6 BCF the aggregate payments would be £1.4m, equivalent to $0.67/BOE.

Completion of the acquisition remains subject to:

(i) the approval of DECC to the transfer;
(ii) the initial term of the licence being extended by DECC to a date not earlier than 30 October 2015; and
(iii) approval by DECC of IOG as the operator of the licence.

The Company has formally applied to DECC to become an 'Exploration Operator' on this licence, having prepared its operating capabilities including its Environmental Management System, Safety Management Systems and Technical Competencies to the satisfaction of DECC.

It is anticipated that DECC will provide the necessary approvals to allow the transaction to complete subject to confirmation of funding to drill the commitment well in the summer of 2015 and a rig contract. On 29 September 2014 IOG announced that it had agreed a Memorandum of Understanding with AGR Well Services whereby they would deliver the well on behalf of the company. On 30 September 2014 IOG confirmed £3m loan funding from BP, which is expected to be used to part fund the well.

The base case development plan for Cronx is to tie it back to the Blythe hub. IOG is also considering tying Cronx back to other nearby existing infrastructure that could allow us to deliver first gas in late 2016. We will provide an update on the development plan and proposed timetable in due course.

Blythe

As announced on 5 March 2014 the licence was extended to 30 September 2015 with a commitment to submit the Field Development Plan application before that date.

In conjunction with IOG the operator has instigated a review of offtake options with the aim of ensuring the most efficient and cost effective route. Although the review, which is to be concluded in Q4 2014, has led to some delay to the site survey, if one of the subsea options under consideration is the preferred choice, this delay may not impact the previously advised first gas target of Q3 2016. An update will be issued as soon as the offtake route and any amendments to the timetable have been agreed.

Blythe East Area - Truman and Harvey Prospects

A licence award over blocks 48/23a and 48/24b was announced in December 2013 and signed in February 2014. IOG has committed to acquire and reprocess 85 sq kms of existing 3D seismic data and to make a drill or drop decision by February 2016. IOG has identified two potential structures in the area in the Rotliegend Sandstone, one of which has confirmed gas shows when drilled by Arco in 1984.

Skipper

The licence has been extended to 30 September 2015 with a commitment well to be drilled by that date. Whilst still a core part of the portfolio, IOG has asked the operator to run a farm out process to potentially reduce funding requirements for the appraisal well. Any farm out proposals will be assessed against the Company's other funding options and would only proceed if a farm out represented demonstrably better value for shareholders than other funding options.

Skipper West Area - Theakston & Moorhouse Prospects

IOG has committed to acquire and reprocess 300 sq kms of seismic data and to make a drill or drop decision by May 2015. The seismic data has already been acquired and processing options are being evaluated. Farm out proposals may be considered alongside Skipper.

UK 28th Offshore Licencing Round

Following a review of more than 100 dormant discoveries in open acreage offered in the 28th Offshore Licencing Round, in April 2014 the Company submitted three licence applications, after acquiring and evaluating 3D seismic and extensively evaluating the discoveries and prospectivity over four application areas. All three licences applied for contain dormant discoveries which would in aggregate add material 2P and 2C resources of an estimated 45 MMBoe to the Company's portfolio upon a successful award.

Financial Review

A loss of £1,468,306 for the first six months of 2014, compared to £234,455 for the first six months of 2013 and £1,031,084 for full year 2013, reflects increased activity since IOG's AIM listing last September.

The current period total includes charges of £505,625 for other administrative expenses (1H 2013 – £67,652), £204,174 for exploration expense (1H 2013 - £2,375) and £658,789 for share-based payments (1H 2013 – nil). The increase in other administration charges reflects the substantial additional work undertaken on existing operations, the pursuit of new opportunities and financing following the completion of listing and associated fundraising. Direct exploration charges represent the costs of technical support, data and application fees associated with new licence applications. Share-based payments relate to the fair value of share options issued upon AIM-listing, spread over their vesting periods, generating provisions for the first six months of 2014 compared to only three months for the post-listing period of 2013.

An exchange gain of £39,533 for the current period compares to a loss of £77,430 for the equivalent period of 2013 representing fluctuations in exchange rates for long-term US$ denominated loans. Increased finance charges of £139,251 (1H 2013 - £86,998) principally represent the costs of arranging a debt facility with Darwin Strategic Limited ("Darwin") as compared to interest and other charges associated with the loan notes in 2013.

Oil and gas costs held as non-current assets of £16,009,999 at 30 June 2014 (30 June 2013 - £15,195,979) represent charges incurred on the Group's Skipper and Blythe pre-development interests plus work on other exploration licences. Current assets include £1,406,250 in respect of subscription notes issued by Darwin as consideration for ordinary shares issued to Darwin by the Company whilst current liabilities include a loan of £575,000 made by Darwin to the Company. Capital and reserves increased during the period from £14,937,154 to £15,533,887 through the issue of ordinary shares to Darwin and share-based payment charges partly offset by the loss for the period.

After adjustment for non-cash items, cash used in operations of £638,767 (1H 2013 – £37,490) plus the purchase of intangible exploration assets of £675,885 (1H 2013 - £17,164) was funded through existing cash resources plus the Darwin loan leaving a cash balance of £323,259 at 30 June 2014 (30 June 2013 - £10,549).

Since the 30 June 2014, the Company has signed a term sheet with BP Gas Marketing Ltd for a secured bridging loan as follows:

- Amount - £3m
- Interest – LIBOR + 12.5% with interest capitalised quarterly
- Repayment by 30 April 2016
- Various conditions precedent including i) Securing the balance of funding to drill the commitment well on Cronx, ii) Completion of Cronx acquisition as operator, iii) Cronx licence extension to allow drilling in Summer 2015
- BP Gas Marketing Ltd has secured the rights to off-take Cronx gas and other commercial improvements to the existing Blythe and Skipper gas and oil off-take arrangements

The Group's cash balance when coupled with its ability to draw down on its facility with Darwin, give the directors comfort that its liquid reserves are sufficient to satisfy its near term general and administrative costs, but not for the operational work, including the completion of the acquisition of Cronx, the drilling of the Skipper appraisal well and the development funding for Blythe. Accordingly, the Group continues to seek additional funding which may include a partial farm down of assets, an additional debt facility or an equity fundraising.

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 detail can be found in the audited Financial Statements for the year ended 31 December 2013.

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 some very material short term drivers of value to look forward to in the months ahead which will both expand our asset portfolio and reserve base and move some of our projects closer to development. We have a first rate team, a fully funded partner in Alpha Petroleum and an asset base to make IOG a highly successful North Sea development and production company.

Mark Routh

CEO

30 September 2014

Independent Oil and Gas plc

Consolidated statement of comprehensive income
for the six months ended 30 June 2014

	Note	Unaudited 1H 2014 £	Unaudited 1H 2013 £	Audited FY 2013 £
Other administrative expenses		505,625	67,652	283,928
Exploration expense		204,174	2,375	2,375
Share-based payments		658,789	-	358,758
AIM listing costs		-	-	236,050
Exchange (gain)/loss		(39,533)	77,430	(24,627)
Operating loss		**1,329,055**	**147,457**	**856,484**
Finance expense	3	139,251	86,998	174,600
Loss before tax		**(1,468,306)**	**(234,455)**	**(1,031,084)**
Taxation	4	-	-	-
Total comprehensive loss attributable to owners of the parent		**(1,468,306)**	**(234,455)**	**(1,031,084)**
Loss per ordinary share – basic and diluted	5	**2.4p**	**0.5p**	**2.0p**

All amounts relate to continuing activities.

INDEPENDENT OIL & GAS PLC

Independent Oil and Gas plc

Consolidated statement of changes in equity
for the six months ended 30 June 2014

Group	Share capital £	Share premium £	Convertible debt option reserve £	Share-based payment reserve £	Retained profit/ (deficit) £	Total equity £
At 1 January 2013	473,235	13,078,402	122,412	-	(619,052)	13,054,997
Issue of convertible loan notes	-	-	11,073	-	-	11,073
Loss for the period	-	-	-	-	(234,455)	(234,455)
At 30 June 2013	**473,235**	**13,078,402**	**133,485**	**-**	**(853,507)**	**12,831,615**
Share capital issued	87,150	1,915,943	-	-	-	2,003,093
Share issue costs	-	(157,431)	-	-	-	(157,431)
Issue of warrants	-	(42,355)	-	42,355	-	-
Issue of convertible loan notes	-	-	32,754	-	-	32,754
Conversion of loan notes	34,934	630,060	(166,239)	-	166,239	664,994
Issue of share options	-	-	-	358,758	-	358,758
Loss for the period	-	-	-	-	(796,629)	(796,629)
At 31 December 2013	**595,319**	**15,424,619**	**-**	**401,113**	**(1,483,897)**	**14,937,154**
Share capital issued	56,250	1,350,000	-	-	-	1,406,250
Issue of warrants	-	(10,072)	-	10,072	-	-
Issue of share options	-	-	-	658,789	-	658,789
Loss for the period	-	-	-	-	(1,468,306)	(1,468,306)
At 30 June 2014	**651,569**	**16,764,547**	**-**	**1,069,974**	**(2,952,203)**	**15,533,887**

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

Consolidated statement of financial position
at 30 June 2014

	Note	Unaudited 30 June 2014 £	Unaudited 30 June 2013 £	Audited 31 December 2013 £
Non-current assets				
Oil and gas costs pending determination	6	**16,009,999**	**15,195,979**	**15,259,125**
Current assets				
Other receivables		55,519	25,657	116,422
Prepayments		51,562	-	-
Derivative financial asset		1,406,250	-	-
Cash and cash equivalents		323,259	10,549	1,120,411
	7	**1,836,590**	**36,206**	**1,236,833**
Total assets		**17,846,589**	**15,232,185**	**16,495,958**
Current liabilities				
Loans and loan notes		(575,000)	(496,065)	-
Trade and other payables		(288,870)	(347,108)	(87,655)
	8	**(863,870)**	**(843,173)**	**(87,655)**
Non-current liabilities				
Trade and other payables	9	**(1,448,832)**	**(1,557,397)**	**(1,471,149)**
Total liabilities		**(2,312,702)**	**(2,400,570)**	**(1,588,804)**
Net assets		**15,533,887**	**12,831,615**	**14,937,154**
Capital and reserves				
Called up equity share capital	10	651,569	473,157	595,319
Share premium account	10	16,764,547	13,078,480	15,424,619
Share-based payment reserve		1,069,974	-	401,113
Convertible debt option reserve		-	133,485	-
Retained deficit		(2,952,203)	(853,507)	(1,483,897)
		15,533,887	**12,831,615**	**14,937,154**

The financial statements were approved and authorised for issue by the Board of Directors on 30 September 2014 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 2014

	Unaudited 1H 2014 £	**Unaudited 1H 2013 £**	**Audited FY 2013 £**
Cash flows from operating activities			
Loss after tax	(1,468,306)	(234,455)	(1,031,084)
Adjustments for:			
Interest on loan notes	-	68,284	140,076
Interest on long term payable	17,216	18,714	34,524
Share-based payments	658,789	-	358,758
Foreign exchange	(39,533)	77,429	(24,627)
Increase in trade and other receivables	66,840	4,549	(86,216)
Decrease in trade and other payables	126,227	27,989	(211,749)
Cash used in operations	**(638,767)**	**(37,490)**	**(820,318)**
Cash flows from investing activities			
Purchase of intangible non-current assets	(675,885)	(17,164)	(100,028)
Cash used in investing activities	**(675,885)**	**(17,164)**	**(100,028)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares	-	-	2,003,093
Costs of share issue	-	-	(157,431)
Proceeds from loans drawn	517,500	-	-
Proceeds from issue of convertible loan notes	-	42,500	172,392
Net cash generated from financing activities	**517,500**	**42,500**	**2,018,054**
(Decrease)/increase in cash and cash equivalents in the period	(797,152)	(12,154)	1,097,708
Cash and cash equivalents at start of period	1,120,411	22,703	22,703
Cash and cash equivalents at end of period	**323,259**	**10,549**	**1,120,411**

Significant non-cash transactions:
On 4 June 2014 the Group issued 5,625,000 shares in exchange for £1,406,250 subscription notes.

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 2014 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 2013.

The accounting policies used in the preparation of the condensed consolidated financial statements for the six months to 30 June 2014 are consistent with those used in the preparation of the Group's audited financial statements for the year ended 31 December 2013 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 2013 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.

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. The Darwin loan has been helpful in this regard but more funding will be needed within the next 12 months.

The directors consider that the Group has adequate working capital for basic general and administrative expenses only for at least the next twelve months, but not for expected expenditure on all of the assets over this period including the Cronx acquisition and the Skipper well. The £3m BP loan commitment is a positive development in this regard but this requires the conditions precedent to be met including the raising of further funds sufficient to complete the Cronx commitment well. New funds are expected to be raised either from partial farm downs of the assets, additional debt facilities or via new equity fundraisings. Accordingly, the directors continue to adopt the going concern basis in preparing the interim report and accounts.

These conditions indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include the adjustments that would be required if the Group could not continue as a going concern.

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

	1H 2014 £	1H 2013 £	FY 2013 £
Loan and loan note interest	5,937	68,284	140,076
Other interest	17,216	18,714	34,524
Debt facility arrangement fees	116,098	-	-
	139,251	**86,998**	**174,600**

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 2014 was 22.0% and to the first six months of 2013 was 23.0%.

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 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 2014 £	1H 2013 £	FY 2013 £
Loss for the period	1,468,306	234,455	1,031,084
Weighted average number of shares	60,153,401	47,323,417	50,434,060
Loss per share basic and diluted	**2.4p**	**0.5p**	**2.0p**

Independent Oil and Gas plc

Notes to the financial statements
For the six months ended 30June 2014 *(continued)*

6 Non-current assets

Oil and gas costs pending determination

	30 June 2014 £	30 June 2013 £	31 December 2013 £
At cost:			
At beginning of the period	15,259,125	15,171,428	15,171,428
Additions	750,874	24,551	87,697
At end of the period	16,009,999	15,195,979	15,259,125
Write-downs at the beginning and end of the period	-	-	-
Net book value:			
At 30 June/31 December	**16,009,999**	**15,195,979**	**15,259,125**
At 1 January	**15,259,125**	**15,171,428**	**15,171,428**

7 Current assets

	30 June 2014 £	30 June 2013 £	31 December 2013 £
Other receivables	55,518	25,657	116,422
Prepayments	51,563	-	-
Derivative financial asset	1,406,250	-	-
Cash and cash equivalents	323,259	10,549	1,120,411
	1,836,590	**36,206**	**1,236,833**

On 4 June 2014 the Company entered into an agreement with Darwin Strategic Limited ("Darwin") pursuant to which Darwin subscribed for 5,625,000 ordinary shares in the Company satisfied through the issue of 1,800,000 redeemable subscription notes by Darwin to the Company. These have been booked at the market price of ordinary shares on the date of issue of £0.25 applied to the total number of shares issued giving a total of £1,406,250 and as the amount received upon redemption will depend upon the Company's share price at the time of redemption this has been recorded as a derivative financial asset. A prepayment amount of £51,653 reflects the proportion of interest to be charged over the remaining initial period of the Darwin loan.

Over the period to 11 June 2017 the Company may, at any time, request Darwin to sell some or all of its shares at the prevailing market price and to remit to the Company the proceeds, net of any loans outstanding to Darwin. Since the balance sheet date, the Company instructed Darwin to sell a total of 1,070,000 shares at an average price of £0.193 realising proceeds of £196,075 net of commissions. Of this, £118,450 was applied to repay part of the Darwin loan.

Independent Oil and Gas plc

Notes to the financial statements
for the six months ended 30 June 2014 *(continued)*

8 Current liabilities

	30 June 2014 £	30 June 2013 £	31 December 2013 £
Loans and loan notes	575,000	496,065	-
Trade payables	90,985	160,896	58,441
Amounts due to joint venture partners	95,385	42,227	4,214
Accruals	102,500	143,985	25,000
	863,870	**843,173**	**87,655**

On 4 June 2014, Darwin made an unsecured loan to IOG of £517,500 which is to be repaid within the next 12 months. Repayment of the loan will be £575,000 if made with six months and £603,750 if made during the following six months. The amount outstanding at 30 June 2014 has been recorded as the total amount payable on that date whilst £5,937 has been taken to the income statement as interest with the balance of £51,562 held as prepayments within current assets.

Upon admission of the Company's shares to listing on AIM on 30 September 2013 total outstanding loan notes of £617,135 plus £47,859 total accrued interest converted into ordinary shares of the Company at a price of 19.04 pence being 80% of the most recent offering price.

9 Non-current liabilities

	1H 2014 £	1H 2013 £	FY 2013 £
Trade and other payables	**1,448,832**	**1,557,397**	**1,471,149**

During the first half of 2014 Group trade and other payables denominated in US$ were reduced by £39,533 (1H 2013 – £77,430 increase) through changes to the £/US$ exchange rate.

Of the Group's total trade and other payables, £1,164,962 (31 Dec 2013 - £1,185,308) is due no later than 30 September 2016, this date having been extended by eighteen months from the previous repayment date of 31 March 2015. If not repaid before 31 March 2015 the interest rate increases from 3% to 9% from 31 March 2015 and the Company will issue 500,000 warrants at that date.

The balance of the Group's non-current creditors are not due until after sustained production is achieved from the Skipper field.

10 Equity share capital

	Number	Share capital £	Share premium £	Total £
Allotted, issued and fully paid				
At 1 January 2013				
- Ordinary shares of 1 pence each	47,323,417	473,235	13,078,402	13,551,637
Equity issued	8,715,000	87,150	1,915,943	2,003,093
Equity issue costs	-	-	(157,431)	(157,431)
Warrants issued	-	-	(42,355)	(42,355)
Loan note conversion	3,493,437	34,934	630,060	664,994
At 31 December 2013				
- Ordinary shares of 1 pence each	**59,531,854**	**595,319**	**15,424,619**	**16,019,938**
Equity issued	5,625,000	56,250	1,350,000	1,406,250
Brokers' warrants	-	-	(10,072)	(10,072)
At 30 June 2014				
- Ordinary shares of 1 pence each	**65,156,854**	**651,569**	**16,764,547**	**17,416,116**

On 4 June 2014 the Company entered into an agreement with Darwin Strategic Limited ("Darwin") pursuant to which Darwin subscribed for 5,625,000 ordinary shares in the Company satisfied through the issue of 1,800,000 redeemable subscription notes by Darwin to the Company. These have been recorded at the market price for ordinary shares on the date of issue of 25 pence applied to the total number of shares issued giving to total of £1,406,250.

The Company also agreed to issue 326,087 warrants to Darwin with an exercise price of 46 pence expiring on 12 June 2017 to which a fair value of 3.09 pence each has been attributed using the Black Scholes model with a risk-free interest rate of 0.43%, a weighted life expectancy of three years and a 50% volatility factor creating a total charge of £10,072 to the share premium account.

On 30 September 2013, concurrent with its admission to AIM, the Company issued 8,405,800 ordinary shares through a placing at a price of 23.79 each to raise £2,000,000 before issue costs of £157,431. The Company also issued a further 309,300 ordinary shares at a price of 1 pence each to raise £3,093 in satisfaction of rights attached to previously issued shares which crystallised upon listing. Also upon admission to AIM all loan notes, plus associated interest, totalling £664,994 were converted into ordinary shares at a 20% discount to the placing price being £0.1904. During 2013 the Company issued 630,000 brokers warrants for which a fair value of £42,355 was charged to the share premium account.

11 Subsequent events

Since the 30 June 2014, the Company has signed a term sheet with BP Gas Marketing Ltd for a secured bridging loan as follows:

- Amount - £3m
- Interest – Libor + 12.5% with interest capitalised quarterly
- Repayment by April 2016
- Various conditions precedent including i) Securing the balance of funding to drill the commitment well on Cronx, ii) Completion of Cronx acquisition as operator, iii) Cronx licence extension to allow drilling in Summer 2015
- BP Gas Marketing Ltd has secured the rights to off-take Cronx gas and other commercial improvements to the existing Blythe and Skipper gas and oil off-take arrangements

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 2013, which are available at the Company's registered office at One America Square, Crosswall, London, EC3N 2SG and on its website at www.independentoilandgas.com.

This interim statement will be made available at the Company's registered office at One America Square, Crosswall, London, EC3N 2SG and on its website at www.independentoilandgas.com.

Independent Oil and Gas plc

Country of incorporation of parent company

United Kingdom

Legal form

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