**19 April 2017**

# InfraStrata plc
**("InfraStrata" or the "Company")**

***Interim results for the six months ended 31 January 2017***

InfraStrata plc (AIM: INFA), the independent gas storage company, announces its unaudited interim results for the six months ended 31 January 2017.

**Overview and highlights**

Operational

- In line with the Company's strategy to focus on gas storage, the restructuring of the Group's business announced on 4 November 2016 has now been substantially completed, with the assignment and relinquishment of remaining petroleum exploration licence interests now completed and operatorship transferred to other parties.

- Focussed on sourcing funding for the next stage of the Islandmagee Gas Storage project ("the Project") in order to undertake the Front End Engineering and Design ("FEED") and related commercialisation activities (to seek to provide additional certainty as to future revenues), to take the Project to the point of Final Investment Decision and seeking funding to commence construction.

- *Islandmagee Gas Storage project*
  - The 2017 FEED and commercialisation programme is budgeted at a total gross cost of £6 million and is designed to take the Project to the point where contracts for construction can be awarded, subject to further financing.
  - £3 million of the cost of the FEED and commercialisation programme is to be funded through an EU grant and from secured loans to be provided by the FEED contractors. Following completion of a placing to raise approximately £740,000 after expenses in March 2017 the funding requirement has reduced to £2.2 million.
  - First phase of FEED, known as Concept Evaluation, commenced during March 2017 comprising a value-enhancement exercise on the Project's current design basis.
    - The objective is to identify opportunities through which the current design and phasing could be optimised to enhance overall Project value.
    - In particular, Concept Evaluation aims to assess the potential for accelerating the delivery of capacity (or part thereof) to the gas markets at a time when there is uncertainty regarding the future of Centrica's Rough facility which has been providing circa 70% of the UK's gas storage capacity.
    - Concept Evaluation is now approaching completion and is expected to be concluded and results evaluated towards the end of April 2017.
  - Following completion of the FEED and commercialisation programme the Project will be ready to move into construction and delivery, subject to further funding.
  - Publication of Competent Person Report on the gas storage market in the UK and a review of the revenue assumptions for InfraStrata's economic model for the Project by the Energy Contract Company, a leading commercial consultancy in the global oil and gas industry.

Financial

- Total loss for the six month period ended 31 January 2017 of £492,682 (six months ended 31 January 2016 – loss £254,782) including loss of £105,856 from discontinued exploration activities (six months ended 31 January 2016 – profit of £39,091).
- The Group's cash and cash equivalents at 31 January 2017 was £1,633,916 (31 January 2016 - £1,024,471) including approximately £1.4 million (€1.6 million) received in July 2016 as an advance from the EU in respect of the FEED programme grant.
- Basic and diluted loss per share from continuing and discontinued activities – 0.26p (six months ended 31 January 2016 loss – 0.16p).
- Following the expenditure on funding Concept Evaluation to its completion, existing cash resources are believed to be sufficient to meet minimum corporate and Project expenditure until a point within Q4 2017, but without funding any additional work to further progress the FEED.

Post period

- Placing of ordinary shares raised £810,000 (approximately £740,000 after expenses) completed on 3 March 2017.
- Proceeds of placing utilised to fund the Concept Evaluation phase of FEED to its completion, to meet working capital and necessary Project expenditure requirements and repay £200,000 drawn down on Baron Oil plc loan.
- Company remains in discussions with parties over remaining £2.2m funding requirement to complete FEED and Commercialisation programme.

**Commenting on the results and outlook, Ken Ratcliff, Chairman, said:**

"We were delighted with the placing to raise £810,000 before expenses in March 2017 which has allowed us to press on with the important Concept Evaluation phase of the FEED for our Project. We are now working hard with the FEED contractors to finalise the Concept Evaluation phase and we look forward to providing an update on the results of Concept Evaluation in due course. We also remain in ongoing discussions to secure the remaining £2.2 million funding required to complete our 2017 work programme. We are also keeping a close watch on developments regarding Centrica's Rough facility and the impact that may have on the UK's gas storage capacity going forward.

In the meantime it is pleasing to report that the restructuring of our business to exit all petroleum exploration activities has now been substantially completed and management's focus is entirely towards the development of the Islandmagee gas storage project. We believe that InfraStrata is the only AIM-quoted company entirely focused on gas storage.

As ever, I would like to acknowledge and commend the extraordinary dedication, commitment and professionalism of our hardworking executive team."

**For further information, please contact:**

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Co-financed by the European Union
Connecting Europe Facility

The Front End Engineering & Design (FEED) and Insitu Downhole Testing programme for the Islandmagee gas storage project is co-financed by the European Union's Connecting Europe Facility.



## <u>Notes:</u>

**Background on InfraStrata plc**

InfraStrata is an independent gas storage company focused on the UK and Ireland.

Further information is available on the Company's website: www.infrastrata.co.uk.

**Background on the Islandmagee Storage Project**

The Islandmagee gas storage project company, Islandmagee Storage Limited ("IMSL"), is owned 90% by a wholly owned subsidiary of InfraStrata plc and 10% by a wholly owned subsidiary of Mutual Energy Limited. The Project is a proposed salt cavern gas storage facility located on Islandmagee in County Antrim, Northern Ireland. Work commenced in 2007 with the acquisition of 3D seismic data to image the Permian salt in the Larne Lough area. During 2012, planning permission was granted for the Project and a gas storage licence was issued by the Utility Regulator. In October 2013, the gas storage project was granted a 'Project of Common Interest' ("PCI") status by the European Commission. In 2015 a well was drilled to core the salt and confirm the technical feasibility of the Project, supported in part by the Commission. The final stage before a Final Investment Decision will be the Front-End Engineering Design and Commercialisation of the Project. To date approximately £11m has been expended on the Project.

Further information is available on the Project company's website: www.islandmageestorage.com.

## CHAIRMAN AND JOINT MANAGING DIRECTORS' STATEMENT

The restructuring of InfraStrata's business announced on 4 November 2016 has now been substantially completed, with the assignment and relinquishment of the remaining petroleum exploration licence interests now completed and operatorship transferred to other parties. Exploration activities during the six months ended 31 January 2017 also included the completion of activities at the Woodburn Forest-1 well on licence PL1/10, which was plugged and abandoned in June 2016 and the site subsequently restored. The Company's remaining minor Net Profits Interests in certain petroleum exploration licences are not currently expected to yield any material value for the foreseeable future.

The Company is fully engaged on the continuing development of its Islandmagee Gas Storage project, for which it is currently focussed on completing the funding for the next stage of the Project, the Front End Engineering and Design ("FEED") and related commercialisation activities (to seek to provide additional certainty as to future revenues) during 2017 and thereafter secure the required additional investment to take the Project into construction.

## ISLANDMAGEE GAS STORAGE PROJECT – COUNTY ANTRIM

Outline

The Project is being developed through Islandmagee Storage Limited ("IMSL") a Northern Ireland registered company which is jointly owned by InfraStrata UK Limited, a wholly-owned subsidiary of InfraStrata (90% shareholder), and Moyle Energy Investments Limited (10% shareholder). Moyle Energy Investments Limited is part of the Mutual Energy group of companies which owns and operates gas and electricity infrastructure in Northern Ireland on behalf of Northern Ireland consumers.

IMSL plans to create up to eight caverns, capable of storing up to a total of 420 million cubic metres of gas in Permian salt beds approximately 1,400 metres beneath Larne Lough. To date over £11 million has been expended on the Project, to acquire 3D seismic data, drill a well to acquire salt cores, undertake engineering design work, acquire rights on the full land assembly, and obtain planning permission and other consents required to construct the Project.

During 2015, a data gathering well was successfully drilled to a total depth of 1,753 metres, obtaining wireline data and cores of the 185.8 metre Permian salt sequence encountered. Test results on the salt cores and rock mechanics were incorporated into the Project's subsurface and surface facility preliminary design and cost estimates for the Project were updated. This £3.8m programme of work was co-funded by a €2.5 million grant from the European Union. The overall results from the technical programme of work were positive and the objective to confirm the feasibility of the development of an underground gas storage facility in salt caverns in this location was met.

The strategic importance of the Project is recognised by the Project being awarded Project of Common Interest ("PCI") status by the European Union. This status was first awarded in November 2013 and reconfirmed in November 2015 for a further two years. PCI status also means that the Project benefits from accelerated permitting procedures and improved regulatory conditions, which may potentially make it more attractive to investors. In addition, a PCI can apply for significant financial support from the European Union's Connecting Europe Facility ("CEF") including grants for both studies and works. Assistance may be in the form of direct grant or other forms of financial backing from institutions such as the European Investment Bank. The Project has already received grant assistance for the 2015 salt core well programme and for the FEED programme to be undertaken in 2017, subject to the appropriate additional funding for the FEED being secured by InfraStrata.

The Project has a number of advantages, including being immediately adjacent to gas and electrical infrastructure, the salt being at an optimum depth for gas storage and close to a water source for solution mining of the salt to create the caverns. The Project is also designed to access the extrinsic value of the gas storage market in the UK and Ireland by being able to respond to short-term volatility.

We believe that no other location on the island of Ireland is as suitable as Islandmagee for the development of salt cavern gas storage and that Northern Ireland has a valuable geological asset, which, when developed for underground salt cavern gas storage should make a significant contribution towards security of gas supplies to the wider region, including the north and south of the island of Ireland and mainland Great Britain.

Ireland is dependent on gas for around 40% of its electricity generation, with the majority of the island's gas imported via a single pipeline from Scotland. The Islandmagee facility, when complete, is intended to store enough gas to satisfy Northern Ireland's current demand for around 50 days**.**

The revenue model for the Project was based on assumptions of volatility and summer-winter price spreads by Baringa Partners ("Baringa"), an independent business and technology consultancy, for InfraStrata. This revenue model formed the basis for InfraStrata determining the Project's cashflow over a 20 year period. InfraStrata's economic model assumes a capital expense and pre-operations operating expense of £308m in aggregate, utilising 65% debt. InfraStrata has estimated the net present value (NPV) of the Project to be £67m at an 8% discount rate and £38m at a 10% discount rate. It should be noted that these NPV estimates represent InfraStrata's internal estimates, which have not been reviewed by any third party consultancies or competent persons.

In October 2016 we announced the publication of a competent person report (the "CPR") on the gas storage market in the UK and a review of the revenue assumptions for InfraStrata's economic model of the Islandmagee gas storage project by The Energy Contract Company ("ECC"), a leading commercial consultancy in the global oil and gas industry. The full report titled "The gas storage market in the UK and review of revenue assumptions in economic model for the Islandmagee gas storage project" is available on the Company's website, www.infrastrata.co.uk, with a summary of its findings below.

The executive summary points in the CPR are as follows:

- Most gas sold in the UK is used for space heating, so demand has always varied significantly from day to day, due to temperature variations. In future these short term variations in demand should become significantly greater. UK Government energy policy now emphasises the need to replace power generation from fossil fuels with electricity generated from renewable sources, such as wind. As wind is not consistent, gas fired generation will have to make up any deficit. Short term gas demand levels will therefore vary increasingly, depending on whether the wind is blowing or not.

- Many traditional means of meeting peak gas demand such as swing from offshore fields and interruptible gas sales contracts have almost disappeared to be replaced by other sources of peak supply, such as pipeline gas imports from the rest of Europe and LNG imports. However, there are drawbacks to reliance on these sources in future. Historic data shows gas suppliers in the rest of Europe are reluctant to supply the UK in cold winter conditions, if it means that they might be risking their own supply requirements. There are also problems with LNG as a source of peak gas, as the long-time lags for the delivery of LNG cargoes mean it is difficult for LNG producers and traders to react to short term high prices in the UK market, which might have collapsed by the time a cargo arrives in the UK.

- In continental Europe the traditional means of supplementing gas supplied to meet peak demand was through the use of gas storage, which remains much less common in the UK. Gas storage levels in the UK are very low compared to the rest of Europe. Average UK storage capacity is only equivalent to 6.4% of annual demand in the UK compared to 25-35% in the other major European markets.

- The situation in the UK has been exacerbated by recent technical problems on the Rough storage facility, which has severely restricted injection this summer. There have also been problems on the Hornsea storage facility. Both Rough and Hornsea, which account for almost 75% of UK gas storage capacity, are now over 30 years old and their continuing availability in the longer term must be subject to some doubt.

- The cessation of injection at Rough in summer of 2016 seems to have led to a surge in price volatility in late 2016. From October 2013 to July 2016 the Short term Gas Volatility Index averaged 34%. However Q4 2016 volatility trebled to 126%. Salt cavern storage projects such as Islandmagee depend on short term volatility to enable the users to gain from injecting gas on low price days and producing later on when prices have risen. The greater the volatility the more profitable the project.

- The CPR concludes that as a result of increased use of renewable generation, gas demand will become even more variable on a short term basis in the future. The existing means of meeting this variation in demand may well be inadequate in future, so price volatility is likely to increase, perhaps significantly.

ECC concluded that the underlying assumptions in the Baringa model are reasonable.

<u>2016 Monetisation and restructuring process</u>

During 2016 the Company organised an extensive monetisation process through Centrus Advisors LLP and VSA Capital Ltd, both having been appointed in March 2016. A wide range of options were explored, from investment into the Project alongside the EU grant, risk sharing with contractors, or the sale of the entire Project to a third party.

As a result of the feedback from this process, together with the positive changes in the fundamentals of the gas storage market and the supportive CPR announced in October 2016, the Board decided to restructure the Company's business with the goal of attracting the remaining risk capital required to take the Project through to Final Investment Decision ("FID"). The restructuring has included increasing InfraStrata's equity position in IMSL from 65% to 90% and divesting all the Company's other remaining business interests, as announced in September 2016.

<u>2017 FEED and commercialisation programme</u>

As part of a commercialisation process that is planned to run alongside the FEED in 2017, InfraStrata will seek to secure pre-contracted revenue agreements in relation to the Project's future storage capacity to support further project finance. During the 2016 monetisation process, the Company had a number of discussions regarding the Project with interested parties. The feedback at that time, in the context of potential investment in gas infrastructure, was that it would be preferable for the FEED to be completed and for the Project to have sufficient certainty with regards to revenues, including pre-contracted revenues where possible, in order to reduce commercial risk and support the additional project finance that would be required. As explained below, the Company has committed to finance the entire Concept Evaluation stage of the FEED, which is now approaching completion.

In June 2016, we concluded a further grant from the EU under the CEF for 50% of the cost of FEED and related insitu downhole testing up to a maximum of €4.024 million. An advance payment of €1.6 million (£1.4 million) was received in July 2016 and has since been held in a Euro denominated bank account pending completion of the remaining 50% funding required to both match the grant for FEED and also to complete the commercialisation programme during 2017. The balance of the grant will be received following completion of the FEED.

The total cost of the FEED programme is £6 million which includes a £4 million engineering budget and funds for corporate overheads, working capital and bridging finance on the EU grant funds which will be received following completion of the FEED programme as explained above. The bridging finance could be in the form of debt.

On 4 November 2016, we announced that following the completion of a tendering process, the Company had selected FEED contractors for the Project's above-ground facilities and for the sub-surface elements. The FEED will include a detailed plant design specification for the Project, a detailed project plan and cost estimate. Both the FEED contractors have an international reputation and have experience of working on many existing salt cavern storage projects, including in the UK.

Both FEED contractors will provide loans in aggregate of up to £1.1m based on a total anticipated engineering budget of £4m. These loans, which are subject to contracts being agreed and upon InfraStrata securing the remaining funding for the FEED, will be repayable at FID, when a decision will be made as to whether to proceed to construction, or on 31 December 2018, whichever is earlier. The loans will be secured on the assets of IMSL and attract interest at 10 per cent. per annum, which will be rolled up and paid on the loan repayment date.

Following completion of a placing to raise £810,000 (approximately £740,000 after expenses) on 3 March 2017, the remaining funding required to complete the FEED and commercialisation programme during 2017 is £2.2 million.

On 16 March 2017 the Company announced that it had commenced the first phase of FEED, known as Concept Evaluation, funded using part of the net proceeds of the placing completed on 3 March 2017. Concept Evaluation involves the FEED contractors undertaking a value enhancement exercise on the Project's current design basis. The objective is to identify opportunities through which the current design and phasing could be optimised, to enhance overall project value and in particular, to assess the potential for accelerating the delivery of capacity (or part thereof) to the gas markets. The outcome of the Concept Evaluation will provide key inputs to the completion of the FEED scope, to produce a fully integrated programme of work and deliverables.

In connection with the placing to raise £810,000 (approximately £740,000 after expenses) that completed on 3 March 2017, the Company stated that part of the net proceeds of the placing would be used to provide additional working capital and cover the anticipated costs on the Project until the end of the year, depending on progress with the Concept Evaluation phase of the FEED. Having commenced the Concept Evaluation process and having seen the early results from the process, the Board was of the view that it was important that Concept Evaluation is completed in order to receive the full benefit of the outcome of the process (as described above) and to add value to the Project as a whole. The Company therefore committed to finance the entire Concept Evaluation phase.

Following the expenditure on funding Concept Evaluation to its completion, the Board believes that the Company will have existing cash resources that are sufficient to meet minimum corporate and Project expenditure until a point within Q4 2017, but without funding any additional work to further progress the FEED. As at the date of this report, the Concept Evaluation phase is approaching completion and it is anticipated that the Concept Evaluation phase will be concluded and the results evaluated towards the end of April 2017.

The Company remains in ongoing fundraising discussions with interested parties to provide the remaining £2.2 million funding required to complete the entire FEED and commercialisation work programme. There can be no guarantee at this stage that the Company will be successful in its ongoing discussions with potential investors to secure the remaining £2.2 million funding required and if the Board considers that the Company will not be able to secure the remaining funding then it may place the Project on a care and maintenance budget, and consider utilising the remaining funds available to explore other options for the Company, which may include a sale of the Project and/or its assets.

The Directors remain confident that the Project is economically viable, and that, following the completion of the FEED and commercialisation programme, the Project would be capable of attracting further new investment for the Company and the Project.

## FINANCIAL RESULTS AND FUNDING

Petroleum exploration and evaluation operations have been classified as discontinued for all periods reported. Management and administrative expenses totalled £483,979 (six months ended 31 January 2016: £419,895) of which £387,182 (six months ended 31 January 2016: £293,926) was attributable to continuing operations. The Group recorded a loss of £492,682 (six months ended 31 January 2016: loss of £254,782) including a loss of £105,856 (six months ended 31 January 2016: profit of £39,091) from discontinued operations. The loss for the current period is stated after charging impairments of all remaining Exploration and Evaluation assets of £24,332. The loss in the six months to 31 January 2016 was after crediting profit on disposal of Exploration and Evaluation assets of £156,446.

Management and administrative expenditure is further analysed in note 3 to the interim results which shows that the cash cost of management and administration in the six months to 31 January 2017 was £465,578 compared to £405,778 in the corresponding period last year. Expenditure in the current period totalling £144,000 was associated with the restructuring of the Company's business or is otherwise non-recurring. The Group's current annualised cash cost of management and administration, assuming full funding for the FEED and commercialisation programme, is less than £800,000.

Gross expenditure on the Islandmagee gas storage project during the six months to 31 January 2017 was £83,981 (six months ended 31 January 2016 - £485,669), comprising costs associated with the renewal of land options and other general Project costs. Net Exploration and Evaluation expenditure during the six months to 31 January 2017 was £4,873 (six months ended 31 January 2016 - £39,730) offset by the receipt of income as operator totalling £15,273 (six months ended 31 January 2016 - £8,594). All of the Company's petroleum exploration licence interests have now been assigned or relinquished and no further expenditure is expected.

In May 2015 the Company concluded a Convertible Loan Facility Agreement with Baron Oil Plc ("Baron") under which Baron provided a loan for €1.8 million (£1,400,364) to InfraStrata which was used as working capital to bridge the receipt of the CEF grant, 70% of which amounting to €1.75 million (£1,358,063) was received from the EU in May 2016 and placed into an escrow arrangement as security for the loan. In August 2016 the loan was repaid in full by release to Baron of the £1,358,063 held in escrow, a payment of £42,301 and a further payment of £136,134 for the interest on the loan which had been accrued and capitalised to intangible gas storage development costs at 31 July 2016. Following a revision to the terms of the Convertible Loan Facility Agreement announced on 26 September 2016, Baron had an accompanying option to acquire the number of ordinary shares in InfraStrata that represented 16.666% of the enlarged ordinary share capital of InfraStrata (from time to time) for a payment of £1,536,498. This option expired on 31 March 2017 without being exercised.

On 5 January 2017, the Company entered into a new secured loan agreement with Baron for a facility of up to £300,000 to provide working capital for the Group and £200,000 of this facility was drawn down during January 2017. Subsequent to the end of the reporting period, on 29 March 2017, the Company announced that following the completion of the placing to raise £810,000 before expenses (see below) it had repaid the £200,000 drawn down on the loan facility with Baron. The loan facility is being cancelled and its various security arrangements are in the process of being released.

Baron remains entitled to receive an additional £200,000 (the "Additional Payment") in the event of a sale or disposal by InfraStrata or its subsidiaries, IMSL and InfraStrata UK, of substantially all of their assets, which comprise interests in the Islandmagee gas storage project, and/or a change in control of InfraStrata, IMSL or InfraStrata UK, within two years from the date of the loan agreement. In the event of a partial disposal of InfraStrata, IMSL or InfraStrata UK's interests in the Islandmagee gas storage project (whereby InfraStrata and InfraStrata UK retain control of IMSL), the Additional Payment will be reduced to £100,000, with the remaining £100,000 payable in the event of a subsequent disposal or change in control of IMSL or the Islandmagee gas storage project during the two year period. The required accounting treatment of this contingent settlement financial liability is described in note 6 to the interim results.

The Group's cash and cash equivalents at 31 January 2017 was £1,633,916 (31 January 2016 - £1,024,471) including £1.4 million (€1.6 million) received in advance from the EU in respect of the FEED programme grant which will not be utilised until the full funding for the FEED programme has been secured.

Subsequent to the end of the reporting period, on 27 February 2017, the Company announced a placing to raise £810,000 (approximately £740,000 after expenses) through the issue of 162,000,000 new ordinary shares of 0.01p each in the Company. The placing followed the approval of a share capital reorganisation at the Company's Annual General Meeting ("AGM") on 31 January 2017 and the placing shares were issued under authorities granted to the Directors at the AGM. In addition to repaying the Baron loan of £200,000 (see above) the net proceeds of the placing are now partly being used to progress the Concept Evaluation phase of the FEED programme and to provide working capital and cover anticipated costs on the Project. Following the funding of the Concept Evaluation phase of FEED to its completion, the Directors believe that the Group currently has sufficient funds to meet minimum corporate and Project expenditure until a point within Q4 2017, without funding any additional work to further progress the FEED.

At the date of this report, discussions remain on-going with parties with a view to securing the remaining £2.2 million funding required to complete the FEED and commercialisation programme during 2017. The directors anticipate that this remaining funding requirement will be secured and therefore consider it appropriate to prepare the interim financial information on a going concern basis which assumes that the Group will continue in operational existence without significant curtailment of its activities for the foreseeable future.

Following a successful outcome from the completion of the FEED and commercialisation programme, the Project should be ready to move into a construction and delivery phase. At that time, the Company will further evaluate the optimum way to structure the funding of the initiation and delivery of that phase for our shareholders and will evaluate the available sources of funding, including both debt and equity participation, to fund both the continuing operations of the Company and the commencement of construction. The full Project construction is expected to be delivered over a number of years at an aggregate cost of approximately £300 million and to be delivered on a phased basis.

However, the success of securing the required remaining funding of £2.2m is uncertain. The directors continue to conclude that in the absence of securing such funding, a material uncertainty exists that may cast significant doubt upon the Group's ability to continue as a going concern in the medium to longer-term, and therefore in this scenario the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Were the Group no longer a going concern, the Group's capitalised Project development costs totalling £6,200,095 may become impaired in value, provision would be required for the future liabilities arising as a consequence of the Group ceasing business and assets and liabilities currently classified as non-current would be reclassified as current.

**Ken Ratcliff - Chairman**
**Anita Gardiner – Joint Managing Director**
**Stewart McGarrity – Joint Managing Director**

**19 April 2017**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**for the six months ended 31 January 2017**

| | Notes | Six months ended 31 January 2017 Unaudited £ | Six months ended 31 January 2016 Unaudited £ | Year ended 31 July 2016 Audited £ |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue | 2 | - | - | 500,000 |
| Cost of sales | | - | - | - |
| **Gross profit** | | - | - | 500,000 |
| Management and administrative expenses | 3 | (387,182) | (293,926) | (677,735) |
| **Operating loss** | | (387,182) | (293,926) | (177,735) |
| Finance income | | 356 | 53 | 121 |
| **Loss before taxation** | | (386,826) | (293,873) | (177,614) |
| Taxation | | - | - | - |
| **Loss for the period from continuing operations** | | (386,826) | (293,873) | (177,614) |
| **(Loss) profit for the period from discontinued operations** | 4 | (105,856) | 39,091 | 244,569 |
| **(Loss) profit for the period attributable to the equity holders of the parent** | | (492,682) | (254,782) | 66,955 |
| **Other comprehensive income** | | - | - | - |
| **Total comprehensive (loss) profit for the period attributable to the equity holders of the parent** | | (492,682) | (254,782) | 66,955 |
| **Basic and diluted earnings per share** | 5 | | | |
| Continuing operations | | (0.21)p | (0.18)p | (0.10)p |
| Discontinued operations | | (0.05)p | 0.02p | 0.14p |
| Continuing and discontinued operations | | (0.26)p | (0.16)p | 0.04p |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**as at 31 January 2017**

| | Note | 31 January 2017 Unaudited | 31 January 2016 Unaudited | 31 July 2016 Audited |
|---|---|---|---|---|
| | | **£** | **£** | **£** |
| **Non-current assets** | | | | |
| Intangible fixed assets: | | | | |
| Gas Storage Development | | 6,200,095 | 5,994,949 | 6,116,114 |
| Exploration & Evaluation | | - | 46,995 | 19,459 |
| Property, plant and equipment | | 440,100 | 440,383 | 440,744 |
| Deferred liability | 6 | 100,000 | - | - |
| **Total non-current assets** | | 6,740,195 | 6,482,327 | 6,576,317 |
| **Current assets** | | | | |
| Trade and other receivables | | 161,314 | 171,746 | 1,182,572 |
| Deferred liability | 6 | 100,000 | - | - |
| Grant receivable | | - | 1,330,798 | - |
| Restricted cash | | - | - | 1,358,063 |
| Cash & cash equivalents | | 1,633,916 | 1,024,471 | 2,454,006 |
| **Total current assets** | | 1,895,230 | 2,527,015 | 4,994,641 |
| **Current liabilities** | | | | |
| Trade and other payables | | (227,911) | (843,335) | (1,693,055) |
| Grant received in advance | | (1,381,543) | - | (1,358,886) |
| Short-term borrowings | | (200,000) | (1,368,821) | (1,400,364) |
| **Total current liabilities** | | (1,809,454) | (2,212,156) | (4,452,305) |
| **Net current assets** | | 85,776 | 314,859 | 542,336 |
| Financial liability | 6 | (200,000) | - | - |
| **Net assets** | | 6,625,971 | 6,797,186 | 7,118,653 |
| **Shareholders' funds** | | | | |
| Share capital | | 10,834,660 | 10,834,660 | 10,834,660 |
| Share premium | | 13,440,878 | 13,440,878 | 13,440,878 |
| Merger reserve | | 8,988,112 | 8,988,112 | 8,988,112 |
| Share based payment reserve | | 616,096 | 616,366 | 616,096 |
| Retained earnings | | (27,253,775) | (27,082,830) | (26,761,093) |
| **Total equity** | | 6,625,971 | 6,797,186 | 7,118,653 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## for the six months ended 31 January 2017

| | Share capital £ | Share premium £ | Merger reserve £ | Share based payment reserve £ | Retained earnings £ | Total equity £ |
|---|---|---|---|---|---|---|
| **Balance at 31 July 2015** | 10,474,160 | 13,379,415 | 8,988,112 | 603,626 | (26,828,048) | 6,617,265 |
| Loss for the period | - | - | - | - | (254,782) | (254,782) |
| Total comprehensive loss for the period | - | - | - | - | (254,782) | (254,782) |
| Shares issued | 360,500 | 61,463 | - | - | - | 421,963 |
| Share based payments | - | - | - | 12,740 | - | 12,740 |
| **Balance at 31 January 2016** | 10,834,660 | 13,440,878 | 8,988,112 | 616,366 | (27,082,830) | 6,797,186 |
| Profit for the period | - | - | - | - | 321,737 | 321,737 |
| Total comprehensive loss for the period | - | - | - | - | 321,737 | 321,737 |
| Share based payments | - | - | - | (270) | - | (270) |
| **Balance at 31 July 2016** | 10,834,660 | 13,440,878 | 8,988,112 | 616,096 | (26,761,093) | 7,118,653 |
| Loss for the period | - | - | - | - | (492,682) | (492,682) |
| Total comprehensive loss for the period | - | - | - | - | (492,682) | (492,682) |
| **Balance at 31 January 2017** | 10,834,660 | 13,440,878 | 8.988,112 | 616,096 | (27,253,775) | 6,625,971 |

**CONSOLIDATED CASH FLOW STATEMENT**
**for the six months ended 31 January 2017**

| | Six months ended 31 January 2017 Unaudited £ | Six months ended 31 January 2016 Unaudited £ | Year ended 31 July 2016 Audited £ |
|---|---|---|---|
| **Operating activities** | | | |
| Operating loss for the period | (387,182) | (293,926) | (177,735) |
| Depreciation | 644 | 70 | 167 |
| Decrease (Increase) in trade and other receivables | 1,021,258 | 128,662 | (882,164) |
| (Decrease) Increase in trade and other payables | (1,465,144) | 141,855 | 938,264 |
| Share options expense | - | 12,740 | 12,470 |
| Exchange differences | 22,657 | - | 33,301 |
| Cash (used in) discontinued operations | (81,524) | (117,375) | (180,933) |
| **Net cash (used in) continuing and discontinued operating activities** | (889,291) | (127,974) | (256,630) |
| **Investing activities** | | | |
| Interest received | 356 | 53 | 121 |
| Purchase of intangible assets: | | | |
| Gas Storage Development | (83,981) | (485,669) | (608,760) |
| Exploration & Evaluation (discontinued) | (4,873) | (39,730) | (43,158) |
| Proceeds from Exploration and Evaluation assets (discontinued) | | | |
| Disposals | - | 326,459 | 626,459 |
| Receipt of back costs under farmouts | - | 199,170 | 252,481 |
| Grants received | - | - | 2,689,852 |
| Purchase of equipment | - | - | (458) |
| **Net cash (used in) generated from investing activities** | (88,498) | 283 | 2,916,537 |
| **Financing activities** | | | |
| Proceeds on issue of ordinary shares | - | 421,963 | 421,963 |
| Drawdown of short term borrowings | 200,000 | 300,000 | 300,000 |
| Repayment of short term borrowings | (1,400,364) | - | - |
| **Net cash (used in) generated from financing activities** | (1,200,364) | 721,963 | 721,963 |
| **Net (decrease) increase in cash and cash equivalents** | (2,178,153) | 594,272 | 3,381,870 |
| Cash and cash equivalents at beginning of period | 3,812,069 | 430,199 | 430,199 |
| **Cash and cash equivalents at end of period** | 1,633,916 | 1,024,471 | 3,812,069 |
| Cash and cash equivalents consist of: | | | |
| Restricted cash | - | - | 1,358,063 |
| Cash at bank | 1,633,916 | 1,024,471 | 2,454,006 |
| | 1,633,916 | 1,024,471 | 3,812,069 |

**NOTES TO THE INTERIM RESULTS**
**for the six months ended 31 January 2017**

## 1. Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as adopted by the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 31 July 2017.

### Non-statutory accounts

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

A copy of the statutory accounts of the Company for the year ended 31 July 2016 has been delivered to the Registrar of Companies. The audit report on these accounts is unqualified and did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006. In their report, the auditors drew attention, by way of emphasis of matter, and without qualifying their report, to material uncertainties which existed with respect to the ability of the group to continue as a going concern and the carrying value of the Islandmagee gas storage facility should further funds to develop the Project not be secured. The current position regarding these uncertainties is detailed below.

The financial information for the six months ended 31 January 2017 and 31 January 2016 is unaudited.

### Accounting policies

The interim financial information has been prepared under the historical cost convention. In preparing this interim financial information, the directors have had to develop a policy for accounting for the contingent settlement financial liability arising from the Baron loan facility entered into in the period, as described in note 6. In all other respects, the same accounting policies, presentation and methods of computation are followed in preparing the interim financial information as were applied in preparation of the Group's financial statements for the year ended 31 July 2016.

### Going concern and carrying value of Islandmagee gas storage project

On 3 March 2017 the Group secured an additional £810,000 (approximately £740,000 after expenses) through a placing of shares. These funds have been applied to repay all short term borrowings and to finance the Concept Evaluation phase of FEED and thereafter will provide sufficient funds to meet minimum corporate and Project expenditure until a point within Q4 2017. At the date of this report, discussions remain on-going with parties with a view to securing the remaining £2.2 million funding required to complete the FEED and commercialisation programme during 2017.

The directors anticipate that this remaining funding requirement will be secured and therefore consider it appropriate to prepare the interim financial information on a going concern basis which assumes that the Group will continue in operational existence without significant curtailment of its activities for the foreseeable future.

Following the completion of the FEED and commercialisation programme the Project will be ready to move into construction and delivery and at that time the Company will further evaluate the optimum way to structure the funding of the initiation and delivery of that phase for our shareholders and will evaluate the available sources of funding, including both debt and equity participation, to fund both the continuing operations of the Company and the commencement of construction. The full Project construction is expected to be delivered over a number of years at an aggregate cost of approximately £300 million and to be delivered on a phased basis.

## NOTES TO THE INTERIM RESULTS
**for the six months ended 31 January 2017 (*continued*)**

### 1. Basis of preparation (*continued*)

**Going concern and carrying value of Islandmagee gas storage project (*continued*)**

The directors remain confident that the Project is economically viable and that following the successful completion of the FEED and commercialisation programme, further new investment for the Company and the Project will be secured. Having reviewed the value of gas storage assets in accordance with the principles as described in the 2016 financial statements, the directors are of the opinion that the Company's assets are not impaired in value.

However, the success of securing the required remaining funding of £2.2m is uncertain. The directors continue to conclude that in the absence of securing such funding, a material uncertainty exists that may cast significant doubt upon the Group's ability to continue as a going concern in the medium to longer-term, and therefore in this scenario the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Were the Group no longer a going concern, the Group's capitalised Project development costs totalling £6,200,095 may become impaired in value, provision would be required for the future liabilities arising as a consequence of the Group ceasing business and assets and liabilities currently classified as non-current would be reclassified as current.

### 2. Revenue

| | Six months ended 31 January 2017 Unaudited £ | Six months ended 31 January 2016 Unaudited £ | Year ended 31 July 2016 Audited £ |
|---|---|---|---|
| Licensing of seismic data | - | - | 500,000 |

### 3. Administrative expenditure

| | Six months ended 31 January 2017 Unaudited £ | Six months ended 31 January 2016 Unaudited £ | Year ended 31 July 2016 Audited £ |
|---|---|---|---|
| Administrative costs which are paid in cash | 465,578 | 405,778 | 853,850 |
| Advisor costs relating to Islandmagee Storage | 17,771 | - | 41,520 |
| Non-cash items: | | | |
| - Share options expense | - | 12,740 | 12,470 |
| - Depreciation | 644 | 70 | 167 |
| - Exchange differences | (14) | 1,307 | 23,180 |
| Pre-licence costs written off | - | - | 1,448 |
| | 483,979 | 419,895 | 932,635 |
| Attributable to: | | | |
| Continuing operations | 387,182 | 293,926 | 677,735 |
| Discontinued operations | 96,797 | 125,969 | 254,900 |
| | 483,979 | 419,895 | 932,635 |

## 4. (Loss) profit from discontinued activities

Discontinued activities comprise the Group's former petroleum Exploration and Evaluation activities.

| | **Six months ended 31 January 2017 Unaudited £** | **Six months ended 31 January 2016 Unaudited £** | **Year ended 31 July 2016 Audited £** |
|---|---|---|---|
| Revenue | 15,273 | 8,594 | 73,967 |
| Management & administrative expenses | (96,797) | (125,969) | (254,900) |
| Profit on disposal of Exploration and Evaluation assets | - | 156,466 | 453,945 |
| Impairment of Exploration and Evaluation assets | (24,332) | - | (28,443) |
| | (105,856) | 39,091 | 244,569 |

## 5. Earnings per share

| | **Six months ended 31 January 2017 Unaudited £** | **Six months ended 31 January 2016 Unaudited £** | **Year ended 31 July 2016 Audited £** |
|---|---|---|---|
| **(Loss) profit** | | | |
| The (loss) profit for purposes of basic and diluted (loss) profit per share being the net (loss) profit attributable to equity shareholders: | | | |
| Continuing operations | (386,826) | (293,873) | (177,614) |
| Discontinued operations | (105,856) | 39,091 | 244,569 |
| Continuing and discontinued operations | (492,682) | (254,782) | 66,955 |
| **Number of shares** | | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 188,041,599 | 156,429,665 | 172,318,503 |
| **Basic and diluted earnings per share** | | | |
| Continuing operations | (0.21)p | (0.18)p | (0.10)p |
| Discontinued operations | (0.05)p | 0.02p | 0.14p |
| Continuing and discontinued operations | (0.26)p | (0.16)p | 0.04p |

For the six months ended 31 January 2017 and 31 January 2016 share options were not dilutive as a loss was incurred. For the year ended 31 July 2016 the share options were not dilutive as the exercise price on all options in issue was in excess of the average price of the Company's shares throughout the year.

## 6. Financial liability

On 5 January 2017, the Company entered into a secured loan agreement with Baron for a facility of up to £300,000 to provide working capital for the Group and £200,000 of this facility was drawn down during January 2017. Subsequent to the end of the reporting period, on 29 March 2017, the £200,000 drawn down on the loan facility was repaid. The loan facility is being cancelled and its various security arrangements are in the process of being released.

Baron remains entitled to receive an additional £200,000 (the "Additional Payment") in the event of a sale or disposal by InfraStrata or its subsidiaries, IMSL and InfraStrata UK, of substantially all of their assets, which comprise interests in the Islandmagee gas storage project, and/or a change in control of InfraStrata, IMSL or InfraStrata UK, within two years from the date of the loan agreement. In the event of a partial disposal of InfraStrata, IMSL or InfraStrata UK's interests in the Islandmagee gas storage project (whereby InfraStrata and InfraStrata UK retain control of IMSL), the Additional Payment will be reduced to £100,000, with the remaining £100,000 payable in the event of a subsequent disposal or change in control of IMSL or the Islandmagee gas storage project during the two year period.

Under IAS 39 - Financial Instruments: Recognition and Measurement the Company is required to recognise the fair value of this contingent settlement financial liability at inception and to subsequently recognise the liability at its amortised cost, using the effective interest rate method, adjusting the expected future cash flows as required. Establishing the fair value of the liability and subsequently its amortised cost requires the determination of the expected future cash flows; if it is not possible to reliably estimate these, then the full contractual cash flows are used. The directors are currently unable to reliably determine whether a change in control of InfraStrata or a sale or partial disposal of its subsidiaries or their interests in the Islandmagee gas storage will take place in the period to 4 January 2019. Therefore the full liability of £200,000 has been recognised as a long term financial liability in the consolidated statement of financial position. In establishing this fair value, discounting for the time value of money has been ignored as immaterial

At inception, IAS 39 requires that the liability initially recognised be deferred thus creating a corresponding asset which is amortised as an expense to the consolidated statement of comprehensive income the over the two year period from 5 January 2017. The amortisation is undertaken on a straight line basis, save that if there is a reduction in the amortised cost of the corresponding liability arising from reductions in expected future cash flows, the amortisation will be accelerated accordingly. The asset has been recognised as a deferred liability, with £100,000 included as a non-current asset and £100,000 as a current asset being the proportion of the liability which is expect to be amortised within twelve months. Amortisation for the period 5 January to 31 January 2017 has been ignored as immaterial.

The expect future cash flows will be reviewed at each period end and to the extent the future cash out flows are not expected to crystallise, the amortised cost of the liability will be adjusted, resulting in corresponding credits to the consolidated statement of comprehensive income. If the expected future cash flows are subsequently reinstated, the liability is increased and a debit to the consolidated statement comprehensive income will arise.

## 7. Dividend

The Directors do not recommend payment of a dividend for the half year to 31 January 2017.

## 8. Publication of the interim report

This interim report is available on the Company's website www.infrastrata.co.uk.