ISLAND OIL & GAS PLC
("ISLAND" or the "COMPANY")

Interim Results for the period ended 31 January 2009

FINANCIAL HIGHLIGHTS

- Revenue: Stg£1.29m from gas sales, (2008: Stg£0.92m)
- Operating loss / profit: Stg£0.40m loss, (2008: Stg£0.90m profit)
- Loss / profit before tax: Stg£2.24m loss, (2008: Stg£0.42m profit)
- Cash balance: Stg£1.9m, (2008: Stg£1.52m)
- Earnings per share: Stg£0.0192 loss, (2008: Stg£0.0015)
- No bank debt

OPERATIONAL HIGHLIGHTS

- **Development of new growth strategy:**
  - **Operational Focus** to be on Moroccan and Albanian Assets
    - Cost effective exploration
    - Bring in new partners to share risk
    - Maximise first mover advantage
    - Increase acreage with opportunistic acquisition
  - **Targeted monetisation** of Irish assets as an integrated Irish gas business
    - Conclude issues over Kinsale gas platform
    - Sustain production levels to provide cash flow
    - Successful seismic survey of Old Head and Schull prove storage potential
    - Discussions ongoing with major utilities
- **Corporate Development:**
  - **Develop valuable partnerships**
    - Mandate letter with The European Bank for Reconstruction and Development widened to include Albania
    - Excellent working relationships with Moroccan and Albanian authorities gives regional first mover advantage
  - **Board strengthened:** Two new directors joined the Board with a wide range of international energy and financial experience
  - **Cost savings:** Ensure all expenditure adds value

Paul Griffiths, CEO of Island Oil & Gas PLC commented

"In a testing global financial climate we are confident that our regionally targeted strategy, combined with our top quality management will bring Island through to success.

Europe desperately needs to consider solutions to its security of supply issues. We believe that all of our current operations could be part of the solution. Our balanced portfolio contains both gas storage potential, in addition to exploration and development on the frontiers of Europe, where there is the proven potential for significant new discoveries.

We look forward to moving our operations forward in Morocco and Albania, moving up the exploration and development chain and utilising our wide skill set to both develop operations and trade assets in order to create value for our shareholders."

27th April 2009

Enquiries:

Island Oil & Gas plc **Tel: +353 (0) 1 631 3755**
Paul Griffiths
Carl Kindinger
www.islandoilandgas.com

Davy (NOMAD and Broker) **Tel: +353 (0) 1 679 6363**
Anthony Farrell

College Hill (Public Relations) **Tel: +44 (0)20 7457 2020**
Paddy Blewer
Nick Elwes

CHAIRMAN'S STATEMENT

The six months ended 31 January 2009 has been an exciting period for the development of Island's international portfolio of assets. As part of a "country focus" strategy to reflect the new global financial situation, the Company has been reviewing and negotiating a number of potential new licences in both Morocco and Albania, where we are seeking to build upon the goodwill and strategic relationships that we have established and developed in these countries during the past two years. The successful implementation of this strategy is reflected by the fact that Island currently has 39,449 sq. kilometres under licence in Morocco and Albania, equivalent to approximately 57% of the area of the Republic of Ireland.

We are also delighted to report that our Celtic Sea assets are attracting the attention of a number of utility companies that are interested in gaining access to potentially valuable gas storage facilities. The dispute over gas supplies between Russia and the Ukraine during the period to 31 January 2009 has provided further impetus for the accelerated development of pan-European gas storage facilities and for focusing attention on the issue of security of supply in the Irish Republic, which currently has only storage capacity representing approximately 4% of annual demand. Island has valuable cushion gas in place in its newly discovered Celtic Sea gas fields, thereby significantly reducing the investment cost per unit of storage capacity relative to other Irish and United Kingdom gas storage projects.

During the period, Island has also progressed its strategy of focusing on countries, such as Morocco and Albania, that, although peripheral to the European gas market, have the future potential to provide diversified sources of gas to that market.

At the beginning of the period, Island's relationship with The European Bank for Reconstruction and Development ("EBRD") was strengthened by the signing of a mandate letter in relation to potential Moldovan projects. The scope of the relationship with the EBRD was subsequently broadened to include potential opportunities in Albania.

In December, Island completed a comprehensive internal review of its extensive portfolio of Irish and international exploration and production assets and analysed its near term, cash-generating, business growth and longer term opportunities. Despite the current and forecast global financial situation, Island believes it can create value from its existing assets by intelligent corporate action and use its proven operator status to secure new opportunities.

In January, Island announced the results of its 2008 seismic survey over Old Head and Schull had underpinned the potential for these gas fields to provide an Irish or Western European gas storage facility. Preliminary scoping reservoir engineering studies support the ability of these gas fields to contribute significantly to the expansion of Ireland's gas storage capacity and its security of supply.

Since 31 January 2009, Island announced that an aeromagnetic survey in its Moroccan Zag Basin Reconnaissance Licence had defined a number of promising structures. This coincided with highly encouraging regional news of new discoveries on the Algerian side of the basin. The entrance of international major RWE to the Petro-Canada licence, which adjoins Island's Zag licence, further enhances Island's strategic acreage position in this area.

During the period under review, the Board was strengthened with the appointment of Carl Kindinger as Chief Finance Officer and Adrian Doull as Non-executive director.

A review of operating costs was undertaken and significant savings and efficiencies have been made which will favourably position the Company to prudently deliver its business development strategy. As a result, the Company will focus its resources in areas where it can deliver results in a timely and cost-effective manner.

FINANCIAL RESULTS

The Company recorded an operating loss of Stg£0.40 million for the half year period compared to a profit of Stg£0.90 million in the previous comparable period. A profit arising on the sale of part of an asset in the previous period accounts for most of this variance. The loss in the current period relates to the normal operating conditions as there were no major write offs of capitalised exploration costs during the period.

Revenue from our interest in the Seven Heads Gas Field amounted to Stg£1.29 million compared to Stg£0.92 million in the previous comparable period, reflecting a reduction in gas produced, Stg£(0.13 million), offset considerably by a higher average gas price increasing sales by Stg £0.50 million, over the previous comparable period.

Cost of sales at Stg£0.65 million for the half year were lower than the prior comparable period of Stg£0.69 million. Administration costs for the half year were Stg £0.91 million in line with the comparable period. A program of cost cutting was instituted in last quarter of 2008 to reduce the Dublin office overheads which should reflect in further savings against prior year numbers in the second half of the year. Stg£0.18 million in pre-licence exploration expenditure was written off in the period.

Finance income at Stg£0.45 million largely comprised an unrealised foreign exchange gain of Stg£0.43 million, arising on US Dollar cash holdings, as a result of the sharp depreciation of Sterling against the US Dollar in the latter part of 2008. Finance expense for the half year amounted to Stg£2.30 million compared to the prior period half year amount of Stg£0.53 million.

Interest expense of Stg£0.34 million was incurred on the advance due to Delta Hydrocarbons B.V. (“Delta”). This compares to an interest expense of Stg£0.53 million incurred (on Bank Borrowings) in the same prior year period.

A Stg£1.95 million unrealised foreign exchange loss was incurred on the US$10 million advance due to Delta. This advance will be repayable against future production royalties.

Cash balances at the period end amounted to Stg£1.91 million. It is anticipated that a farm out and/or an asset sale may result in further cash payments to the Company over the coming months.

Gas Production Revenue

Gas sales revenues for the interim period amounted to Stg£1.293 million an increase of 41% compared with Stg£0.920 million for the same period last year. The increase reflects higher gas prices despite a reduction in gas volumes.

The Seven Heads Gas Field produced at gross rates ranging from 6.5 – 9.5 million standard cubic feet per day (“mm scfpd”) during the six month period to 31 January 2009, versus a range of 10.5 - 12 mm scfpd for the previous comparable period. It is expected production rates will be maintained at 5.5 mmscf pd until the end of September 2009.

Estimated gross remaining technical resources as of 1 January 2009 are 6.34 billion cubic feet (“bcf”) or 0.79 bcf net to Island, based on the operator’s, Marathon’s, estimates.

INTERNATIONAL PORTFOLIO DEVELOPMENT

Island's management team has been reviewing a number of new opportunities in Morocco, Albania, Eastern Europe and the Former Soviet Union. The Company has built strong local partnerships and is confident that its efforts will be rewarded with exciting new licences, in Morocco in particular, in the coming months.

Morocco

Zag Licence

In the Zag Basin Reconnaissance Licence, a recently completed aeromagnetic survey has defined a number of promising structures several tens of kilometres long that are analogous to producing structures in geologically similar basins in neighbouring Algeria. The results of the survey, combined with the favourable Moroccan fiscal regime, which includes a ten year corporation tax holiday, have greatly encouraged a joint venture partnership.

Island and the operator, San Leon Energy Plc ("San Leon"), are well advanced in negotiations with the Moroccan government authority, ONHYM to convert the Reconnaissance Licence into an eight year Exploration Licence, with seismic being planned at an early stage to firm up a potential drilling location on one of the most prospective structures defined by the aeromagnetic survey.

Tarfaya Licence

Island, the operator of the Tarfaya Exploration Licence, is preparing to award the contract to reprocess 1,000 kilometres of existing 2D seismic data with the objective of better-imaging highly prospective Triassic reservoirs that are producing in a number of fields in Morocco. This will be followed up by 500 kilometers of new seismic acquisition to mature Jurassic and Triassic drilling targets. Island is currently investigating the seismic contractor market with a view to awarding a 2D seismic acquisition contract later this year.

Island's progress in Morocco has created significant industry interest in its dominant acreage position in the highly prospective Tarfaya and Zag Basins, which already contain oil and gas discoveries. The potential of the Tarfaya Exploration Licence has been confirmed by a competent person report compiled by Netherland Sewell & Associates for San Leon's AIM Listing which states "Probable Prospective" oil in place for the Tarfaya exploration leads of 2,511.5 million barrels ("mmb") and gross "Probable Prospective Oil Resources" of 711.3 mmb. It quotes gross unrisked "Possible Prospective Oil Resources" of 3,878.6 mmb.

The Company is actively negotiating to increase its acreage position in Morocco on prudent and favourable terms as it seeks to take advantage of the recent string of exploration successes announced in the Moroccan offshore and onshore and in geologically contiguous basins in Algeria. Morocco is set to become a cornerstone of the Company's strategy for business growth.

Albania

Following the announcement of the new Royalty Tax in Albania in August 2008, Island, operator of the offshore Durresi Block, has been negotiating new fiscal terms for the Durresi Production Sharing Contract prior to the recommencement of operations on the licence.

We are confident that the new terms will be presented to the Council of Ministers for review shortly. On this basis, Island is investigating the seismic contractor market with a view to awarding a 3D seismic acquisition contract later this year with seismic planned for early 2010.

The seismic programme is designed to re-evaluate the A4-1X oil and gas discovery with a view to re-entering the well, subject to accessibility, to flow test the hydrocarbon-bearing intervals logged by Chevron and Agip (ENI) in 1993, but not tested due to depressed commodity prices at the time. It is also planned to deepen the well to older Cretaceous and Jurassic reservoir targets that were not reached by drilling but which are producing hydrocarbons in offset fields on trend in Italian waters.

Discussions with Beach Petroleum are progressing regarding the farm-in arrangements.

Discussions are also taking place with another potential farminee who is focused on evaluating the near-shore gas potential of the Durresi Block as part of a wider strategy of developing an Albanian gas export market. Several structures have been mapped by Island and previous operators (Occidental and OMV) in coastal areas that extend onshore and are potentially contiguous with onshore gas fields.

Similarly, in Albania, Island remains committed to identifying new, economically viable projects in the region and securing additional acreage, particularly as it wishes to develop its existing relationship with the EBRD. The Company's work over the last six months has confirmed that Albania offers considerable geological prospectivity and exciting upside both for exploration and field rehabilitation opportunities. Accordingly, Island has entered into discussion with the Albanian licensing authorities in respect of several of such opportunities.

Former Soviet Union and Moldova

Island continues to monitor the opportunities it has in the Former Soviet Union and Moldova. In view of the much higher cost of entry into these projects relative to Morocco and Albania, and the need for financial prudence and cost-effective investment at a time of global financial turmoil, Island is seeking partners to share the burden of entry costs before progressing these opportunities.

CELTIC SEA ASSETS

The Seven Heads Gas Field

The Seven Heads Gas Field produced gas at gross rates ranging from 6.5 to 9.5 mm scfpd during the period under review. The operator's, (at the time, Marathon, now a wholly owned subsidiary of Petronas (Petroliam Nasianal Berhad) following completion of the sales process in April 2009), estimated gross remaining technical resources as of 1 January 2009 are 6.34 bcf or 0.79 bcf net to Island based on a gas-in-place estimate of 35 bcf. This represents a 66% increase in gas-in-place compared to the original estimates made in 2004 following the early decline in production rates from the field's reservoirs.

The discrepancy between estimated volumes connected to the producing wells has been revealed by subsequent production history and material balance calculations. This additional gas-in-place is interpreted to be derived predominantly from thin-bedded sands which provided secondary support to recharge the productive higher permeability sands at a low rate. This observation has an important bearing on the potential of these types of reservoirs to store valuable cushion gas required for gas storage operations.

During the period under review, Island has been evaluating potential additional gas resources in unperforated gas sands in the Seven Heads Field that could be easily accessed. These indigenous gas resources have the potential to prolong the life of the Seven Heads and Kinsale facilities. Island will be completing their technical evaluation of this opportunity shortly.

Seven Heads gas continues to provide an important source of revenue for Island, particularly as gas prices have increased significantly since the field first started producing gas in 2004.

West Seven Heads Sub-Area

The results from Island's reservoir engineering and reservoir modelling studies, when combined with our analysis of the production performance of the 48/24-6 well, indicates that some of the gas reservoirs encountered in the 48/23-3 West Seven Heads well are being produced from the 48/24-6 Seven Heads Production Well to the east, albeit probably at a slow rate but with the potential for enhanced production following access to compression at Kinsale in late 2006. There is strong evidence that the area drained by 48/24-6 includes a large area to the west of the current 48/24-6 production well which was not proven until Island drilled the 48/23-3 appraisal well.

Appraisal well 48/23-3 also tested dry gas from a deeper Upper Wealden horizon that has to date not been produced in the Seven Heads Gas Field. Island's proprietary technical studies indicate that there is potential to perforate and develop these additional gas sands simultaneously with the development of the Old Head and Schull satellite gas fields generating cost-saving synergies.

Island's commercial and legal position is that following the drilling of its farm-in well it increased its equity interest in the West Seven Heads Sub-Area to 55.75% and therefore should be entitled to 55.75% of all gas produced from the Sub-Area from the effective date that the interest was earned.

Old Head of Kinsale & Schull

Island Oil & Gas is continuing to progress its plans to commercialise its two gas discoveries in the Celtic Sea. It is currently focused on making a Declaration of Commerciality, subject to completion of the Marathon Sales Process, and in producing its Preliminary Plan of Development ("PPOD") for its Old Head of Kinsale and Schull gas assets. However, this plan and statement of commerciality cannot be concluded in full until Island, a partner with Marathon in the Seven Heads Gas Field, has been informed by the new owners of the Celtic Sea gas infrastructure, which is currently being sold by Marathon, as to what the future plans for the Kinsale facilities are.

This is particularly significant as the potential new owners, Star Energy Group (a wholly owned subsidiary of Petronas (Petroliam Nasianal Berhad)), have predominantly a gas storage business model in the United Kingdom. The Petroleum Affairs Division has extended the current phase of the Schull and Old Head Exploration Licences to 31 October 2009 to reflect this situation.

While depletion of the fields remains an economically attractive option, scoping production profiles and an upward revision in gas-in-place estimates for Old Head and Schull indicate conducive conditions for conversion of one or both of the fields into gas storage projects relatively early in field life. The upward revision of gas in place estimates is based on the interpretation of the 825 kilometers of new seismic acquired during 2008 and new reservoir modelling and engineering work. Island has the advantage of the availability of the 'cushion gas' required for the gas storage project.

Island has been discussing the sale of gas and gas storage arrangements with a number of interested parties and the regulatory authorities. Converting one or both of these fields into a gas storage facility would materially contribute to the strategic gas storage capacity for Ireland and potentially create more value for Island's shareholders than depleting the field.

Since 31 January 2009, Island has received revised cost estimates for the development of the Old Head and Schull Gas Fields that reflect a sharp reduction in the cost of services and materials. Scoping economics indicate that both for depletion and gas storage cases a viable alternative development scenario direct to shore now exists which by-passes the Kinsale facilities. The option of a tie-back to the Kinsale facilities is preferred only if commercially viable terms can be negotiated with the owners of the Kinsale facilities.

Lansdowne Option Agreement East Kinsale

In January, Island declined to exercise an Option Agreement with Lansdowne Celtic Sea Limited to farm into an area of Standard Exploration Licence 4/07 covering part blocks 49/11(p), 49/12(p), 49/1(p), 49/17(p) and 49/18(p) in the Celtic Sea offshore Ireland. The Option Agreement allowed Island to secure rights to protect acreage in the event that any structures defined by seismic acquisition in Island's Old Head of Kinsale Licence extended into the Option Area.

Following the acquisition, processing and interpretation of a seismic survey over Standard Exploration Licence 4/05 (the "Old Head of Kinsale"), covering part blocks 49/17(p), 49/22(p) & 49/23(p), Island now believes that it has sufficient materiality within its existing licence boundaries to progress its near-term strategy.

Celtic Sea – Barryroe Licensing Option

During the period under review, work has progressed by the operator, Lansdowne Oil & Gas plc ("Lansdowne"), to prepare the Barryroe Licensing Option for farm out. Currently it is anticipated that a 3D seismic survey will be acquired subject to negotiations with the Petroleum Affairs Division to extend the deadline for completion of the work commitment.

RPS Energy completed a competent person report for Lansdowne which included the Barryroe Licensing Option. Lansdowne's subsequent announcement of 3 February 2009 indicated Best Estimate Contingent Resources of 23.4 mmb net to Lansdowne's 40% interest (equivalent to 17.55 mmb net to Island Expro Limited's 30% interest).

The operator also recognises a West Barryroe gas prospect with potential P50 technically recoverable gas of 24 bcf (7.2 bcf net to Island). If successfully drilled this prospect would make an important addition to extending the life of the Seven Heads and Kinsale facilities.

Atlantic Margin Prospects

Island has been focused on desk top studies to mature and partially de-risk a portfolio of exploration prospects in its Rockall, Slyne, Donegal, Connemara and South Porcupine licences. We have also finalised a pilot development study for the Connemara oil field. Our portfolio of large Atlantic Margin oil and gas prospects and near-development assets has attracted significant industry attention and the Company has been in active discussion with several parties regarding potential farm-ins.

The current international appetite for large Atlantic Margin prospects is restricted by the global financial downturn, the high cost of exploring for hydrocarbons in a deep water environment and the steep decline in oil price during 2008. For this reason, exploration budgets for 2009 have been reduced and Island does not believe that the industry's appetite for the Atlantic Margin will return until the oil price begins to show sustained signs of revival.

Island will therefore seek to negotiate with the Petroleum Affairs Division to extend the deadline on some of its Atlantic Margin licence commitments to reflect this new state of affairs. In the meantime, Island will continue to actively seek partners for the Atlantic Margin and prudently invest in studies that will help de-risk its exploration prospects.

RWE AG's planned exploration well with Serica Energy in the Slyne Trough during 2009 will have a significant impact on the area if hydrocarbons are successfully tested. This would increase the attractiveness of Island's large portfolio of Atlantic Margin prospects to industry majors seeking to capitalise on regional success by other operators.

OUTLOOK AND PROSPECTS

Island is confident that it will emerge from the current international storm in a strong position. The Company is free of bank debt; has production income from the Seven Heads Gas Field; has substantially reduced its operating overheads; has an asset value under-pinned by its Celtic Sea gas assets; and has developed exciting new opportunities for business growth in Morocco and Albania for a very low entry cost.

The Company has top quality technical expertise and management skills; proven operator status; the ability to use leverage to successfully trade assets; and a proven record in attracting farm-in partners to manage costs.

Island's presence in Morocco and Albania could well prove to be excellent timing with the growing interest from majors in these areas. The Celtic Sea assets offer the Company a development opportunity which could see significant future revenues.

Despite very difficult financial markets, Island is optimistic that its strategy will create value for its shareholders in both the short and long term.

Island intends to make steady progress towards the monetisation of our Celtic Sea assets in the coming months. The Company also looks forward to some exciting developments in Morocco which will enhance Island's growth potential.

Consolidated income statement

Interim to 31 January 2009
(unaudited)

	6 Months Ended 31 Jan 2009 Stg£'000	6 Months Ended 31 Jan 2008 Stg£'000	Year Ended 31 July 2008 Stg£'000
Revenue	1,293	920	2,251
Cost of sales	(650)	(686)	(1,143)
Gross profit	643	234	1,108
Administration expenses	(908)	(830)	(2,306)
Costs associated with uncommercial projects	(133)	-	(153)
Profit on sale of subsidiary undertaking	-	-	11,001
Gain on sale of licence	-	1,500	3,465
Operating (loss) / profit - continuing operations	(398)	904	13,115
Finance income	454	48	115
Finance expense	(2,295)	(534)	(816)
(Loss) / profit before taxation	(2,239)	418	12,414
Income tax expense	-	(250)	-
(Loss) / profit for the financial period / year from continuing activities	(2,239)	168	12,414
Earnings per share (Stg£)			
Basic	(0.0192)	0.0015	0.1082
Diluted	(0.0192)	0.0014	0.1082

Consolidated statement of total recognised income and expense

Interim to 31 January 2009
(unaudited)

	6 Months Ended 31 Jan 2009 Stg£'000	6 Months Ended 31 Jan 2008 Stg£'000	Year Ended 31 July 2008 Stg£'000
(Loss) / profit for the financial period	(2,239)	168	12,414
Surrender of warrants in return for shares	-	262	262
Total recognised income and expense for the period	(2,239)	430	12,676

Consolidated Balance Sheet

At 31 January 2009
(unaudited)

	31 Jan 2009 Stg£'000	31 Jan 2008 Stg£'000	31 July 2008 Stg£'000
Assets			
Non current assets			
Intangible exploration and evaluation assets	63,420	60,752	61,212
Property, plant and equipment	1,208	1,557	1,403
	64,628	**62,309**	**62,615**
Current assets			
Other receivables	1,444	576	1,159
Cash and cash equivalents	1,900	1,523	3,407
	3,344	**2,099**	**4,566**
Total assets	**67,972**	**64,408**	**67,181**
Equity and liabilities			
Equity attributable to equity holder of the parent			
Called up share capital	798	798	798
Shares to be issued	238	-	238
Share premium	51,167	51,167	51,167
Unrealised reserve	47	47	47
Share option reserve	1,270	756	1,185
Retained earnings	4,466	(5,540)	6,705
Total equity	57,986	47,228	60,140
Non current Liabilities			
Provisions	719	689	704
Loans	7,470	-	5,178
	8,189	**689**	**5,882**
Current liabilities			
Trade and other payables	1,797	4,241	1,159
Interest bearing loans and borrowings	-	12,000	-
Current tax liabilities	-	250	-
	1,797	**16,491**	**1,159**
Total liabilities	**9,986**	**17,180**	**7,041**
Total equity and liabilities	**67,972**	**64,408**	**67,181**

Consolidated Cashflow Statement

Interim to 31 January 2009
(unaudited)

	6 Months Ended 31 Jan 2009 Stg£'000	6 Months Ended 31 Jan 2008 Stg£'000	Year Ended 31 July 2008 Stg£'000
Cash flows from operating activities			
(Loss)/profit before taxation	(2,239)	418	12,414
Finance income	(454)	(48)	(115)
Finance expense	2,295	534	816
Operating (loss)/profit	**(398)**	**904**	**904**
Adjusted for:			
Depreciation	218	205	402
Gain on disposal of licence	-	(1,500)	(3,465)
Profit on sale of subsidiary undertaking	-	-	(11,001)
Costs associated with uncommercial projects	133	-	153
Cost of share awards	85	101	530
Foreign exchange gain/(loss)	427	(22)	156
	465	(312)	(110)
(Increase)/decrease in other receivables	(319)	2,036	1,458
Increase in trade and other payables	638	37	881
Net cash from operating activities	**784**	**1,761**	**2,229**
Cash flows from investing activities			
Disposal of oil and gas assets	-	1,513	3,764
Disposal of subsidiary	-	-	12,654
Expenditure on intangible exploration and evaluation assets	(3,068)	(21,147)	(26,818)
Contribution from partners for exploration and evaluation assets	724	951	1,042
Purchase of property, plant and equipment	(8)	-	(44)
Finance income	61	48	56
Net cash used in investing activities	**(2,291)**	**(18,635)**	**(9,346)**
Cash flows from financing activities			
Net proceeds from issue of share capital	-	2,631	2,243
Debt arrangement fees	-	(237)	(344)
Repayment of bank loans	-	-	(12,000)
Drawdown of bank loans	-	4,500	4,500
Drawdown of other loans	-	-	5,178
Finance expense	-	(99)	(655)
Net cash (used in)/generated by financing activities	**-**	**6,795**	**(1,078)**
Net (decrease)/increase in cash and cash equivalents	**(1,507)**	**(10,079)**	**(8,195)**
Cash and cash equivalents at beginning of period	3,407	11,602	11,602
Cash and cash equivalents at end of period	**1,900**	**1,523**	**3,407**

Notes to the Interim results

1. Basis of preparation

The condensed interim information has been prepared in accordance with the recognition and measurement principles of IAS 34 Interim Financial reporting. The accounting policies applied are consistent with those set out in the Group's consolidated financial statements for the year ended 31 July 2008 which are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The Financial information for the year ended 31 July 2008 represents an abbreviated version of the Group's statutory financial statements for that year. Those statutory financial statements contained an unqualified audit report.

The financial information is presented in Sterling, rounded to the nearest thousand.

2. Finance income / expense

Interim to 31 January 2009
(unaudited)

	6 Months Ended 31 Jan 2009 Stg£'000	**6 Months Ended** 31 Jan 2008 Stg£'000	**Year Ended** 31 July 2008 Stg£'000
Bank deposit interest receivable	27	48	115
Foreign exchange gain on restatement of bank balance	427	-	-
Finance income	**454**	**48**	**115**
Interest on bank loans, overdraft and other loans	347	433	655
Charge for share warrants	-	101	161
Foreign exchange loss on restatement of US Dollar denominated loan	1,948	-	-
Finance expense	**2,295**	**534**	**816**

3. Intangible exploration and evaluation assets

Interim to 31 January 2009
(unaudited)

	6 Months Ended 31 Jan 2009 Stg£'000	**6 Months Ended** 31 Jan 2008 Stg£'000	**Year Ended** 31 July 2008 Stg£'000
At start of period/year	61,212	55,096	55,096
Additions	2,341	5,656	7,811
Disposals	-	-	(1,542)
Costs associated with uncommercial projects	(133)	-	(153)
At end of period/year	**63,420**	**60,752**	**61,212**

The Directors have considered the carrying value of the Group's intangible assets and are satisfied that they are worth at least the amount stated in the Interim Balance Sheet. In making this assessment, the Directors have made certain assumptions in relation to the future price of oil and gas, potential development opportunities and the ability of the Group to dispose or divest interests in certain assets at close to the carrying value.