



INFRASTRATA plc
Annual Report & Financial Statements
2015

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DIRECTORS, SECRETARY, ADVISORS AND SHAREHOLDER INFORMATION

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| Directors | Kenneth Maurice Ratcliff (<i>Non-executive Chairman</i>) Andrew David Hindle (<i>Chief Executive Officer</i>) Stewart McGarrity (<i>Finance Director</i>) Anita Elizabeth Gardiner (<i>Commercial Development Director</i>) Maurice Edward Hazzard (<i>Non-executive Director</i>) |
| Company secretary | Walter Rookehurst Roberts |
| Registered office | Blackstable House Longridge Sheepscombe Stroud Gloucestershire, GL6 7QX |
| Principal office | 80 Hill Rise Richmond Surrey, TW10 6UB |
| Auditor | Nexia Smith & Williamson Statutory Auditor 1 Bishops Wharf, Walnut Tree Close Guildford Surrey, GU1 4RA |
| Tax advisors | Smith & Williamson LLP Chartered Accountants 1 Bishops Wharf, Walnut Tree Close Guildford Surrey, GU1 4RA |
| Registrars | Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent, BR3 4TH |
| Nominated advisor and joint broker | Allenby Capital Limited 3 St Helen's Place London, EC3A 6AB |
| Joint broker | VSA Capital Limited New Liverpool House 15-17 Eldon Street London, EC2M 7LD |
| Solicitors | Field Fisher Waterhouse LLP Riverbank House 2 Swan Lane London, EC4R 3TT |
| Bankers | Bank of Scotland plc 33 Old Broad Street London, EC2N 1HZ |

CHAIRMAN'S STATEMENT

The past year has seen great progress towards the monetisation of our 65% interest in the Islandmagee gas storage project but has also seen continued negative market sentiment towards investment in oil and gas exploration, none more so than for AIM listed companies, and this is reflected in share prices and the challenges associated with raising new capital to invest in exploration. The company has responded by embarking on a strategic review resulting in the disposal of the majority of our exploration assets whilst retaining an interest in future exploration success. As a result, the operations of InfraStrata going forward into 2016 are focused on the delivery of value to shareholders from our gas storage project at Islandmagee. The feasibility phase of the project has now addressed all key technical risks enabling us to move forward to seek the investors who will take it through detailed design and on to full construction.

At Islandmagee we have successfully completed the drilling of the Islandmagee-1 salt core well, subsequent salt testing and design development; all on time and within budget. The completion of this programme of work is testament to our small management team's ability to procure and operate a well successfully and effectively manage the relationships with the permitting and licencing agencies and the local community. The programme of work at a total cost of £3.8m was 50% funded by the European Union ("EU") Connecting Europe Facility with the balance provided by InfraStrata shareholders. Bridging finance for the programme was provided by our new partner Baron Oil plc who have an option to convert their loan into a 15% interest in the project.

The EU funding was available by virtue of the project's status as a Project of Common Interest ("PCI"). In November we were delighted to announce that the project's PCI status has been renewed for another two years until 2017. This is a major advantage for the project providing as it does support for permitting and continued access to funding through grants for further studies or financial contributions to the construction of the project. We will continue to pursue the advantages of the project's PCI status in a way which ensures the project remains funded and our shareholders' investment in it is secured.

The news in August 2015 that Larne Oil and Gas Limited was unable to meet its funding obligations in respect of licences PL1/10 and P2123 placed the Company in unexpected financial difficulties. This, coupled with continuing deterioration in the oil and gas investment market, culminated in our November announcement that we had entered into agreements with Corallian Energy Limited ("Corallian") to dispose of most of our exploration interests for £240,000 in cash plus retained Net Profits Interest ("NPI") instruments in each of the assets sold. A further £300,000 will be received if we achieve full funding of the Woodburn Forest-1 well to be drilled on licence PL1/10 in County Antrim in which it is expected InfraStrata will retain a 10% interest fully funded through the well. The Board believes these transactions provide absolute clarity regarding the Company's long stated strategy of not using its own cash resources to fund major exploration expenditure whilst in the process of monetising the gas storage project. No further investment is expected to be required by InfraStrata in the assets sold, but the Company retains an upside in the event of any successful exploration through the retained NPI instruments and the retained operated interest in licence PL1/10.

With respect to the Woodburn Forest-1 well our management team's efforts have resulted in a fully permitted and procured well which we hope to drill in H1 2016, again demonstrating our excellent working relationship with the relevant agencies in Northern Ireland. This project provides an excellent near term opportunity targeting significant and economically viable resources even with currently depressed oil prices.

The cash consideration from the Corallian transactions provides short term capital for our immediate working capital needs. However uncertainties remain including the timing and extent of the additional £300,000 element of the cash consideration from Corallian. The Company remains dependent upon direct investment in our projects and, where necessary and appropriate, will seek additional funds from existing and new shareholders both to meet working capital requirements and to progress the delivery of our projects. The Board have prepared the financial statements on the basis that such support will continue for the foreseeable future.

I would like to thank again our small management team who continue to show the skill and dedication to take our projects forward in very difficult market conditions whilst implementing cost reduction which have resulted in our internal project management and company administration costs reducing to less than £800,000 on an annualised basis, a 35% reduction since October 2014. Your Board is now firmly focussed on securing best value from the Islandmagee gas storage project in 2016 and, as ever, I offer my thanks to shareholders for their continuing support in this endeavour.

Ken Ratcliff
Non-executive Chairman
7 December 2015

STRATEGIC REPORT

STRATEGY AND BUSINESS MODEL

Strategic review

During 2015 InfraStrata, like many small companies with oil and gas exploration activities, has faced a very difficult market in which to secure new funding for its exploration activities. This has been precipitated by poor market sentiment following the very significant fall in oil prices since the summer of 2014. For InfraStrata this was exacerbated by confirmation from Larne Oil & Gas Limited in August 2015 that they were unable to meet their funding obligations on the PL1/10 and P2123 licences in Northern Ireland.

With upcoming expenditure commitments in 2016 across the portfolio of exploration assets, the Board determined that the transfer of substantially all future commitments associated with the exploration assets in exchange for a cash consideration and a retained interest in the assets represented the best outcome for shareholders. This strategy means future expenditure on these assets will be funded by specialist investors and avoids dilution in the Islandmagee project for shareholders through equity fundraising for the purposes of exploration at a time of depressed share prices. The strategy of divesting the exploration assets in exchange for cash and a retained interest also enables the Company to focus on the development and monetisation of its gas storage project in 2016.

In February 2015 we raised £2.0 million from a placing which together with £0.4 million from a data licensing agreement provided us with enough cash to meet our approximately £1.9 million commitment to the capital costs of the Islandmagee salt core programme and to meet project management and other costs to the end of 2015. The disposal of our exploration assets will provide short term capital for our immediate working capital needs and allow InfraStrata to sustain and add value to the Islandmagee gas storage work programme in the near term 2016, as the Company seeks to optimise the timing and nature by which value can be secured from the project for shareholders.

Divestment of exploration assets

On 16 November 2015, we announced that we had signed Sale & Purchase Agreements (“S&P Agreements”) to sell substantially all of the Group’s oil and gas exploration interests, including its interest in its two associates, to two newly formed special purpose vehicles Corallian Energy Limited (“Corallian”) and its subsidiary Osmington Holdings Limited (“Osmington”). The initial disposal, covering the Group’s UK oil and gas exploration interests and the two associates, Brigantes Energy Limited (“Brigantes”) and Corfe Energy Limited (“Corfe”) resulted in an immediate cash inflow of £240,000. The Group also retained a Net Profits Interest (“NPI”) in the licences and the former associates. Following this disposal, the Group now has no exposure to any future exploration costs, including cost overruns in these assets, but, through the NPIs, will participate in any future profits.

The second disposal is expected to complete in February 2016 and relates to the part disposal of the Group’s Northern Ireland licences (the “NI Agreement”). This disposal is dependent on the Woodburn Forest-1 well being fully funded (see below). If this disposal completes, it will generate a cash inflow of £300,000. The Group is expected to retain a 10% interest in the PL1/10 licence for which it will be fully carried on the Woodburn Forest-1 well.

Further details on these disposals are given in note 32 to the financial statements.

Following satisfactory completion of all the transactions above and in addition to the retained NPI instruments, InfraStrata’s business will comprise its 65% interest in the Islandmagee gas storage project in Northern Ireland and a 10% interest in onshore licence PL1/10, fully carried through the Woodburn Forest-1 well. InfraStrata will remain as operator on PL1/10 and will be compensated accordingly. The cash proceeds from the transactions are being applied to the ongoing work programme on the Islandmagee gas storage project in preparation for monetisation during 2016, both on external costs and contributing to the Group’s own project management costs incurred on progressing the Islandmagee work programme.

InfraStrata’s business going forward

The main focus of InfraStrata’s business will now be the Islandmagee Gas Storage Facility (currently 65% owned) where our work programme during 2015 has been to de-risk the project to the maximum extent possible through the completion of the feasibility study phase. We are now seeking to secure value for our shareholders through a monetisation of our interest in the project.

Our retained 10% interest in PL1/10 provides us with material upside in the event of a successful Woodburn Forest-1 well and completing the farmout process followed by efficient and economic drilling of the well in 2016 remains a priority, albeit with the overriding conditionality that all well costs are borne by partners. InfraStrata’s NPI instruments in licence interests P1918, P2222 and P2235 together with its NPI interests in Brigantes and Corfe also provide upside in the underlying exploration activities in the event of successful exploration but without a commitment to pay exploration costs on the assets disposed of.

STRATEGIC REPORT (CONTINUED)

KEY PERFORMANCE INDICATORS

Key performance indicators (“KPIs”), both financial and non-financial, are used by the Board to monitor progress against predetermined objectives and our strategy:

| Objective | Definition | Strategy |
|---|---|---|
| We endeavour to develop projects in accordance with project schedules | Predetermined and agreed project development schedules adhered to including submission of planning applications | Delivery of projects to sensible time schedules. Submit and achieve planning permission approvals in a cost effective and timely manner |
| We seek to identify new project opportunities | Identify new project opportunities which are expected to increase shareholder value once development commences | Develop a balanced portfolio of projects |
| We aim to control general and administrative costs keeping costs as low as possible | Management and control of Group general and administrative costs | Maintain low cost of Group general and administration expenditure and conserve cash to the extent possible |
| We aim to manage Group working capital prudently | Management and control of working capital ensuring liquidity as is necessary | Management of working capital to ensure liquidity to develop projects as planned in development schedules |

The KPIs are reported at Board meetings. Measurement entails analysing variance between expected and actual progress, financial position and financial performance. Relevant performance measures since our last annual report include:

- Strategic re-positioning in light of challenges to funding exploration commitments – delivery of divestment of most of exploration assets for a cash consideration plus carried interests.
- Conclusion of formal grant agreement with European Commission for 50% of the cost of the Islandmagee salt core programme with the balancing 50% raised in a placing of InfraStrata shares.
- New partner in the Islandmagee gas storage project in Baron Oil plc who are providing bridge finance for the salt core programme with an option to convert into equity in the project.
- Procurement and delivery of the £3.8 million Islandmagee salt core well and subsequent testing and engineering on time and on budget.
- Continued delivery against programme on exploration activities including securing Consent to Drill for the Woodburn Forest-1 well. Design and procurement of the well is substantially complete in anticipation of drilling in H1 2016 following completion of funding arrangements.
- Implementation of staff cost reduction in February and October 2015 delivering savings in aggregate annualised staff costs of 15% and 28% respectively preserving the Group’s cash. Annualised cash costs of project management and company administration, before taking into account anticipated operator overhead recoveries, is now less than £800,000, a 35% reduction since October 2014.

OPERATIONAL REVIEW - GAS STORAGE DEVELOPMENT

Islandmagee project – County Antrim

Outline

Islandmagee Storage Limited (“IMSL”) is an independent Northern Ireland registered company and is a joint venture between a wholly-owned subsidiary of InfraStrata (currently 65% shareholder) and Moyle Energy Investments Limited (“Moyle”), part of the Mutual Energy group of companies (currently 35% shareholder).

IMSL plans to create seven caverns, capable of storing up to a total of 500 million cubic metres of gas in Permian salt beds approximately 1,400 metres beneath Larne Lough. The project has unique 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.

No other location on the island of Ireland is suitable for the development of salt cavern gas storage; Northern Ireland has a valuable geological asset which when developed for underground salt cavern gas storage will 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.

The global supply chain for gas is lengthening as the need for more flexible gas is growing. Rapid deliverability of gas supplies will become increasingly important to support the intermittent renewable power generation already deployed and planned across the island of Ireland and Great Britain. The increasing amount of wind generation in the system is putting significant strain on the gas infrastructure in Ireland with periods of peak demand rising year-on-year as gas-fired power stations respond to the great swings in output from the intermittent renewable power sources. The gas storage facility would help alleviate these infrastructure pressures and make a key contribution to policy objectives on renewable power - through its ability to rapidly inject and withdraw gas it can provide the short term flexibility needed to support the intermittent nature of wind generation.

Natural gas will also have a key role to play as a bridge to a zero carbon economy with more reliance being placed on gas to backup wind and other renewable sources as coal generation is closed. Increasingly storage will be required to provide fast delivery of gas to the system.

The proposed gas storage facility will make a significant contribution to the security of gas supplies for the whole island of Ireland. Ireland is dependent on gas for around 65% of its electricity generation with 90% of the island's gas imported via a single pipeline from Scotland. The facility, when complete, will store enough gas to satisfy Northern Ireland's demand for around 60 days. The estimated timescale for the project is approximately seven years, with the first cavern becoming operational after five years.

The strategic importance of the Islandmagee gas storage facility and the contribution it could deliver in terms of security of gas supplies and as a key enabler to meet policy objectives on renewable energy and CO₂ reduction is reflected in the project being awarded Project of Common Interest ("PCI") status by the European Union. PCI status also means that the project benefits from accelerated permitting procedures and improved regulatory conditions making it more attractive to investors. In addition, a PCI can apply for significant financial support from the European Union's Connecting Europe Facility ("CEF"). A budget of €5.35 billion has been allocated under CEF for 2014-20 for PCI projects. Assistance may be in the form of direct grant or other forms of financial backing from institutions such as the European Investment Bank.

In November 2015 the status of the project as a PCI was reconfirmed with the adoption of the latest PCI list by the European Commission. The list of PCIs is reviewed and updated every 2 years and continued inclusion is a significant boost for the project. Islandmagee is the only gas storage project in NW Europe to be awarded PCI status.

Development progress & Outlook

The development of the project 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. A wellsite was constructed in the summer of 2013. During 2014, a sub-surface agreement for lease was signed with The Crown Estate and all other land rights required for the project were secured. Also during 2014, the project was granted marine licences by the Department of Environment for the offshore elements of the project, including a discharge consent.

In May and June 2015 a data gathering well (Islandmagee-1) 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. Core samples were sent to Germany to undertake laboratory analyses and the test results on the salt cores and rock mechanics have now been incorporated into the subsurface and surface facility preliminary design and cost estimates for the project have been updated.

The overall results from the technical programme of work are positive and the objective to confirm the feasibility of the development of an underground gas storage facility in salt caverns in this location has been met. The thickness and depth of the Permian Salt were both within 10% of pre-drill estimates. The Permian Salt average thickness over the area of the proposed caverns is approximately 200 metres at a depth of approximately 1,300 metres sub-sea. The rock mechanical properties of the salt determined from the core data are in line with data for Permian Salt at other locations across Northern Europe where caverns for gas storage have been constructed and are in operation.

The five stages of the £3.8million programme of work co-funded by a £1.9m (€2.5 million) grant from the CEF have been successfully completed, on time and within budget. The project was eligible to receive this grant assistance by virtue of being a PCI and is eligible for further grant assistance in the future.

STRATEGIC REPORT (CONTINUED)

OPERATIONAL REVIEW - GAS STORAGE DEVELOPMENT (CONTINUED)

Islandmagee project – County Antrim (continued)

Development progress & Outlook (continued)

In May 2015 the Company concluded a Convertible Loan Facility Agreement with Baron Oil Plc (“Baron”) under which Baron has provided a loan for €1.8 million (£1.3 million) to InfraStrata which has been used as working capital to bridge the receipt of the CEF grant, the outstanding 70% of which (€1.8 million) will be received in the first quarter of 2016 following reporting on the outcome of the work programme completed in 2015. Baron has an accompanying option to convert the loan balance into an equity participation of 15% of the share capital of IMSL. Should the option be exercised, the equity would be provided pro-rata by InfraStrata and Moyle which would give rise to a revised participation in the project of InfraStrata 55.25%, Moyle 29.75% and Baron 15.00%.

The feasibility phase of the project has now addressed all key technical risks enabling us to move forward to seek the investors who will take it through detailed design and on to full construction. The thickness and depth of the salt and the proximity of key services (electricity supply, water and the gas network) give the project a significant unit capital cost advantage with an estimated capital cost of £274 million. We anticipate that the next stage will provide InfraStrata with the opportunity to monetise our interest in the project.

Portland project - Dorset

The transfer of licence P2235 to Corallian involved an amendment of the Asset Exchange Agreement with Fyrd Energy Limited (“Fyrd”) announced on 16 December 2014 (the “Fyrd Agreement”) under which InfraStrata was to acquire a 25% interest in licence P2235 and other assets, in return for a 77.5% interest in the intellectual property in the former Portland project. Under the revised Fyrd Agreement and subject to government consent, Fyrd will transfer its remaining 75% interest in licence P2235 to InfraStrata, and in exchange, InfraStrata will transfer its 22.5% retained interest in the rights and intellectual property in its former Portland project, excluding the gas pipeline rights and associated intellectual property, to Fyrd. The entire P2235 interest is to be transferred under the S&P Agreements to Corallian as described above. In addition, the Portland gas pipeline rights and associated intellectual property will be transferred by InfraStrata to Osmington as part of the S&P Agreements.

OPERATIONAL REVIEW - OIL & GAS EXPLORATION

Following the completion of the S&P Agreements as anticipated, InfraStrata’s retained interest in exploration will comprise:

- 10% interest in onshore PL1/10 in Northern Ireland, fully carried until the end of the Woodburn Forest-1 well.
- Net profits interest (“NPI”) instruments in each of P1918, P2222 and P2235 of 0.5%, 0.5% and 1% respectively of the gross, representing 4% of Corallian’s anticipated interest in the licences at the time of drilling the first well on the licences.
- 4% share of any future profits derived by Osmington from the transferred 40% shareholdings in Brigantes and Corfe, again in the form of NPI instruments.

The operational review below details the progress made on these exploration activities during the period.

County Antrim – Onshore PL1/10, Offshore P2123

Petroleum Licence PL1/10 was awarded in March 2011 by the Northern Ireland Department of Enterprise, Trade and Investment (“DETI”). The five year licence covers an area of 663 square kilometres over what the JV group believes is a highly prospective largely unexplored sedimentary basin. Subsequently in December 2013 the JV group were awarded adjacent offshore Petroleum Licence P2123 by the Department of Energy and Climate Change (“DECC”) for a period of four years, covering an area of 613 square kilometres. The joint venture group recognises combined un-risked P50 prospective resources in the Triassic, Permian and Carboniferous sandstone reservoir intervals of over 500 mmboe.

The well planning and design have been completed for the Woodburn Forest-1 well in PL1/10. Permitted Development rights provide a window for commencement of site construction activities between September and February inclusive. In February 2015 a ‘Consent to Drill’ was granted by DETI following a separate consent issued by the Northern Ireland Environment Agency (Water Management Unit) under the Water (Northern Ireland) Order 1999, which regulates the well in terms of surface water and groundwater impacts. All of the relevant regulatory approvals for the well have now been granted. InfraStrata and its partners are committed to carrying out this conventional exploration in an environmentally-responsible manner and in compliance with all conditions associated with regulatory approvals.

In August 2015 we reported that Larne Oil and Gas Limited had run into funding difficulties and was unable to meet its funding obligations to earn a 33.33% interest in the licence PL1/10 by funding a disproportionate share of the Woodburn Forest-1 well. Larne were also to acquire a 33.33% interest in Licence P2123.

Since August 2015 InfraStrata, together with Brigantes, have focused on farming out a combined 60% interest in the PL1/10 licence in order to complete the 80% outstanding funding for the Woodburn Forest-1 well. In November 2015 we signed an agreement, together with Brigantes, with Ermine Resources Limited (“Ermine”) whereby Ermine will acquire a 15% interest (paying 20% of the Woodburn Forest-1 well costs) in the PL1/10 licence, subject to the full well funding being completed. InfraStrata and Brigantes are in discussions with a number of other parties with regard to completing the farm-out process for the remaining 45% so that the well can be drilled this coming winter.

Should the well be fully funded as anticipated then the NI Agreement with Corallian will proceed and InfraStrata will retain a 10% interest in PL1/10 fully carried until the end of the Woodburn Forest-1 well. In the event that the funding of the Woodburn Forest-1 well is not completed then the NI Agreement will not complete. A request has been submitted to DETI to continue the licence into the second term beyond 4 March 2016 and part surrender 50% of the licence area, as required under the terms of the licence, to focus on the most prospective acreage. InfraStrata is awaiting a response from DETI.

InfraStrata will remain as Operator on the PL1/10 licence until at least the end of the Woodburn Forest well for which we will be compensated accordingly. However we will have no commitment to pay drilling costs.

The JV group have a work programme for P2123 for 2016 including the acquisition of new 2D seismic data before the initial term of the licence expires in December 2017. Should the NI Agreement not complete then InfraStrata will seek to farmout its obligation in respect of the P2123 work programme costs and any PL1/10 expenditure or otherwise transfer these assets to another party without commitment of cash to new exploration costs. In November the JV group made a part surrender of 68% of the licence area, again to focus on the most prospective acreage on the P2123 licence. InfraStrata’s entire interest in P2123 is to be transferred under the NI Agreement to Corallian.

Dorset – Offshore P1918

Petroleum licence P1918 initially comprised Blocks 97/14, 97/15 and 98/11, covering an area of 584 square kilometres, and was awarded in February 2012 by the Department of Energy and Climate Change (“DECC”) for a period of four years. In October 2015 blocks 97/14 and 97/15 and part of Block 98/11 were relinquished leaving 105 square kilometres in Block 98/11. At the same time DECC granted a one year extension to the first term of the licence until 30 January 2017. Work during the period continued to focus on two prospects, the Purbeck and Colter Prospects.

Planning permission was granted in 2013 for an exploration well, California Quarry-1, on the offshore extension of the Purbeck Prospect within Block 98/11 targeting prospective resources within the licence estimated by the joint venture at 10 mmbbl. Drilling of the California Quarry-1 well is dependent upon the acquisition and processing of 2D seismic data over the Purbeck Prospect and this is anticipated to take place this coming winter. Further the proposed California Quarry-1 well is an onshore to offshore well and since it is necessary for the area from which a well is drilled to be held under a petroleum licence, either InfraStrata or a third party will need to be awarded a licence over the area as part of the UK 14th Landward Licensing Round before drilling can commence. The licence awards in this area remain pending.

The current partners in the project are Corallian Energy Limited, Southwestern Resources Limited (“Southwestern”), Ermine, Corfe and Brigantes. Southwestern have met the costs of 3D seismic reprocessing work on the Colter Prospect and a proportion of the 2D seismic acquisition on the Purbeck Prospect under a farmout agreement which also gives Southwestern the option to fund the drilling of a well in return for a further interest in the licence. The balance of the 2D seismic costs will be met by Ermine under a farmout agreement. The Colter Prospect is located within a fault block immediately to the south of the giant Wytch Farm oilfield.

InfraStrata will remain as operator under the licence until the formal assignment of the licence interest to Corallian has been approved by the Oil and Gas Authority (“OGA”), expected to be in H1 2016. However we will have no commitment under the S&P Agreements to pay exploration costs and InfraStrata will receive payment for services rendered during the 2D seismic work programme.

STRATEGIC REPORT (CONTINUED)

OPERATIONAL REVIEW - OIL & GAS EXPLORATION (CONTINUED)

East Shetland Basin – Offshore P2222

The licence contains the undeveloped Oulton oil discovery (3/11-1 and 1ST) estimated to contain approximately 16 million barrels of recoverable oil. The discovery was made over 40 years ago by Amoco, and flowed in excess of 1000 barrels of 41 degrees API oil per day on test from Jurassic Emerald sandstones. The use of modern offshore technologies combined with access to nearby infrastructure are expected to enable Oulton to be successfully developed in the near future. Funding for a well will need to be concluded prior to December 2016 in order to proceed into the last two years of the initial term of the licence and drill a well prior to December 2018. InfraStrata's entire interest in P2222 is to be transferred under the S&P Agreements to Corallian. InfraStrata will remain as licence administrator until the formal assignment of the licence interest to Corallian has been approved by OGA.

Moray Firth – Offshore P2235

P2235 comprises Block 11/24b (part) and contains the Wild Boar Prospect, 3 kilometres north east of and structurally updip of the producing Lybster oilfield within the Moray Firth. Prospective resources have been estimated as 70 mmbbl. The prospect lies close to the coast and there is the potential to drill an exploration well from onshore to offshore. Funding for a well will need to be concluded prior to December 2016 in order to proceed into the last two years of the initial term of the licence and drill a well prior to December 2018. InfraStrata's entire interest in P2235 is to be transferred under the S&P Agreements to Corallian. InfraStrata will remain as licence administrator until the formal assignment of the licence interest to Corallian has been approved by OGA.

Corfe & Brigantes

Corfe and Brigantes have interests in licence P1918 and Brigantes has interests in PL1/10 and P2123. Corfe and Brigantes are seeking to farmout their commitments to further exploration costs including drilling on all these licence interests and the interests are therefore expected to reduce accordingly. Corfe and Brigantes also hold interests in PEDL201 (Leicestershire), PEDL237/PL090 (Dorset) and PEDL070 (Hampshire). InfraStrata's shareholdings in both Corfe and Brigantes have been transferred under the S&P Agreements to Corallian's subsidiary Osmington.

OPERATIONAL REVIEW - FUNDING

Financing

The success of our projects and therefore the carrying value of the projects on InfraStrata's statement of financial position are dependent not only on the underlying economics of the projects but also on our continuing success in attracting investment into the projects. We do not make financial commitments to significant project development costs in the absence of such investment.

On the Islandmagee gas storage project gross capital expenditure during the year to 31 July 2015 was £3,663,514. Of this total £1.9 million was funded by InfraStrata shareholders through a placing completed in February 2015 with the balance funded by a grant from the European Union. Our share of expenditure on our oil and gas exploration licences during the year to 31 July 2015 was £179,732 out of a total gross expenditure of £421,999. These costs were mostly related to the planning, permitting and consultation processes as well as paying annual licence fees.

The book value of the Group's intangible Exploration and Evaluation assets immediately before the divestments to Corallian was £4,006,798 comprising £3,364,909 being the fair value of well and seismic data and a P1918 licence interest recognised in 2012 when the Group acquired 50% of Portland Gas Limited, £361,012 being the consideration for the cancellation of eCORP's NPI in P1918 in 2014 and £280,877 being the Group's share of the historic net cash investment in licence interests after adjusting for the proceeds of disposals. Impairments of £3,577,659 have been recognised to reflect the net cash sales proceeds from the S&P Agreements excluding the NI Agreement. Should the NI Agreement complete the Group will realise a profit of approximately £131,000 on the remaining book value of Exploration and Evaluation assets in future periods.

The book value of the Group's interest in associated companies Brigantes and Corfe immediately before the divestments to Corallian was £2,495,726 comprising £2,495,126 fair value adjustments recognised in 2011 net of the Group's share of subsequent losses of the associated companies and the Group's historic net cash investment in the associated companies of £600. Impairments of £2,495,126 have been recognised to reflect the net cash sales proceeds from the S&P Agreements. The impairments had no impact on the Group's cash position.

No value has been ascribed to any of the NPI instruments retained in the Group's financial statements as it is not possible to determine a fair value for these instruments.

On 21 January 2015, following approval at the Company's AGM, each existing ordinary share of 10 pence was subdivided into 1 New Ordinary Share of 1 penny and 9 Deferred Shares of 1 penny. The Deferred Shares do not carry any rights to vote or any dividend rights and holders will only be entitled to a payment on return of capital or winding up of the Company after each of the holders of the Ordinary Shares has received a payment of £10,000,000 on each such share.

On 23 February 2015, following approval at a General Meeting of the Company, the Company issued 52,500,000 new Ordinary Shares of 1 penny each at 4 pence per share to raise £2,100,000, before expenses, to institutional and other shareholders including members of the Board of Directors. The net proceeds of £1,984,196, taken together with £400,000 received in February by the Company's subsidiary Islandmagee Storage Limited in relation to a data release agreement, at that time was forecast to provide the Group with sufficient cash to meet our approximately £1.9 million share of the costs of the Islandmagee salt core programme (50% of the total) and to pay InfraStrata management and other costs to the end of 2015. The Islandmagee salt core programme was delivered on time and within the original budget and our management costs to the end of 2015 are within the estimates we presented in February.

The balancing 50% (£1.9 million or €2.5 million) of the costs of the Islandmagee salt core programme have been met by the European Commission under a grant agreement concluded with the EU's Connecting Europe Facility in April 2015. Under the terms of the grant agreement 70% of the total grant (€1.8 million) is received on completion of the work programme and application for the balance. In order to bridge this working capital requirement, on 30 April 2015 the Company signed a Convertible Loan Facility Agreement ("Agreement") with Baron Oil Plc ("Baron") for €1.8 million. The loan is subject to an interest rate of 8% of the funds drawn down and is repayable by 1 May 2016. Baron has the right to extend the loan period until 31 December 2016 and to convert it into equity participation of 15% of the share capital in subsidiary Islandmagee Storage Limited. £1 million of this facility had been drawn down at 31 July 2015 and the remaining £0.3 million was drawn down in August 2015.

The Islandmagee salt core work programme has been completed and the balancing €1.8 million of the grant is expected to be received before the end of the first quarter of 2016 at which time it will be held in escrow as security to satisfy the repayment of the Baron loan. However, if Baron excises its option, then the €1.8 million will be available as corporate funding for InfraStrata.

The Group's cash and cash equivalents at 31 July 2015 were £430,199 (2014 - £1,648,955) and net current assets were £42,122 (2014 - £957,491).

The divestment of exploration assets to Corallian announced on 16 November 2015 has provided the Company with additional cash resources of £240,000 which will provide short term capital for our immediate needs. The Company will receive an additional £300,000 should the conditions for the transfer of the Northern Ireland licence interests be met, including full funding of the Woodburn Forest-1 well. This additional cash would permit the Company to meet all committed expenditure until the end of April 2016 without further fundraising requirements.

In the event that the funding of the Woodburn Forest-1 well is not completed then the disposals of the Northern Ireland licences will not complete. A request has been submitted to DETI to continue the licence into the second term beyond 4 March 2016 and part surrender 50% of the licence area. InfraStrata is awaiting a response from DETI.

Forward cash flow forecasts reflect that all significant future exploration costs will now be borne by Corallian in respect of exploration interests transferred to that company and that any future costs associated with retained licence interests will continue to be funded by joint venture partners. With respect to the Islandmagee gas storage project, the Group now seeks new equity participation in the project or otherwise a monetisation of all or part of the Group's interest in the project. The exact nature of this monetisation is not yet determined and may involve continued management of the project's development with the continued support of the EU. There will be no commitments to significant new expenditure on the project in the absence of funding secured for that purpose.

As explained in note 2 to the financial statements the directors have prepared the accounts on the going concern basis which assumes that the Group will continue in operational existence without significant curtailment of its activities for the foreseeable future. Project management and administrative costs of the Group will remain at current levels (see below), consistent with the delivery of the Group's strategy and the management of challenges and risks associated with the Group's development programmes. The forecasts reflect that the Group requires an additional £600,000 to meet project management and administrative costs and committed project expenditure on the Islandmagee project until the end of December 2016 increasing to £900,000 should the conditional disposals of the Northern Ireland licence interests not proceed.

The directors anticipate that additional funding can be generated through an equity fundraising or by disposing of assets or data licensing; however, the success of such fundraising cannot be guaranteed. After preparing cash flow forecasts, making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. However, the success of any equity fundraising, asset disposal or data trade cannot be guaranteed and the directors have concluded that at the date of this report a material uncertainty must therefore exist that may cast significant doubt upon the Group's ability to continue as a going concern.

STRATEGIC REPORT (CONTINUED)

OPERATIONAL REVIEW - FUNDING (CONTINUED)

Project management and company administration costs

The Group's policy is to resource the delivery of our project management objectives to the maximum extent possible with our own management team, procuring more expensive external technical expertise only when it is necessary to do so. As such, every member of the management team has a hands-on project management role and makes an indispensable contribution to delivery of our strategy and effective management of the risks and uncertainties our business faces. Nevertheless, during 2015 the Company has continued to reduce management and administrative costs. This has been led by voluntary reductions in salary costs recognising the need to conserve cash resources as much as possible. In addition members of the Board participated in the February 2015 placing.

The remuneration committee sets salaries and is acutely aware of the need to balance the financial performance of the Company with the need to maintain incentive and motivation for an executive which has delivered our 2015 work programme with dedication and a focus on the interests of our shareholders. During 2016 every member of the management team will be required to make indispensable contributions to effective delivery of our strategy, performance against our key performance indicators and effective management of the risks and uncertainties our business faces.

Following an overall 15% reduction in staff costs, which was implemented in February 2015, in October 2015 the Company implemented a Performance Incentive Scheme under which voluntary salary reductions have been taken in return for participation in the scheme. The salary reductions (including company pension contributions) implemented on 1 October 2015 comprise a reduction to £100,000 per annum for each of the Executive Directors (an aggregate reduction of 32% including a 41% reduction for the Chief Executive Officer) and a 25% reduction for the Non-executive directors and the Company Secretary. For further details see Remuneration Committee on page 17.

Total management and administrative expenditure is further analysed in note 5 to the financial statements showing that the cash cost of management and administrative costs in the year to 31 July 2015 was £1,065,161 (2014: £1,126,482). Our current annualised cash cost of management and administration, taking into account the salary reductions above and other significant reductions in general costs implemented during the year, is now less than £800,000 and this will be further reduced by operator overhead recoveries when the Woodburn Forest-1 well is drilled and by time related cost recoveries for services rendered to Corallian in relation to the ongoing management of assets sold to that company.

PRINCIPAL RISKS & UNCERTAINTIES

The directors are responsible for the effectiveness of the Group's risk management activities and internal control processes. As a participant in the gas storage development and upstream oil & gas industries, the Group is exposed to a wide range of business risks in the conduct of its operations. The Group is exposed to financial, operational, strategic and external risks which are further described below. These risks are not exhaustive and additional risks or uncertainties may arise or become material in the future. Any of these risks, as well as other risks and uncertainties in this document, could have a material effect on the Group's business.

Financing – the risk of not obtaining sufficient financing

Access to adequate working capital is critical to our ability to pursue our existing and future projects and to continue as a going concern. We work closely with our advisors and brokers to identify the optimum approach and timing to secure new equity financing to provide working capital.

The Group manages risk for our shareholders by attracting investment through quality partners thereby minimising our own commitments to pay project development costs. We do not make financial commitments unless such funding has been secured through joint venture partners or otherwise new investment in our projects or we have a high degree of confidence that it will be secured.

Strategic and external risks - failure to manage and grow the business while creating shareholder value

There is no assurance that the Group's gas storage development or remaining exploration activities will be successful. The directors have sought to manage and mitigate the exploration risks by divesting of substantially all our exploration assets. We place a premium on recruitment and retention of suitably skilled personnel, compliance with applicable legislation and careful management of cash resources and requirements.

The successful progression of the Group's activities depends not only on technical success, but also on the ability of the Group to obtain appropriate financing through equity financing, farm downs, disposing of interest in projects or other means. If the Group is unable to obtain additional financing needed to fulfil its planned work programmes some interests may be relinquished and/or the scope of operations reduced.

Deterioration of capital markets may reduce our ability to raise new equity funding. Group management works closely with our advisors and brokers to identify the optimum approach and timing to secure new equity financing to provide working capital and flexibility in the way we fund our projects.

We place great emphasis on regular communication with shareholders including the release of announcements for the interim and annual results and after significant developments. We seek to ensure that through such communication our shareholders are aware of our strategy and operations and that management has their continuing support. The Company's system of Corporate Governance is set out in the Report of the Directors on pages 16 to 17.

Operational risks - damage to shareholder value, environment, personnel or communities caused by operational failures

InfraStrata attracts and retains a high quality management team to manage operational risks on our projects and ensure they are progressed in the shortest possible timescales in a cost effective manner. We have built up our core competencies in oil and gas exploration and gas storage development and have developed excellent relationships with government and public stakeholders in the geographical areas in which we operate.

Our management team works alongside strong and experienced joint venture partners in all projects and is supported by a highly effective network of carefully selected service delivery specialists such as environmental consults and drilling engineering services. In this way we mitigate the risk that we fail to be seen to be acting in a socially responsible manner and/or failure to maintain good local community relations.

On behalf of the Board
Andrew Hindle,
Chief Executive Officer
7 December 2015

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 2015

The directors have pleasure in presenting their report and audited financial statements for the year ended 31 July 2015.

General

InfraStrata plc is incorporated and domiciled in England and Wales.

Health, safety and environment

There were no reportable health, safety or environmental incidents during the financial year.

Share capital

At the date of this report 151,991,599 ordinary shares are issued and fully paid. Details of movements in share capital during the year are given in note 24 to the financial statements.

RESULTS AND DIVIDENDS

The Group recognised cash revenue of £414,106 (2014: £17,764) including £400,000 from the licensing of seismic data. Administrative expenses totalled £1,144,393 (2014: £1,331,350). The Group incurred a loss after tax of £6,106,070 (2014: £1,246,701) after impairments of Exploration and Evaluation assets and interests in associates of £3,577,659 and £2,495,126 respectively. The loss which added to the losses of £20,721,978 brought forward leaves a retained loss of £26,828,048 to be carried forward.

The directors do not recommend the payment of a dividend (2014: £nil).

CHARITABLE AND POLITICAL DONATIONS

Portland Gas Trust is a charity which supports initiatives focusing on the environment, geology and education with its activities centred on Portland, Dorset. In the 2014 year the Group supported the Trust by making a donation of £20,000. No charitable donations were made in the 2015 year.

No donations were made for political purposes (2014: £nil).

RISK MANAGEMENT

The financial risk management objectives and policies of the Company in relation to the use of financial instruments, and the exposure of the Company and its subsidiary undertakings to its main risks, credit risk and liquidity risk, are set out in note 23 to the financial statements. The principal risks and uncertainties relating to the Group's business and how we mitigate them are detailed in the Strategic Report on pages 12 to 13.

DIRECTORS

The directors, who served during the year and subsequently, were as follows:

Executive Directors

A D Hindle
S McGarrity
A E Gardiner (appointed 28 October 2014)

Non-executive Directors

K M Ratcliff
M E Hazzard
A Booth (appointed 21 January 2015, resigned 10 November 2015)
W Colvin (resigned 31 January 2015)
W R Roberts (resigned 28 October 2014)

All directors benefit from the provisions of individual directors' Personal Indemnity insurance policies. Premiums payable to third parties are as described in note 7 to the financial statements. The Company operates a share option scheme and the particulars of share options granted to directors at 31 July 2015 are detailed in note 7 to the financial statements.

Directors of the Company at the date of this Annual Report and their abridged CVs are as follows:

Ken Ratcliff (Non-Executive Chairman)

Ken Ratcliff, JP, BSc, FCA, is a Chartered Accountant with extensive finance and business experience. He was formerly the College Accountant at Epsom College and co-founder of Geokinetics Processing UK Limited, an oil and gas industry seismic contractor. He was an audit manager with Touche Ross & Co in London before moving into accountancy and finance positions within the oil and gas industry in 1978. Ken has previously held senior management positions with Ensign Geophysics Limited, Seismic Geocode Limited, Tenneco Corporation and Merlin Geophysical Limited. He joined the Board in 2007 and became Chairman in October 2007. Ken has been a non-executive director of Egdon Resources plc since 2001.

Andrew Hindle (Chief Executive Officer)

Andrew Hindle, BSc, MSc, PhD, FGS, CGeol, is a highly experienced geologist with over 30 years worldwide experience. He holds a degree in Geological Sciences gained in 1983 from Leeds University and, following a year with BP, gained a MSc. degree in Petroleum Geology in 1985 from Aberdeen University. In 1998 he completed a PhD (part-time) through the Open University. He received the J. C. "Cam" Sproule Memorial Award from the American Association of Petroleum Geologists in 1999. He worked for Texaco from 1985 until 1996 on UK and international petroleum exploration and development projects, working overseas from 1990 to 1994. Subsequently, he worked for Anadarko Algeria Corporation from 1996 to 1997. In 1997 he became a founding director of Egdon Resources plc and, following the demerger of Egdon and InfraStrata, remained a non-executive director of Egdon until February 2011. Andrew has been the Chief Executive of the Group since the demerger in 2008. Andrew is also a director of Geofocus Limited and Toffee Limited.

Stewart McGarrity (Finance Director)

Stewart McGarrity, BCom, CA, has 30 years of UK and international experience in both senior finance and commercial roles. Following qualification as a Chartered Accountant, Stewart spent a number of years with Deloitte in Zimbabwe and Hong Kong in senior audit and technical roles. Stewart then held a senior financial position with the Airport Authority in Hong Kong during the construction and commercial development of Hong Kong International Airport. Since returning to the UK he has worked with property investor and developer MEPC plc, based in London as Group Financial Controller and with tie Limited, in Edinburgh, developing and maintaining the business case for Edinburgh Trams and other transport projects.

Anita Gardiner (Commercial Development Director)

Anita Gardiner, BA, MA, MCIPS graduated from Queens University, Belfast and started her career at the Prudential plc where she worked in a number of commercial roles in procurement and supply chain, real estate and operations. She moved to BP in 2005 and held various project and managerial positions in the UK and India, most recently as Business Development Manager for BP Gas Marketing where she had responsibility for asset development and origination activities across Europe.

Maurice Hazzard (Non-Executive Director)

Maurice Hazzard, has extensive business experience in the oil and gas industry, particularly in large offshore projects. He has held senior positions with Phillips Petroleum, Hamilton Bros. Oil & Gas Limited and Halyard Offshore Limited. Between 1979 and 1989 Maurice was responsible for development of the Energy Division of the Tung Group of companies, based in Hong Kong, and during this period was Executive Chairman of Houlder Marine Drilling Limited. From 1989 to 1996 he was a consultant with Maritime Audit & Technical Services Limited, consulting to the international offshore oil and marine services industry. From 1996 to 1999 he was Chairman and CEO of PD Systems International Limited, a UK electronics manufacturer. He is also non-executive Chairman of Orbitron Technologies Limited, a software company.

DIRECTORS' EMOLUMENTS

The directors' emoluments are disclosed in note 7 to the Financial Statements.

DIRECTORS AND SUBSTANTIAL SHAREHOLDINGS

The directors of the Company held the following beneficial shareholdings as at 30 November 2015:

| Ordinary shares of 1p each | Number | % |
|----------------------------|-----------|------|
| Ken Ratcliff | 154,000 | 0.10 |
| Andrew Hindle | 8,297,625 | 5.46 |
| Stewart McGarrity | 1,000,000 | 0.66 |
| Anita Gardiner | - | - |
| Maurice Hazzard | 69,326 | 0.05 |

The Company has also received notification of the following interests in 3% or more of the Company's issued share capital at 30 November 2015. The percentages presented are at the date of notification.

| Ordinary shares of 1p each | Number | % |
|---|------------|------|
| Legal & General Investment Management Ltd | 15,102,273 | 9.93 |
| Mark Abbott | 5,739,545 | 3.78 |
| Eugene Whyms | 5,659,725 | 3.72 |
| Alan Booth | 5,500,000 | 3.62 |

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 2015 (CONTINUED)

CORPORATE GOVERNANCE

The UK Corporate Governance Code

The directors recognise the value of the UK Corporate Governance Code (“the Code”) and whilst under the AIM rules compliance is not required the directors have regard to the recommendations of the Code in so far as is appropriate for a public company of its size.

The Board

At the financial year end the Board was comprised of three Executive Directors and three Non-executive directors whose background and experience are relevant to the Company’s activities. The directors are of the opinion that the Board has a suitable balance. The Board, through the directors, maintain regular contact with its advisors and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company. All directors have access to the advice and services of the company secretary who is responsible to the Board for ensuring that the Board procedures are followed and that the applicable rules and regulations are complied with. In addition, the company secretary will ensure that the directors receive appropriate training as necessary. The appointment and removal of the company secretary is a matter for the Board as a whole.

The table below contains details on the number of meetings held during the period and individual director attendance.

| | Board | Audit Committee | Remuneration Committee |
|---|--------------------------|--------------------------|--------------------------|
| Number of meetings held during the 2015 financial year | 12 [§] | 3 | 3 |
| | No. of meetings attended | No. of meetings attended | No. of meetings attended |
| <i>Executive Directors</i> | | | |
| Andrew Hindle | 12 | - | - |
| Stewart McGarrity | 12 | - | - |
| Anita Gardiner (appointed 28 October 2014) | 9 | - | - |
| <i>Non-executive Directors</i> | | | |
| Ken Ratcliff | 10 | 3 | 3 |
| Maurice Hazzard | 10 | 2 | 3 |
| Alan Booth (appointed 21 January 2015, resigned 10 November 2015) | 5 | - | - |
| William Colvin (resigned 31 January 2015) | 3 | 1 | 1 |
| Walter Roberts (resigned 28 October 2014) | 2 | - | - |

[§] Of which two were minimally attended as they were to finalise business already approved by all directors.

Audit Committee

The Audit Committee met three times in the year to 31 July 2015. Its members currently are Ken Ratcliff (Chairman) and Maurice Hazzard. Members of the committee attended all meetings either in person or by telephone. Senior representatives of the external auditors attend these meetings if considered appropriate. The external auditor has unrestricted access to the Chairman of the committee.

The role of the Audit Committee includes:

- Consideration of the appointment of the external auditor and the audit fee.
- Reviewing the nature, scope and results of the external audit.
- Monitoring the integrity of the financial statements and interim report.
- Discussing with the Group’s auditors problems and reservations arising from the interim and final results.
- Reviewing the external auditor’s management letter and management’s response.
- Reviewing on behalf of the Board the Group’s system of internal control and making recommendations to the Board.

The Committee also keeps under review the necessity for establishing an internal audit function but considers that, given the size of the Group and the close involvement of senior management in day-to-day operations, there is currently no requirement for such a function. Notwithstanding the absence of an internal audit function, the Committee keeps under review the effectiveness of the Group’s internal controls and risk management systems.

Remuneration Committee

The members of the Remuneration Committee are Maurice Hazzard (Chairman) and Ken Ratcliff. The committee met three times during the year. The Group's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee recommends to the Board a framework for the remuneration of the Chairman, the Executive Directors and the senior management of the Group.

The principal objectives of the Committee include:

- Determining and recommending to the Board the remuneration policy for the Chief Executive and Executive Directors.
- Reviewing the design of share incentive plans for approval by the Board and determining the annual award policy to Executive Directors under existing plans.

The Committee recognises the continuing financial pressures on the Company and is appreciative in particular of the contribution made by the Executive Directors in further reducing salary costs during the year. On 1 February 2015 an overall 15% reduction in staff costs was implemented including a reduction of 15% in the aggregate remuneration including pension contributions of the Chief Executive Officer and the Finance Director.

On 1 October 2015 the Company implemented a Performance Incentive Scheme under which voluntary salary reductions have been taken to preserve the Group's cash resources. In return the participants in the scheme have been awarded Performance Units (PUs) at the rate of 1 PU for £1 of salary reduction (salary for this purpose including company contributions to pension arrangements). The PUs will not achieve any value unless certain value creation criteria have been met including the completion of a significant asset or corporate sale. Once a value creating trigger event has occurred, the amount paid as a £1 bonus for each PU will be calculated with reference to a sliding scale based on the share price following the trigger event with the number of PUs being multiplied by zero for a share price of 4 pence up to x3 for share price of 9 pence or more. The scheme will end and the PUs will expire on 30 September 2016.

Salary reductions (including company pension contributions) implemented on 1 October 2015 comprise a reduction to £100,000 per annum for each of the Executive Directors (an overall reduction of 32% in aggregate including a 41% reduction for the Chief Executive Officer) and a 25% reduction for the Non-executive directors and the Company Secretary.

The Committee remains acutely aware of the need to balance the financial performance of the Company with the need to maintain incentive and motivation for an executive which has delivered our 2015 work programme with dedication and a focus on the interests of our shareholders.

Relations with Shareholders

Communication with shareholders is given high priority and the Company therefore communicates regularly with shareholders including the release of announcements for the interim and annual results and after significant developments. The Annual General Meeting is normally attended by all directors. Shareholders, including private investors, are invited to ask questions on matters including the Group's operations and performance and to meet with the directors after the formal proceedings have ended.

Representatives of the Board, at least twice per year, together with the Company brokers go on road shows during which existing and new investors are updated on Company affairs. The Company maintains a website (www.infrastrata.co.uk) for the purpose of improving information flow to shareholders as well as potential investors. The website contains all press announcements and financial reports as well as extensive operational information about the Group's activities and enquiries from individual shareholders on matters relating to their shareholdings and the business of the Group are welcomed. The Board encourages shareholders to attend the Annual General Meeting, at which members of the Board are available to answer questions.

Allenby Capital Limited, the company's Nominated Advisor and joint broker, actively researches the Company and its business followed by research notes being issued.

Internal controls

The directors are responsible for the Group's system of internal controls, the setting of appropriate policies on those controls, and regular assurance that the system is functioning effectively and that it is effective in managing business risk. Internal control systems are designed to meet the particular needs of the Group and to manage rather than eliminate the risk of failure to meet business objectives. The internal controls cover financial, operational and compliance matters and are reviewed on an on-going basis.

The directors consider that the frequency of Board meetings and the information provided to the Board in relation to Group operations assists the identification, evaluation and management of significant risks relevant to its operations on a continuous basis.

The Group's internal controls can only provide reasonable and not absolute assurance against material misstatement or loss or the risk of failure to meet business objectives. Having thus monitored risk management and internal control processes in place, the Board considers that the Company's internal control systems operated appropriately during the year and up to the date of signing of the Annual Report and Financial Statements.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 2015 (CONTINUED)

GOING CONCERN

The directors have prepared the financial statements on the going concern basis which assumes that the Group will continue in operational existence for the foreseeable future. The basis of this assumption is detailed in the Strategic Report and the accounting policies in note 2 to the financial statements.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

UK Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law the directors have elected (as required by the rules of the AIM market of the London Stock Exchange) to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006.

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the InfraStrata plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DISCLOSURE OF INFORMATION TO THE AUDITOR

In the case of each person who was a director at the time this report was approved: - so far as the director was aware there was no relevant audit information of which the Company's auditor was unaware; and the director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor was aware of that information. This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITOR

A resolution to re-appoint the auditor, Nexia Smith & Williamson, will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

A Hindle

Director

7 December 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INFRASTRATA PLC



We have audited the financial statements of InfraStrata plc for the year ended 31 July 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flow, the Consolidated and Parent Company Statements of Changes in Equity, and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 July 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – carrying value of the Group's development costs relating to the Islandmagee gas storage facility and the amounts due to the Company from its subsidiaries

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's development costs relating to the proposed Islandmagee gas storage facility with a carrying value of £5,704,951 and the balances of £5,085,527 due to the company from its subsidiaries.

As described in note 2, to continue to develop the Group's Islandmagee gas storage facility and to enable the Company to recover balances due to it from its subsidiaries, the Group is dependent upon securing further funds or monetisation of all or part of the Group's interest in the project. The financial statements do not include the impairment of the Group's development costs relating to the project that would result if the Group were unable to continue to raise such funds or the impairment of the Company's balances due from its subsidiaries if the Group was unsuccessful in the monetisation of all or part of the Group's interest in the project.

Emphasis of matter – carrying value of the Group's interest in Licences PL1/10 and P2123

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in notes 2 and 32 to the financial statements concerning the Group's interest in the PL1/10 and P2123 licences, which have a carrying value of £189,739.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INFRASTRATA PLC (CONTINUED)

Emphasis of matter – carrying value of the Group's interest in Licences PL1/10 and P2123 (continued)

As described in note 32, if funding is not obtained for the Woodburn Forest-1 well, then the part disposal of the license interests to Corallian Energy Limited will not complete and, as described in note 2, unless the Northern Ireland Department of Enterprise, Trade and Investment agrees to allow the license to continue into its second term prior to the well being drilled, the PL1/10 license will have to be relinquished. The financial statements do not include the impairments that would result if the funding is not received and the license is not allowed to continue into its second term.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's and the Company's ability to continue as going concerns. Financial projections prepared by the directors show that future funding is required within the forthcoming year in order for the Group and the Company to continue as going concerns. The directors anticipate generating additional funding by way of an equity fundraising or by disposing of assets or data trades. If such funding cannot be generated, the Group and Company would need to seek alternative sources of funding to enable them to meet their liabilities as they fall due for the foreseeable future.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group and Company's abilities to continue as going concerns. The financial statements do not include the adjustments that would result if the Group and / or Company were unable to continue as going concerns.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the directors' for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Guy Swarbreck

Senior Statutory Auditor,
for and on behalf of

Nexia Smith & Williamson

Statutory Auditor
Chartered Accountants
Walnut Tree Close
1 Bishops Wharf
Walnut Tree Close
Guildford
GU1 4RA

7 December 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2015

| | Notes | 2015 £ | 2014 £ |
|--|-------|-------------|-------------|
| Continuing operations | | | |
| Revenue | 4 | 414,106 | 17,764 |
| Cost of sales | | - | - |
| Gross profit | | 414,106 | 17,764 |
| Management & administrative expenses | 5 | (1,144,393) | (1,331,350) |
| Impairment of Exploration & Evaluation assets | 14 | (3,577,659) | - |
| Total administrative expenses | | (4,722,052) | (1,331,350) |
| Operating loss | | (4,307,946) | (1,313,586) |
| Finance income | 10 | 1,105 | 8,921 |
| Share of loss of Associates | 17 | (49,286) | (82,961) |
| Impairment of interest in Associates | 17 | (2,495,126) | - |
| Loss before taxation | | (6,851,253) | (1,387,626) |
| Taxation | 11 | 745,183 | 140,925 |
| Loss for the year attributable to the equity holders of the parent | | (6,106,070) | (1,246,701) |
| Other comprehensive income | | | |
| Reclassification of funds received from BP Gas Marketing Limited | 15 | - | 2,033,450 |
| Total comprehensive (loss) / profit for the year attributable to the equity holders of the parent | | (6,106,070) | 786,749 |
| Basic and diluted (loss) per share | | | |
| Continuing operations | 12 | (5.00)p | (1.27)p |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2015

| | Notes | 2015 £ | 2014 £ |
|-----------------------------------|-------|--------------------|-------------------|
| Non-current assets | | | |
| Intangible fixed assets: | | | |
| Exploration & Evaluation | 14 | 429,139 | 3,827,066 |
| Gas Storage Development | 15 | 5,704,951 | 3,641,437 |
| Property, plant and equipment | 16 | 440,453 | 440,100 |
| Investments in Associates | 17 | 600 | 2,545,012 |
| Total non-current assets | | 6,575,143 | 10,453,615 |
| Current assets | | | |
| Trade and other receivables | 18 | 300,408 | 144,823 |
| Grant receivable | 19 | 1,066,306 | - |
| Cash and cash equivalents | 20 | 430,199 | 1,648,955 |
| Total current assets | | 1,796,913 | 1,793,778 |
| Current liabilities | | | |
| Trade and other payables | 21 | (754,791) | (836,287) |
| Short-term convertible borrowings | 19 | (1,000,000) | - |
| Total current liabilities | | (1,754,791) | (836,287) |
| Net current assets | | 42,122 | 957,491 |
| Non-current liabilities | | | |
| Deferred income tax liabilities | 22 | - | (745,183) |
| Net assets | | 6,617,265 | 10,665,923 |
| Shareholders' funds | | | |
| Share capital | 24 | 10,474,160 | 9,949,160 |
| Share premium | | 13,379,415 | 11,920,219 |
| Merger reserve | 25 | 8,988,112 | 8,988,112 |
| Share based payment reserve | 26 | 603,626 | 530,410 |
| Retained earnings | | (26,828,048) | (20,721,978) |
| Total equity | | 6,617,265 | 10,665,923 |

Company registration number: 06409712. Approved and authorised for issue by the Board on 7 December 2015

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2015

| | Notes | 2015 £ | 2014 £ |
|-----------------------------------|-------|--------------------|------------------|
| Non-current assets | | | |
| Intangible exploration assets | 14 | 280,877 | 101,145 |
| Property, plant and equipment | 16 | 353 | - |
| Investments | 17 | 600 | 600 |
| Total non-current assets | | 281,830 | 101,745 |
| Current assets | | | |
| Trade and other receivables | 18 | 5,377,201 | 4,139,208 |
| Grant receivable | 19 | 1,066,306 | - |
| Cash and cash equivalents | 20 | 256,192 | 938,903 |
| Total current assets | | 6,699,699 | 5,078,111 |
| Current liabilities | | | |
| Trade and other payables | 21 | (658,436) | (780,465) |
| Short-term convertible borrowings | 19 | (1,000,000) | - |
| Total current liabilities | | (1,658,436) | (780,465) |
| Net current assets | | 5,041,263 | 4,297,646 |
| Net assets | | 5,323,093 | 4,399,391 |
| Shareholders' funds | | | |
| Share capital | 24 | 10,474,160 | 9,949,160 |
| Share premium | | 13,379,415 | 11,920,219 |
| Merger reserve | 25 | 8,466,827 | 8,466,827 |
| Share based payment reserve | 26 | 603,626 | 530,410 |
| Retained earnings | | (27,600,935) | (26,467,225) |
| Total equity | | 5,323,093 | 4,399,391 |

Company registration number: 06409712. Approved and authorised for issue by the Board on 7 December 2015

A Hindle
Director

S McGarrity
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2015

| | Share capital £ | Share premium £ | Merger reserve £ | Share based payment reserve £ | Retained earnings £ | Attributable to the owners of the parent £ | Non-controlling interest £ | Total equity £ |
|--|--------------------|--------------------|---------------------|----------------------------------|------------------------|---|-------------------------------|-------------------|
| Balance at 31 July 2013 | 9,149,160 | 11,920,219 | 8,988,112 | 434,920 | (21,508,727) | 8,983,684 | 1,427,277 | 10,410,961 |
| Loss for the year | - | - | - | - | (1,246,701) | (1,246,701) | - | (1,246,701) |
| Other comprehensive income | - | - | - | - | 2,033,450 | 2,033,450 | - | 2,033,450 |
| Total comprehensive profit for the year | - | - | - | - | 786,749 | 786,749 | - | 786,749 |
| Shares issued | 800,000 | - | - | - | - | 800,000 | - | 800,000 |
| Share based payments | - | - | - | 95,490 | - | 95,490 | - | 95,490 |
| BP Gas Marketing Limited - Islandmagee Storage Limited option (note 15) | - | - | - | - | - | - | 606,173 | 606,173 |
| Reclassification of funds received from BP Gas Marketing Limited (note 15) | - | - | - | - | - | - | (2,033,450) | (2,033,450) |
| Balance at 31 July 2014 | 9,949,160 | 11,920,219 | 8,988,112 | 530,410 | (20,721,978) | 10,665,923 | - | 10,665,923 |
| Loss for the year | - | - | - | - | (6,106,070) | (6,106,070) | - | (6,106,070) |
| Total comprehensive loss for the year | - | - | - | - | (6,106,070) | (6,106,070) | - | (6,106,070) |
| Shares issued | 525,000 | 1,459,196 | - | - | - | 1,984,196 | - | 1,984,196 |
| Share based payments | - | - | - | 73,216 | - | 73,216 | - | 73,216 |
| Balance at 31 July 2015 | 10,474,160 | 13,379,415 | 8,988,112 | 603,626 | (26,828,048) | 6,617,265 | - | 6,617,265 |

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2015

| | Share capital £ | Share premium £ | Merger reserve £ | Share based payment reserve £ | Retained earnings £ | Total equity £ |
|---------------------------------------|--------------------|--------------------|---------------------|----------------------------------|------------------------|-------------------|
| Balance at 31 July 2013 | 9,149,160 | 11,920,219 | 8,466,827 | 434,920 | (25,753,870) | 4,217,256 |
| Loss for the year | - | - | - | - | (713,355) | (713,355) |
| Total comprehensive loss for the year | - | - | - | - | (713,355) | (713,355) |
| Shares issued | 800,000 | - | - | - | - | 800,000 |
| Share based payments | - | - | - | 95,490 | - | 95,490 |
| Balance at 31 July 2013 | 9,949,160 | 11,920,219 | 8,466,827 | 530,410 | (26,467,225) | 4,399,391 |
| Loss for the year | - | - | - | - | (1,133,710) | (1,133,710) |
| Total comprehensive loss for the year | - | - | - | - | (1,133,710) | (1,133,710) |
| Shares issued | 525,000 | 1,459,196 | - | - | - | 1,984,196 |
| Share based payments | - | - | - | 73,216 | - | 73,216 |
| Balance at 31 July 2015 | 10,474,160 | 13,379,415 | 8,466,827 | 603,626 | (27,600,935) | 5,323,093 |

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2015

| | Notes | 2015 £ | 2014 £ |
|--|-------|-------------|-----------|
| Net cash (used in) operating activities | 27 | (894,081) | (702,407) |
| Investing activities | | | |
| Interest received | | 1,105 | 4,772 |
| Purchase of exploration intangible assets | | (179,732) | (347,211) |
| Purchase of gas storage intangible assets | | (3,663,514) | (255,292) |
| Grant received | | 533,694 | - |
| Purchase of equipment | | (424) | - |
| Proceeds from the disposal of exploration intangible assets | | - | 360,000 |
| PGL preference shares receipts | | - | 367,474 |
| Net cash (used in)/generated from investing activities | | (3,308,871) | 129,743 |
| Financing activities | | | |
| Proceeds on issue of ordinary shares | | 1,984,196 | 800,000 |
| Drawdown of short-term borrowings | | 1,000,000 | - |
| Contribution from non-controlling interest | | - | 606,173 |
| Cash inflow on reclassification of assets previously held for sale | | - | 40,701 |
| Net cash generated from financing activities | | 2,984,196 | 1,446,874 |
| Net (decrease)/increase in cash and cash equivalents | | (1,218,756) | 874,210 |
| Cash and cash equivalents at beginning of year | | 1,648,955 | 774,745 |
| Cash and cash equivalents at end of year | | 430,199 | 1,648,955 |
| Cash and cash equivalents consist of: | | | |
| Cash at bank | 20 | 430,199 | 1,648,955 |

Significant non-cash transactions

As disclosed in note 19, at 31 July 2015 the Group has accrued £1,066,306 as the portion of the Grant from the European Commission in respect of the Islandmagee gas storage project attributable to work done at that date. This accrual is a non-cash item, as are the impairment charges of £6,072,785 (2014 – nil); therefore these items do not appear in the statement of cash flows.

During 2014 the Group acquired the preference shares held by eCORP in subsidiary Portland Gas Limited for a non-cash consideration of US\$600,000 satisfied by the cancellation of a debt of US\$600,000 payable by eCORP at that time.

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 JULY 2015

| | Notes | 2015 £ | 2014 £ |
|---|-------|-------------|-----------|
| Net cash (used in) operating activities | 27 | (4,021,550) | (609,030) |
| Investing activities | | | |
| Interest received | | 1,105 | 4,772 |
| Purchases of exploration intangible assets | | (179,732) | (347,211) |
| Grant received | | 533,694 | - |
| Purchases of equipment | | (424) | - |
| Proceeds on the disposal of exploration intangible assets | | - | 360,000 |
| Net cash generated from investing activities | | 354,643 | 17,561 |
| Financing activities | | | |
| Proceeds on issue of ordinary shares | | 1,984,196 | 800,000 |
| Drawdown of short-term borrowings | | 1,000,000 | - |
| Net cash generated from financing activities | | 2,984,196 | 800,000 |
| Net (decrease)/increase in cash and cash equivalents | | (682,711) | 208,531 |
| Cash and cash equivalents at beginning of year | | 938,903 | 730,372 |
| Cash and cash equivalents at end of year | | 256,192 | 938,903 |
| Cash and cash equivalents consist of: | | | |
| Cash at bank | 20 | 256,192 | 938,903 |

Significant non-cash transactions

As disclosed in note 19, at 31 July 2015 the Group has accrued £1,066,306 as the portion a Grant from the European Commission in respect of the Islandmagee gas storage project attributable to work done at that that date. This accrual is a non-cash item and therefore does not appear in the in the statement of cash flows.

There were no significant non-cash transactions in 2014.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

1. GENERAL INFORMATION

InfraStrata plc is a company incorporated in England & Wales under the Companies Acts 2006 and is domiciled in the United Kingdom and is listed on the AIM market of the London Stock Exchange.

2. ACCOUNTING POLICIES

The financial statements are based on the accounting policies set out below which have been consistently applied.

Basis of preparation

InfraStrata plc adopted International Financial Reporting Standards (IFRS) as adopted by the European Union effective in July 2015, as the basis for preparation of its financial statements. The financial information has been prepared under the historical cost convention as modified by the revaluation of certain financial assets.

Going concern

In accordance with market practice for infrastructure development and oil and gas exploration groups, the Group has been historically funded on a project and milestone basis. As of the date of this report the directors believe the Group has sufficient cash resources to be able to continue to pay its creditors as they fall due until February 2016. Cash flow forecasts reflect that the Group requires an additional £600,000 to meet project management and administrative costs, project costs on the Islandmagee project and other working capital requirements until the end of December 2016 increasing to £900,000 should the conditional disposals to Corallian Energy Limited in respect of the NI Agreement not complete (see note 32).

The directors anticipate that additional funding can be generated through an equity fundraising or by disposing of assets or data licensing; however, the success of such fundraising cannot be guaranteed. After preparing cash flow forecasts, which include fundraising, making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

However, the directors have concluded that the uncertainty of fundraising indicates that a material uncertainty exists which may cast significant doubt upon the Group's ability to continue as a going concern and therefore 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, adjustments may be required to the carrying value of assets, 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.

In the event that the funding of the Woodburn Forest-1 well is not completed then the disposals of the Northern Ireland licences will not complete. A request has been submitted to DETI to continue the licence into the second term beyond 4 March 2016 and part surrender 50% of the licence area. InfraStrata is awaiting a response from DETI. In the absence of such an agreement by DETI, then the licence would need to be relinquished and re-applied for. In any event no significant new expenditure commitments will be made unless they are fully funded by partners.

The directors remain confident that the Woodburn Forest-1 well will be fully funded to meet the requisite construction and drilling programme. However, the well funding cannot be guaranteed and the directors have therefore concluded that a material uncertainty exists with regard to the completion of the sale of the Northern Ireland licence interests and, subsequently, the Group's ability to retain the licence.

Forward cash flow forecasts reflect that all significant future exploration costs will now be borne by Corallian in respect of exploration interests transferred to that company and that any future costs associated with retained licence interests will continue to be funded by joint venture partners.

With respect to the Islandmagee gas storage project, following the successful completion of the EU co-financed drilling testing and engineering programme during 2015, the Group now seeks new equity participation in the project or otherwise a monetisation of all or part of the Group's interest in the project. The exact nature of this monetisation is not yet determined and may involve continued management of the project's development with the continued support of the EU. There will be no commitments to significant new expenditure on the project in the absence of funding secured for that purpose.

Should the Group not be successful in obtaining future funding for its projects or realising value for them in excess of current book value, the Group's capitalised project development costs and amounts due to the Company from its subsidiaries amounting to £5,085,527 may become impaired in value. The directors are confident that such funding will continue to be secured.

Having reviewed the value of gas storage and exploration and evaluation assets in accordance with the principles on page 33, and the value of balances due to the Company from its subsidiaries, the directors are of the opinion that these assets are not impaired in value.

Adoption of new and revised standards

The following new and revised standards have been adopted in the preparation of the financial statements for the current financial year:

IFRS 10 Consolidated Financial Statements
 IFRS 11 Joint Arrangements
 IFRS 12 Disclosure of Interests in Other Entities
 IAS 27 Separate Financial Statements (revised 2011)
 IAS 28 Investments in Associates and Joint Ventures (revised 2011)

The adoption of these standards had no material impact on the financial statements of the Group.

Other than minor changes to standards arising from annual improvements, there are no EU adopted revised or new standards which have yet to be adopted. The minor changes to the standards are not expected to have a material impact on the Group financial statements.

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been issued, but not yet adopted by the EU. After their adoption by the EU, the Group will be required to adopt them; it is not expected that these will have a material effect on the Group financial statements.

Basis of consolidation

The financial information incorporates the financial information of the Company and entities controlled by the Company. Control is achieved where the Company has power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Business combinations and goodwill

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit or loss in the period of acquisition. Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Oil and gas exploration joint operations

The Group is engaged in oil and gas exploration and development which may lead to production through unincorporated joint operations. The Group accounts for its share at cost of the results and net assets of these joint operations as jointly controlled assets based on its percentage ownership of these joint operations. In addition, where the Group acts as operator to the jointly controlled operation, the gross liabilities and receivables (including amounts due to and from non-operating partners) of the jointly controlled operation are included in the statement of financial position. Details of the Group's oil & gas exploration jointly controlled operations accounted for as joint assets are provided in note 31.

Farm-outs in the exploration and evaluation phase

The Group does not record any expenditure made by the farminee on its account. In entering into a farm-out arrangement any costs previously capitalised in relation to the whole interest are re-designated as relating to the partial interest retained. Any cash consideration received directly from the farminee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for as a gain on disposal.

2. ACCOUNTING POLICIES (CONTINUED)**Interests in associates**

The Group has interests in associates, which are entities over which the Group has significant influence but not control and which are not joint ventures. The Group recognises its interest in associates using equity accounting. The financial statements of the associates are prepared for the same reporting year as the parent company, using consistent accounting policies.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker as required by IFRS 8 "Operating Segments". The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of directors.

The accounting policies of the reportable segments are consistent with the accounting policies of the Group as a whole. Segment profit or loss represents the profit or loss attributable to equity holders of the parent attributable to each segment. This is the measure of profit that is reported to the Board of directors for the purpose of resource allocation and the assessment of segment performance.

When assessing segment performance and considering the allocation of resources, the Board of directors review information about segment assets and liabilities.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, once the asset has been brought into use, on the following basis:

| | |
|------------------|--------|
| Office equipment | 20-33% |
| Freehold land | 0% |

There is no depreciation to charge in respect of capitalised tangible gas storage inclusive of related and pipeline costs as the assets are fully impaired.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Gas storage research and development costs

Research expenditure, incurred when undertaking exploration activities for gas storage opportunities, is written off in the year in which it is incurred.

Capitalisation and impairment of intangible gas storage assets

Costs of development of gas storage facilities are capitalised as intangible assets once it is probable that future economic benefits that are attributable to the assets will flow to the Group and until consent to construct has been awarded, at which time the capitalised costs are transferred to plant and equipment provided there being reasonable certainty of construction proceeding. The nature of these costs includes all direct costs incurred in project development. No amortisation or depreciation is provided until the storage facility is brought into commercial use.

An impairment test is performed annually and whenever events or circumstances arising during the development phase indicate that the carrying value of a development asset may exceed its recoverable amount. The aggregate carrying value is compared against the expected recoverable amount of the cash generating unit, generally by reference to the present value of the future net cash flows expected to be derived from storage revenue. The present value of future cash flows is calculated on the basis of future storage prices and cost levels as forecast at the statement of financial position date. Capitalisation of project rental costs are reviewed on a regular basis and expensed when the physical progress on the project is in the directors' opinion, significantly less than expected.

The cash generating unit applied for impairment test purposes is generally an individual gas storage facility. Where the carrying value of the facility is greater than the present value of its future cash flows a provision is made. Any such provisions are charged to cost of sales.

Oil & gas exploration and evaluation expenditure and assets

The Group accounts for oil & gas expenditure under the full cost accounting method.

Pre-licence costs (other than payments to acquire rights to explore) are those costs incurred prior to acquiring the rights to explore and are charged directly to the statement of comprehensive income.

All costs incurred after the rights to explore an area have been obtained, such as geological, geophysical, data costs and other direct costs of exploration and appraisal are accumulated and capitalised as exploration and evaluation assets ("E&E").

E&E costs are not amortised prior to the conclusion of appraisal activities. If technical feasibility is demonstrated and commercial reserves are discovered, then following development sanction, the carrying value of the relevant E&E asset will be reclassified as a development and production asset, but only after the carrying value of the E&E asset has been assessed for impairment, and where appropriate, its carrying value adjusted. Development assets will be depreciated on the unit production method.

If after completion of appraisal activities in an area, it is not possible to determine technical feasibility or commercial viability, then the costs of such unsuccessful exploration and evaluation are written off to the statement of comprehensive income as a component of costs of sales in the period the relevant events occur. The costs associated with any wells which are abandoned are fully amortised when the abandonment decision is taken.

Government grants

Government grants are recognised only when there is reasonable assurance that the Group will comply with the conditions attaching to the grant and that the grants will be received. Capital grants are recognised to match the related development expenditure and are deducted in arriving at the carrying value of the related assets.

Investments

Investments in subsidiaries are stated at cost less provision for impairments.

Taxation

Tax expense represents the sum of the tax currently payable and any deferred tax. The taxable result differs from the net result as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the statement of financial position date. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

Foreign currency

Transactions in foreign currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date and gains or losses are taken to operating profit.

2. ACCOUNTING POLICIES (CONTINUED)**Leases**

Leases are classified as finance leases or hire purchase lease contracts whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental costs under operating leases are charged on a straight-line basis over the lease term.

Share based payment transactions

Employees (including senior executives) of the Group receive part of their remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transactions).

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Retirement benefit costs

The Company has a defined contribution plan which requires contributions to be made into an independently administered fund. The amount charged to the statement of comprehensive income in respect of pension costs reflects the contributions payable in the year. Differences between contributions payable during the year and contributions actually paid are shown as either accrued liabilities or prepaid assets in the statement of financial position.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the statement of comprehensive income. Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans are recorded at the proceeds received, net of direct issue costs. Finance costs are accounted for on an accruals basis in the statement of comprehensive income using the effective interest method.

Revenue

Revenue is recognised as the fair value of the consideration received or receivable and represents the amounts receivable for services delivered during the normal course of business. Revenue is recognised as the services are delivered.

Revenue from licensing of data to other parties is recognised in full upon the delivery of the data to the licensee.

Finance income

Finance income is recognised when it is probable that the economic benefits will flow to the group and the amount of income can be measured reliably. Income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Judgements in applying accounting policies and key sources of estimation uncertainty

Amounts included in the financial statements involve the use of judgement and/or estimation. These estimates and judgements are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements, and the key areas are summarised below.

Capitalisation of gas storage and exploration and evaluation project costs

The assessment of whether costs incurred on project exploration and evaluation should be capitalised or expensed involves judgement. Any expenditure which is considered to relate to gas storage exploration research activities or where it is not probable that future economic benefits will flow to the Group are expensed. Management considers the nature of the costs incurred and the stage of project development and concludes whether it is appropriate to capitalise the costs. The key assumptions depend on whether rights to explore an area have been obtained, the rock mechanical properties of the halite, the availability of a suitable site for construction of the required facilities and the likelihood of gaining the relevant permissions.

Review of gas storage project asset carrying values

The assessment of capitalised project costs for any indications of impairment involves judgement. When facts or circumstances suggest that impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds recoverable amount. Recoverable amount is determined to be the higher of fair value less costs to sell and value in use. The key assumptions are the net income expected to be generated from the facilities, the cost of construction and the date from which the facilities become operational. Management assigns values and dates to these inputs after taking into account market information, engineering design costing and the project programme. A discount rate of 8% is applied in determining gas storage project net present values. Salt cavern gas storage projects are long term investments and cash flows are therefore projected over periods greater than 5 years. Engineering design provides for a project life of 40 years. It is assumed that 100% of a project's capacity will be sold from the date that the capacity becomes operational, therefore no cash flow growth is used when performing cash flow projections.

Review of exploration and evaluation asset carrying values

IFRS 6 requires that exploration and evaluation assets be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Management therefore consider annually whether there are any such facts and circumstances and, if so, undertake an impairment review. In making the initial judgements, management consider the outcome of exploration and evaluation activities to date and, in particular, data from any seismic surveys and drilling activities. Management also consider the continuity of the license interests *and market data, including oil and gas prices.

Where an impairment test is required, a comparison is made between the carrying value of the assets at the reporting date with the expected discounted cash flow from the Group's license interest. For the discounted cash flows to be calculated, management use production profiles based on its best estimate of reserves and a range of assumptions, including oil/gas prices and discount rates.

Share based payments

The estimation of share based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Group has made estimates as to the volatility of its own shares, the probable life of options granted, and the time of exercise of those options. The model used by the Group is the Black-Scholes model. The key assumptions are detailed in note 7.

Investments in associates

In order to establish whether an entity is a consolidated subsidiary, a joint venture or an associate, key areas of judgment include:

- Quantitative analysis of an entity including review of, amongst other factors, its capital structure, contractual terms, which interests create or absorb variability, related party relationships and design of the entity.
- Rights of partners reflecting significant business decisions, including dispositions and acquisitions of assets.
- Board and management representation.
- Ability to make financing decisions.
- Operating and capital budget approvals and contractual rights of other parties.

2. ACCOUNTING POLICIES (CONTINUED)

Judgements in applying accounting policies and key sources of estimation uncertainty (continued)*Net profit interests*

Post year end the Group has obtained net profit interests in certain assets. Judgement is needed to assess if a reliable estimate of value of the NPIs can be made. Any valuations require estimates of the likely future cash flows arising from those rights.

3. SEGMENT INFORMATION

The directors have determined the Group's operating segments by reference to the risk profile of the Group's activities, which are affected predominately by location of the Group's assets. The Group's head office is located in the United Kingdom with operations located in Dorset and Northern Ireland. The segmental businesses activities are the development and construction of gas storage and associated facilities, and petroleum exploration.

| 2015 | Southern England Exploration | Northern Ireland Gas storage | Northern Ireland Exploration | Other and central income and management | Total |
|---|---------------------------------|---------------------------------|---------------------------------|---|-------------|
| Continuing activities | | | | | |
| Revenue | 651 | 400,000 | 4,929 | 8,526 | 414,106 |
| Management & administrative expenses | (55,274) | (506,193) | (331,646) | (251,280) | (1,144,393) |
| Impairment of Exploration & Evaluation assets | (3,570,362) | - | - | (7,297) | (3,577,659) |
| Share of loss of associates | (24,532) | - | (24,754) | - | (49,286) |
| Impairment of interest in associates | (1,261,120) | - | (1,234,006) | - | (2,495,126) |
| Finance income | - | - | - | 1,105 | 1,105 |
| Taxation | 745,183 | - | - | - | 745,183 |
| | (4,165,454) | (106,193) | (1,585,477) | (248,946) | (6,106,070) |
| Analysis of: | | | | | |
| Assets by segment | 247,212 | 7,491,517 | 232,180 | 401,147 | 8,372,056 |
| Liabilities by segment | (68,540) | (1,081,957) | (464,596) | (139,698) | (1,754,791) |
| Net assets (liabilities) per segment | 178,672 | 6,409,560 | (232,416) | 261,449 | 6,617,265 |
| Capital expenditure | 78,633 | 91,653 | 3,663,514 | 9,870 | 3,843,670 |
| Depreciation | - | - | - | 71 | 71 |
| Impairments | 4,831,482 | - | 1,234,006 | 7,297 | 6,072,785 |

The Group's gas storage operations in Southern England are no longer reported as an operating segment as they are immaterial.

| 2014 | Southern England | | Northern Ireland | | Other and central income and management | Total |
|------------------------------|------------------|-------------|------------------|-------------|---|-------------|
| | Gas storage | Exploration | Gas storage | Exploration | | |
| Continuing activities | | | | | | |
| Revenue | - | 8,534 | - | 4,956 | 4,274 | 17,764 |
| Administrative expenses | (195,559) | - | (206,043) | - | (929,748) | (1,331,350) |
| Share of loss of associates | - | (46,560) | - | (36,401) | - | (82,961) |
| Finance income | 4,149 | - | - | - | 4,772 | 8,921 |
| Taxation | 107,276 | 33,649 | - | - | - | 140,925 |
| | (84,134) | (4,377) | (206,043) | (31,445) | (920,702) | (1,246,701) |
| Analysis of: | | | | | | |
| Assets by segment | 343,835 | 5,166,825 | 4,445,373 | 1,273,612 | 1,017,749 | 12,247,394 |
| Liabilities by segment | (10,350) | (846,138) | (35,564) | (622,380) | (67,039) | (1,581,471) |
| Net assets per segment | 333,485 | 4,320,687 | 4,409,809 | 651,232 | 950,710 | 10,665,923 |
| Capital expenditure | - | 250,324 | 255,292 | 96,887 | - | 602,503 |
| Depreciation | - | - | - | - | 1,974 | 1,974 |

4. REVENUE

| | 2015 £ | 2014 £ |
|---------------------------|-----------|-----------|
| Revenue comprises: | | |
| Licensing of seismic data | 400,000 | - |
| Other income | 14,106 | 17,764 |
| | 414,106 | 17,764 |

5. PROFIT OR LOSS BEFORE TAXATION

| | 2015 £ | 2014 £ |
|--|------------------|------------------|
| Fees payable to the Group's auditor and its associates: | | |
| - for the audit of the Company's annual financial statements | 20,440 | 19,450 |
| - for the audit of the Company's subsidiaries | 20,300 | 20,300 |
| - other services relating to taxation | 21,300 | 13,050 |
| - all other services | 3,825 | 6,550 |
| Depreciation | 71 | 1,974 |
| Impairments of Exploration and Evaluation assets | 3,577,659 | - |
| Impairments of associates | 2,495,126 | - |
| Net foreign exchange (gain) loss | (1,476) | 58,903 |
| Operating lease rentals – land and buildings | 30,000 | 30,000 |
| Project management & company administrative expenditure | | |
| Management & administrative expenditure which is paid in cash | 1,065,161 | 1,126,482 |
| Non-cash items: | | |
| Share options expense | 73,216 | 95,490 |
| Exchange differences | (1,476) | 58,903 |
| Depreciation | 71 | 1,974 |
| Pre-licence costs written off | 7,421 | 5,717 |
| Expenses of share issue | - | 42,784 |
| | <u>1,144,393</u> | <u>1,331,350</u> |

6. EMPLOYEE INFORMATION

| | 2015 Number | 2014 Number |
|---|----------------|----------------|
| Average number of Executive Directors and staff | 5 | 6 |
| | £ | £ |

Staff costs for the above persons and Non-executive Directors were:

| | | |
|--|---------|---------|
| Wages and salaries | 614,265 | 610,328 |
| Social security costs | 73,216 | 71,368 |
| Defined contribution pension plan expenditure | 47,191 | 61,352 |
| Share based payments | 73,126 | 95,490 |
| Staff costs before recoveries and capitalisation | 807,798 | 838,538 |

7. DIRECTORS' AND KEY MANAGEMENT EMOLUMENTS AND COMPENSATION

| Group and Company 2015 | Salary & fees £ | Benefits £ | Pension £ | Total 2015 £ |
|--|--------------------|---------------|--------------|--------------------|
| Executive Directors | | | | |
| Andrew Hindle | 185,000 | 3,612 | - | 188,612 |
| Stewart McGarrity | 142,860 | 2,893 | 3,000 | 148,753 |
| Anita Gardiner (appointed 28 October 2014) | 101,835 | 676 | 4,557 | 107,068 |
| Non-executive Directors | | | | |
| Ken Ratcliff | 37,590 | - | 1,719 | 39,309 |
| Maurice Hazzard | 15,000 | - | - | 15,000 |
| Alan Booth (appointed 21 January 2015) | 7,500 | - | - | 7,500 |
| William Colvin (resigned 31 January 2015) | 9,500 | - | - | 9,500 |
| Walter Roberts (resigned 28 October 2014)* | 4,269 | - | - | 4,269 |
| | 503,554 | 7,181 | 9,276 | 520,011 |
| Share based payment | | | | 58,120 |
| Employers national insurance contributions | | | | 70,923 |
| | | | | 649,054 |

* During 2015 fees for legal services totalling £22,052 were paid to Pinnacle Energy Limited, a company in which Walter Roberts is both a director and shareholder.

7. DIRECTORS' AND KEY MANAGEMENT EMOLUMENTS AND COMPENSATION (CONTINUED)

| 2014 | Salary & fees £ | Benefits £ | Pension £ | Total 2014 £ |
|---|--------------------|---------------|---------------|--------------------|
| Executive Directors | | | | |
| Andrew Hindle | 200,000 | 2,754 | - | 202,754 |
| Stewart McGarrity (appointed 25 September 2013) | 119,683 | 1,343 | 5,000 | 126,026 |
| Craig Gouws (resigned 25 September 2013) | 16,203 | 298 | 1,000 | 17,501 |
| Non-executive Directors | | | | |
| Ken Ratcliff | 37,905 | - | 1,875 | 39,780 |
| Walter Roberts** | 46,901 | 3,111 | 2,500 | 52,512 |
| Maurice Hazzard | 15,000 | - | - | 15,000 |
| William Colvin | 15,000 | - | - | 15,000 |
| | <u>450,692</u> | <u>7,506</u> | <u>10,375</u> | <u>468,573</u> |
| Share based payment | | | | 75,581 |
| Employers national insurance contributions | | | | 53,698 |
| | | | | <u>597,852</u> |

**Walter Roberts became a Non-executive Director with effect from 1 January 2014. During 2014 fees for legal services totalling £15,614 were paid to Pinnacle Energy Limited, a company in which Walter Roberts is both a director and shareholder.

Aggregate emoluments above include amounts for the value of options to acquire ordinary shares in the Company granted or held by directors. Details of Enterprise Management Incentive and other options held by directors at 31 July 2015 are as follows:

| | Number | Exercise price £ | Exercise from | Exercisable to |
|----------------------------------|---------|---------------------|-------------------|------------------|
| Granted 13 October 2014 | | | | |
| Anita Gardiner | 508,000 | 0.10 | 13 October 2015 | 31 December 2023 |
| Granted 18 September 2014 | | | | |
| Andrew Hindle | 800,000 | 0.10 | 19 September 2015 | 31 December 2023 |
| Stewart McGarrity | 600,000 | 0.10 | 19 September 2015 | 31 December 2023 |
| Ken Ratcliff | 150,000 | 0.10 | 19 September 2015 | 31 December 2023 |
| Maurice Hazzard | 60,000 | 0.10 | 19 September 2015 | 31 December 2023 |
| Granted 22 July 2013 | | | | |
| Stewart McGarrity | 518,918 | 0.10 | 22 July 2014 | 22 July 2024 |
| Granted 1 January 2013 | | | | |
| Andrew Hindle | 956,022 | 0.1046 | 31 December 2013 | 31 December 2021 |
| Ken Ratcliff | 143,403 | 0.1046 | 31 December 2013 | 31 December 2021 |
| Maurice Hazzard | 57,361 | 0.1046 | 31 December 2013 | 31 December 2021 |
| Granted 25 January 2008 | | | | |
| Andrew Hindle | 43,859 | 2.28 | 1 January 2011 | 31 December 2017 |
| Ken Ratcliff | 21,929 | 2.28 | 1 January 2011 | 31 December 2017 |
| Maurice Hazzard | 21,929 | 2.28 | 1 January 2011 | 31 December 2017 |

No options were exercised by directors in 2015 or 2014.

Key man insurance premiums of £798 (2014: £1,595) were paid for Executive Directors and directors' indemnity insurance premiums of £15,370 (2014: £15,370) were paid in respect of all directors. Two Executive and one Non-executive Director participate in the Group Stakeholder Pension Plan.

8. SHARE BASED PAYMENT PLANS

A share based payment plan was created in the year ended 31 July 2008. All directors and employees are entitled to a grant of options subject to the Board of directors' approval. The options do not have a cash settlement alternative. The options granted are Enterprise Management Incentive share options for qualifying employees. The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

| | 2015 Number | 2015 WAEP £ | 2014 Number | 2014 WAEP £ |
|--|----------------|-------------------|----------------|-------------------|
| Outstanding at the beginning of the year | 3,637,167 | 0.2415 | 3,637,167 | 0.2415 |
| Granted during the year | 2,742,000 | 0.1000 | - | - |
| Forfeited during the year | - | - | - | - |
| Outstanding at the end of the year | 6,379,167 | 0.1807 | 3,637,167 | 0.2415 |
| Exercisable at the end of the year | 3,637,167 | 0.2415 | 3,637,167 | 0.2415 |

The weighted average remaining vesting period for the share options outstanding at 31 July 2015 is 0.06 years (2014: zero years). The range of exercise prices for options outstanding at the end of the year was £0.10 - £2.28. The weighted average remaining option life for the share options outstanding at 31 July 2015 is 6 years (2014: 7 years). The fair value of equity settled options granted is estimated as at the date of the grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used to value the options issued.

| | |
|---|--------|
| Expected volatility (%) | 35% |
| Risk free interest rate | 0.5% |
| Weighted average contractual life of option (years) | 9 |
| Expected dividend yield | Nil |
| Exercise price of options (£) | 0.10 |
| Weighted average share price (£) | 0.1061 |

The expected volatility reflects the assumption that the historical volatility of a sample of oil and gas companies is indicative of future trends for InfraStrata plc, which may not necessarily be the actual outcome. The expected life of the options is based on directors' best estimate and may not necessarily be indicative of the patterns that may occur.

9. RETIREMENT BENEFITS

The Group operates a defined contribution retirement plan for all qualifying employees who wish to participate. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustees. The total cost charged to expenses of £47,191 (2014: £61,352) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme for the year. As at 31 July 2015, employer and employee contributions of £Nil (2014: £5,624) due in respect of the current period had not been paid over to the scheme.

10. FINANCE INCOME

| | 2015 £ | 2014 £ |
|---|-----------|-----------|
| Interest on bank deposits | 1,105 | 4,772 |
| Unwinding of discount on other financial assets | - | 4,149 |
| | 1,105 | 8,921 |

11. INCOME TAX

| | 2015 £ | 2014 £ |
|--|-----------|-----------|
|--|-----------|-----------|

The major components of income tax expense for the years ended 31 July 2015 and 2014 are:

a) Income tax recognised in profit or loss

| | | |
|--|------------------|------------------|
| Current income tax charge/(credit) | - | - |
| Adjustments in respect of current income tax of previous years | - | - |
| Total current tax | - | - |
| Deferred tax charge/(credit) | | |
| - origination and reversal of timing differences | (745,183) | (96,446) |
| - change of rate of tax | - | (44,479) |
| Total deferred tax | (745,183) | (140,925) |

b) A reconciliation between tax expense and the product of accounting loss from continuing operations for the years ended 31 July 2015 and 2014 is as follows:

| | | |
|---|------------------|------------------|
| Accounting loss before tax from continuing operations | (6,851,253) | (1,387,626) |
| Loss on continuing activities multiplied by the standard rate of tax (20.67%; 2014: 22.33%) | (1,416,154) | (309,857) |
| Expenses not permitted for tax purposes and pre-trading expenditure | 28,911 | 67,773 |
| Tax losses carried forward | 113,623 | 242,084 |
| Items not subject to tax | 528,437 | (140,925) |
| Income tax credit reported in the profit or loss relating to continuing operations | (745,183) | (140,925) |

c) Factors that may affect the future tax charge

The Group has trading losses of £4,322,290 (2014: £3,939,974) which may reduce future tax charges. Future tax charges may also be reduced by capital allowances on cumulative capital expenditure.

The Group's potential charge to tax arising from its investments in the associates is dependent on the source of future inflows to the Group. Inflows arising from the partial or complete disposal by way of sale are not expected to be subject to tax. The Group has no current expectation of receiving distributions of profits from these investments in the foreseeable future and therefore no deferred tax liability arises.

12. LOSS PER SHARE

| | 2015 £ | 2014 £ |
|--|-------------|-------------|
| (Loss) | | |
| The (loss) for the purposes of basic and diluted loss per share being the net loss attributable to equity shareholders | | |
| Continuing operations | (6,106,070) | (1,246,701) |
| Number of shares | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 122,217,627 | 98,307,952 |
| Basic and diluted loss per share | | |
| Continuing operations | (5.00)p | (1.27)p |

For 2015 and 2014, the share options were not dilutive as a loss was incurred.

13. LOSSES ATTRIBUTABLE TO INFRASTRATA PLC

The loss for the period dealt with in the financial statements of InfraStrata plc was £1,133,710 (2014: £713,355). As provided by s408 of the Companies Act 2006, no statement of comprehensive income is presented in respect of InfraStrata plc.

14. INTANGIBLE ASSETS - EXPLORATION & EVALUATION

| | Group £ | Company £ |
|--|-------------|--------------|
| Cost | | |
| At 1 August 2013 | 3,478,843 | 113,934 |
| Additions | 347,211 | 347,211 |
| Acquisition of net profits interest from eCORP (see footnote 2 overleaf) | 361,012 | - |
| Disposal of interest in P1918 to associate (see footnote 3 overleaf) | (360,000) | (360,000) |
| At 31 July 2014 | 3,827,066 | 101,145 |
| Additions | 179,732 | 179,732 |
| Disposals | - | - |
| Impairments (see footnote 1 overleaf) | (3,577,659) | - |
| Net book value | | |
| At 31 July 2015 | 429,139 | 280,877 |

Note 1: As disclosed in note 32, subsequent to the end of the reporting period the Company entered into agreements to dispose of its interests in exploration licences P1918, P2222 and P2235 for a cash consideration and a retained Net Profits Interest in each licence interest. The carrying value of the Group's interest in these licences has been impaired such that it equates to the attributable net sales proceeds of £239,400. Should the conditions be met for the further disposals of a 10% interest in Northern Ireland licence PL1/10 and the entirety of the Group's interest in licence P2123 for £300,000, the Company will realise a profit of approximately £131,000 in future periods.

No value has been ascribed to the Net Profits Interests retained on each of the licence interests as it is not possible to determine a reliable fair value for these instruments.

Note 2: In June 2012 InfraStrata entered into agreements as part of which its licence interest in P1918 became subject to a net profits interest ("NPI") equivalent to 3.75% on the whole licence in favour of eCORP Oil & Gas UK Limited ("eCORP"). On 14 March 2014 eCORP's NPI in P1918 was cancelled (and InfraStrata UK Limited acquired the related preference shares held by eCORP in our subsidiary Portland Gas Limited) for a consideration of US\$600,000 satisfied by the cancellation of the US\$600,000 (£361,012) still payable by eCORP under the terms of the June 2012 agreements.

Note 3: On 17 March 2014, associated company Brigantes agreed to acquire an 18% interest in licence P1918 for a consideration of US\$600,000 (£360,000 received), subject to DECC approval.

15. INTANGIBLE ASSETS - GAS STORAGE DEVELOPMENT

| | Group £ | Company £ |
|--|-------------|--------------|
| Cost | | |
| Reclassified on 24 January 2014 (see footnote) | 3,585,643 | - |
| Additions subsequent to reclassification | 55,794 | - |
| At 31 July 2014 | 3,641,437 | - |
| Additions | 3,663,514 | - |
| Grant received (note 19) | (533,694) | - |
| Grant accrued at 31 July 2015 (note 19) | (1,066,306) | - |
| Net book value | | |
| At 31 July 2015 | 5,704,951 | - |

Capitalised finance costs

Additions during the year to 31 July 2015 include capitalised finance costs totalling £14,145 (2014: £nil).

Re-classification of Gas Storage Development assets and liabilities

Until 24 January 2014, the gas storage development costs were classified as held for sale while BP Gas Marketing Limited (BPGM) had an option to acquire a controlling interest in Islandmagee Storage Limited in return for funding development costs. On 24 January 2014 BPGM relinquished its option and the assets and liabilities were reclassified under the appropriate heading in the Group's balance sheet. No element of the amounts paid by BPGM was repayable and the balance of amounts paid and payable by BPGM at that date amounting to £2,033,450 were transferred from Non-controlling interests to Retained earnings.

Capital and other commitments

In the event that the project does not proceed to development IMSL would have an obligation to reinstate the area of the well-pad which has already been constructed. This is a contingent liability estimated at £100,000 (2014: £100,000). At 31 July 2015 the Group had capital commitments of £218,000 (2014: £nil) relating to the project.

16. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold property £ | Office equipment £ | Total £ |
|---|------------------------|-----------------------|------------|
| Cost | | | |
| At 1 August 2013 | - | 82,894 | 82,894 |
| Additions | - | - | - |
| Reclassified from held for sale (note 15) | 440,100 | - | 440,100 |
| Disposals | - | - | - |
| At 31 July 2014 | 440,100 | 82,894 | 522,994 |
| Additions | - | 424 | 424 |
| At 31 July 2015 | 440,100 | 83,318 | 523,418 |
| Depreciation | | | |
| At 1 August 2013 | - | 80,920 | 80,920 |
| Charge for the year | - | 1,974 | 1,974 |
| At 31 July 2014 | - | 82,894 | 82,894 |
| Charge for the year | - | 71 | 71 |
| At 31 July 2015 | - | 82,965 | 82,965 |
| Net book value | | | |
| At 31 July 2015 | 440,100 | 353 | 440,453 |
| At 31 July 2014 | 440,100 | - | 440,100 |

| Company | Freehold property £ | Office equipment £ | Total £ |
|-----------------------|------------------------|-----------------------|------------|
| Cost | | | |
| At 1 August 2013 | - | 17,748 | 17,748 |
| Additions | - | - | - |
| At 31 July 2014 | - | 17,748 | 17,748 |
| Additions | - | 424 | 424 |
| At 31 July 2015 | - | 18,172 | 18,172 |
| Depreciation | | | |
| At 1 August 2013 | - | 17,748 | 17,748 |
| Charge for the year | - | - | - |
| At 31 July 2014 | - | 17,748 | 17,748 |
| Charge for the year | - | 71 | 71 |
| At 31 July 2015 | - | 17,819 | 17,819 |
| Net book value | | | |
| At 31 July 2015 | - | 353 | 353 |
| At 31 July 2014 | - | - | - |

17. INVESTMENTS

| Group | 2015 £ | 2014 £ |
|--|-------------|-----------|
| Investment in associates | | |
| At 1 August | 2,545,012 | 2,627,973 |
| Share of losses | (49,286) | (82,961) |
| Impairments (see note below) | (2,495,126) | - |
| At 31 July | 600 | 2,545,012 |
| Total investments at the end of the year | 600 | 2,545,012 |

The Group has 40% interests (2014: 40%) in both of Corfe Energy Limited and Brigantes Energy Limited which are involved in hydrocarbon exploration. The associates are private companies, incorporated in England and Wales and are not listed on any public exchanges.

17. INVESTMENTS (CONTINUED)

Impairments

As disclosed in note 32, subsequent to the end of the reporting period the Company entered into agreements to dispose of its interests in both Corfe Energy Limited and Brigantes Energy Limited for a cash consideration and a retained Net Profits Interest in future profits derived from the disposed shareholding in each company. The carrying value of the Company's interest in these associates has been impaired such that it equates to the attributable net sales proceeds of £600. No value has been ascribed to the Net Profits Interests retained on each of the interests in these associates as it is not possible to determine a reliable fair value for these instruments.

Share of net assets, revenue and net loss

The following table summarises the Group's share of the assets and liabilities of each of these associates as recorded in each associates' management accounts made up to 31 July 2015 and after making adjustments to align the accounting policies of the associates with those of the Group:

| | <i>Corfe Energy Limited</i> | | <i>Brigantes Energy Limited</i> | |
|---|-----------------------------|-----------|---------------------------------|-----------|
| | 2015 £ | 2014 £ | 2015 £ | 2014 £ |
| Long-term assets | 729,626 | 690,470 | 753,082 | 704,676 |
| Current assets | 37,871 | 95,074 | 20,946 | 91,200 |
| Current liabilities | (10,911) | (10,729) | (9,281) | (6,567) |
| Long-term liabilities | (4,700) | (1,600) | (4,700) | (1,600) |
| Group's share of net assets of associates | 751,886 | 773,215 | 760,047 | 787,709 |

The revenue and net loss of each of these associates as recorded in each associates' audited financial statements made up to 31 July 2015 and after making adjustments to align the accounting policies of the associates with those of the Group:

| | <i>Corfe Energy Limited</i> | | <i>Brigantes Energy Limited</i> | |
|---|-----------------------------|-----------|---------------------------------|-----------|
| | 2015 £ | 2014 £ | 2015 £ | 2014 £ |
| Revenue | 45,089 | 72,775 | 45,089 | 72,771 |
| Total loss for the year | 61,332 | 96,378 | 61,882 | 66,082 |
| Group's share of losses | 24,533 | 46,560 | 24,753 | 36,401 |
| Group's share of other comprehensive income | - | - | - | - |

| Company | 2015 £ | 2014 £ |
|--|--------------|--------------|
| Investment in subsidiaries and associates | | |
| Cost | | |
| Balance at 1 August 2014 and 31 July 2015 | 15,247,611 | 15,247,611 |
| Impairment | | |
| Balance at 1 August 2014 and 31 July 2015 | (15,247,011) | (15,247,011) |
| Net book value | | |
| Balance at 31 July | 600 | 600 |

Investment in subsidiaries

The Company's subsidiary undertakings at 31 July 2015, all of which are wholly owned unless indicated otherwise, are as follows:

| | Principal undertaking | Country of incorporation |
|---|-----------------------------------|---------------------------------|
| InfraStrata UK Limited | Holding and corporate | England |
| <i>InfraStrata UK Limited owns the following subsidiary undertakings:</i> | | |
| Islandmagee Storage Limited (65% owned) | Sub surface gas storage developer | Northern Ireland |
| Portland Gas Limited | Holding company | England |
| Portland Gas Storage Limited | Sub surface gas storage developer | England |
| Portland Gas Transportation Limited | Gas storage pipeline developer | England |

Under the terms of a preliminary shareholder agreement entered into by InfraStrata UK Limited and Moyle in January 2010, Moyle acquired a 35% interest in Islandmagee Storage Limited but InfraStrata UK Limited continues to assume one hundred percent of the risks and rewards of ownership of Islandmagee Storage Limited (including voting rights) until such time as Moyle settles its share of the intercompany loan to Islandmagee Storage Limited when the construction and operation of the facility is certain or when the current shareholders' interests in the project are monetised. Therefore InfraStrata plc includes 100% of the results, assets and liabilities of Islandmagee Storage Limited in its financial statements.

The Company has impaired its investment in InfraStrata UK Limited investment and loan receivable from InfraStrata UK Limited as required. The impairments in 2012 followed the impairment of the Portland Gas Limited project.

InfraStrata UK Limited has granted a debenture over its assets which include the Group's 65% interest in the share capital of Islandmagee Storage Limited to secure short-term borrowings (see note 19).

Investment in associates

The company owns 40% (2014: 40%) of the issued share capital of the following companies, both of which are incorporated in England and are involved in oil and gas exploration:

Corfe Energy Limited
Brigantes Energy Limited

| 18. TRADE AND OTHER RECEIVABLES | Group 2015 £ | Group 2014 £ | Company 2015 £ | Company 2014 £ |
|-------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Amounts due from Group undertakings | - | - | 5,085,527 | 3,990,081 |
| Trade receivables | - | 14,188 | - | 18,619 |
| Other receivables | 220,043 | 78,467 | 216,921 | 78,340 |
| Prepayments | 80,365 | 52,168 | 74,753 | 52,168 |
| | <u>300,408</u> | <u>144,823</u> | <u>5,377,201</u> | <u>4,139,208</u> |

An element of the Company and Group's credit risk is attributable to its trade and other receivables. Based on prior experience and an assessment of the current economic environment, the directors did not consider any provision for irrecoverable amounts was required and consider that the carrying amounts of these assets approximates to their fair value.

19. GRANT RECEIVABLE AND SHORT-TERM BORROWINGS

Grant receivable

In April 2015 the Company concluded a Grant Agreement with the European Commission's Connecting Europe Facility for a maximum €2.5 million (£1.8 million) up to 50% of the costs of a programme of work to progress the Islandmagee Gas Storage project. The programme of work comprises the drilling of a data gathering well to obtain salt cores and subsequently undertake testing and engineering design work at an estimated aggregate cost of approximately £3.8 million. Under the conditions of the Grant Agreement 30% of the maximum grant amounting to €750,000 (£533,694) was received in May 2015 and the remaining €1.75 million (£1.3 million) will be received once the work programme has been completed in late 2015 and an application for the balance submitted to the European Commission.

The drilling phase of the work programme was completed satisfactorily in June 2015 and the directors consider there is reasonable assurance that the Company will comply with the conditions of the Grant Agreement and that the remaining €1.75 million (£1.3 million) will be received. In addition to the £533,694 received in May 2015, a further £1,066,306 of the total grant has been accrued at the year. The total of the grant accounted for at 31 July 2015 is therefore 90% (£1,600,000) of the total grant representing the proportion of the total costs of the related work programme which has been incurred at that date. Grant monies received and accrued have been credited against Intangible assets – Gas Storage Development (note 15).

Short-term convertible borrowings

On 30 April 2015, the Company concluded a €1.8 million Convertible Loan Facility Agreement with Baron Oil Plc ("Baron") for the purposes of providing bridge finance until receipt of the €1.75 million balancing grant from the European Commission. The loan is drawn-down as Sterling fixed at £1.3 million of which £1 million had been drawn-down at 31 July 2015 with the balance drawn-down in August 2015. The loan accrues interest at a fixed rate of 8% which is payable when the principal on the loan is repaid. The balance on the loan is repayable on 1 May 2016. Baron has the right to extend the loan period until 31 December 2016.

Baron has an accompanying option to convert the entirety of the balance on the loan at any time during the life of the agreement into an equity participation of 15% of the share capital of Islandmagee Storage Limited ("IMSL") to be effected by the issue of new shares by IMSL. In the event of conversion the accrued interest on the loan would be cancelled.

The borrowings are secured by a debenture over the assets of InfraStrata UK Limited which includes the Group's 65% interest in the share capital of IMSL.

20. CASH AND CASH EQUIVALENTS

| | Group 2015 £ | Group 2014 £ | Company 2015 £ | Company 2014 £ |
|--------------|--------------------|--------------------|----------------------|----------------------|
| Cash at bank | 430,199 | 1,648,955 | 256,192 | 938,903 |

The directors consider that the carrying amount of these assets approximates their fair value. The credit risk on liquid funds is limited because the counter-parties are banks with high credit ratings.

21. TRADE AND OTHER PAYABLES

| | Group 2015 £ | Group 2014 £ | Company 2015 £ | Company 2014 £ |
|------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Trade creditors | 596,481 | 695,507 | 582,075 | 680,303 |
| Preference shares (note 24) | 12,500 | 12,500 | 12,500 | 12,500 |
| Other taxation and social security | 23,928 | 14,087 | 23,928 | 17,895 |
| Accruals | 121,882 | 114,193 | 39,933 | 69,767 |
| | <u>754,791</u> | <u>836,287</u> | <u>658,436</u> | <u>780,465</u> |

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

22. DEFERRED TAX

| | Group 2015 £ | Group 2014 £ |
|--|--------------------|--------------------|
| Deferred income tax liabilities in relation to: | | |
| Intangible assets (recovered in more than 12 months) | - | 745,183 |

The gross movement on the deferred tax account is as follows:

| | Group 2015 £ | Group 2014 £ |
|---|--------------------|--------------------|
| At 1 August | 745,183 | 886,108 |
| Credited to the statement of comprehensive income | | |
| Reversal of timing differences | (745,183) | (96,446) |
| Change of tax rate | - | (44,479) |
| | <u>(745,183)</u> | <u>(140,925)</u> |
| At 31 July | - | 745,183 |

Deferred tax has been calculated at rates of 20% (2014: 20%) which are the rates which have been substantively enacted and which are expected to be applicable when the underlying assets are forecast to be recovered.

23. FINANCIAL ASSETS AND LIABILITIES

The Group and Company's financial instruments comprise cash and cash equivalents, short-term borrowings and items such as trade and other receivables and trade and other payables which arise directly from the Group's operations. The Group's operations expose it to a variety of financial risks including credit risk, interest rate risk, foreign currency exchange risk and liquidity risk. Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a subcommittee of the Board. The objectives of the financial instrument policies are to reduce the Group and Company's exposure to financial risk. The policies set by the Board of directors are implemented by the Company's finance department. The Group is also indirectly exposed to risks arising from its interests in its associates. The Group is not required to give detailed information relating to these risks.

Credit risk

The credit risk on liquid funds is limited because the Group and Company policy is to only deal with counter parties with high credit ratings. The Group held funds in Bank of Scotland and Investec bank accounts during the last two years; at year end all of the funds were held in Bank of Scotland. In the directors' view there is a low risk of the bank holding the Group's funds at year end failing in the foreseeable future.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | Group 2015 £ | Group 2014 £ | Company 2015 £ | Company 2014 £ |
|----------------------------------|--------------------|--------------------|----------------------|----------------------|
| Trade and other receivables | 61,075 | 92,655 | 60,949 | 18,619 |
| Due from subsidiary undertakings | - | - | 5,085,527 | 3,990,081 |
| Cash and cash equivalents | 430,199 | 1,648,955 | 256,192 | 938,903 |

The reconciling items between the trade and other receivables presented above and that presented in note 18 are VAT receivable and prepayments. No receivables are past due but not impaired.

Interest rate risk

The Company and Group are exposed to interest rate risk as a result of positive cash balances, denominated in sterling, which earn interest at variable rates. Any surplus cash is held on deposit with Bank of Scotland. An effective interest rate increase or decrease by 1% on the cash and cash equivalents balance at year end would result in a before tax financial effect of an increase or decrease of £4,302 (2014: £16,489).

As disclosed in note 19, the Group and Company's short-term borrowings bear interest at a fixed rate of 8%.

Foreign currency risk

The Group is exposed to foreign currency rate risk as a result of United States Dollar denominated bank balances and in 2015, certain trade payables, the grant debtor and the Baron loan. The Group and Company did not enter into any arrangements to hedge these risks, as the directors consider the exposure to be insignificant.

As disclosed in note 19 Group and Company's short term borrowings are denominated in Euros with the fully drawn balance on the facilities (£1.8 million) expected to be repaid from a €1.75 million European Commission grant receipt. The directors do not consider the exposure to an unhedged liability of €50,000 to be significant.

The currency risk disclosures are as follows:

| | Group 2015 USD | Group 2014 USD |
|---------------------------|----------------------|----------------------|
| Cash and cash equivalents | £885 | £119,304 |
| Trade and other payables | - | £118,469 |

| | Euros | Euros |
|---------------------------|------------|-------|
| Grant debtor | £1,066,306 | - |
| Loan and accrued interest | £1,014,145 | - |

The book value of financial assets and liabilities disclosed is considered to be equal to fair value.

Liquidity risk

The total carrying value of Group and Company financial liabilities is disclosed in note 21 (trade and other payables) and in note 19 (short-term borrowings). The Company seeks to issue share capital or dispose of assets when external funds are required. The reconciling items between the contractual maturities presented below and that presented in notes 21 and 19 are taxes and accruals. The following table shows the contractual maturities of the Group's and Company's financial liabilities, all of which are measured at amortised cost.

| | Group 2015 £ | Group 2014 £ | Company 2015 £ | Company 2014 £ |
|--|--------------------|--------------------|----------------------|----------------------|
| Trade and other payables | | | | |
| Within one month | 63,344 | 69,527 | 49,568 | 54,323 |
| More than one month less than one year | 533,137 | 625,980 | 533,137 | 625,980 |
| Short-term borrowings | | | | |
| More than one month less than one year | 1,000,000 | - | 1,000,000 | - |

24. SHARE CAPITAL AND REDEEMABLE PREFERENCE SHARES

| | 10p Ordinary Shares | | Allotted, called and fully paid 1p Ordinary Shares | | 1p Deferred Shares | | Total £ |
|--------------------------------|---------------------|-------------|---|-----------|--------------------|-----------|------------|
| | Number | £ | Number | £ | Number | £ | |
| At 31 July 2013 | 91,491,599 | 9,149,160 | - | - | - | - | 9,149,160 |
| Issue of £0.10 ordinary shares | 8,000,000 | 800,000 | - | - | - | - | 800,000 |
| At 31 July 2014 | 99,491,599 | 9,949,160 | - | - | - | - | 9,949,160 |
| Share subdivision | (99,491,599) | (9,949,160) | 99,491,599 | 994,916 | 895,424,391 | 8,954,244 | - |
| Issue of £0.01 ordinary shares | - | - | 52,500,000 | 525,000 | - | - | 525,000 |
| At 31 July 2015 | - | - | 151,991,599 | 1,519,916 | 895,424,391 | 8,954,244 | 10,474,160 |

Redeemable preference shares of £1 each (classified as liabilities)

| | Number | £ |
|--------------------------------|--------|--------|
| At 31 July 2015, 2014 and 2013 | 50,000 | 12,500 |

On 23 September 2013 the Company issued 8,000,000 new Ordinary Shares of 10 pence each at 10 pence per share to raise £800,000, before expenses, to institutional and other shareholders.

On 21 January 2015, following approval at the Company's AGM, the existing ordinary shares of 10 pence each were subdivided into 1 New Ordinary Share of 1 penny and 9 Deferred Shares of 1 penny each. The Deferred Shares do not carry any rights to vote or any dividend rights. The Deferred Shares will not be admitted to AIM and holders will only be entitled to a payment on return of capital or winding up of the Company after each of the holders of the Ordinary Shares has received a payment of £10,000,000 on each such share.

On 23 February, following approval at a General Meeting of the Company, the Company issued 52,500,000 new Ordinary Shares of 1 penny each at 4 pence per share to raise £2,100,000, before expenses, to institutional and other shareholders. The expenses of the issue totalled £115,804.

Preference shares

The preference shares carry the right to an annual dividend out of distributable profits of 0.00001% per annum on the amount for the time being paid up on each such share and do not carry any voting rights. The Company may redeem the shares at any time by giving preference shareholders one week's notice. Preference shareholders may require the Company to redeem their shares at any time by giving six months notice. In each case, any redemption is at par and is subject to the provisions of the Companies Act. The preference shares are treated as short-term liabilities and included within trade payables.

Authorised share capital

The Company's articles do not specify an authorised share capital.

Objectives, policies and processes for managing capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to achieve its operational objectives.

The Group defines capital as being share capital plus reserves. The Board of directors monitors the level of capital as compared to the Group's forecast cash flows and long term commitments and when necessary issues new shares. Dilution of existing shareholder value is considered during all processes which may result in an alteration of share capital in issue.

Ordinary share capital in issue is managed as capital and the redeemable preference shares in issue are managed as current liabilities.

The Group is not subject to any externally imposed capital requirements.

25. MERGER RESERVE

Company

The merger reserve arose on the demerger of the Portland Gas Group of companies from Egdon Resources Plc when the Company issued shares at a premium to their nominal value on acquisition of InfraStrata UK Limited. The reserve is not distributable.

Group

The merger reserve represents the difference between the nominal value of the shares issued on the demerger and the combined share capital and share premium of InfraStrata UK Limited at the date of the demerger.

26. SHARE BASED PAYMENT RESERVE

The reserve for share based payments is used to record the value of equity settled share based payments awarded to employees and transfers out of this reserve are made upon the exercise or expiration of the share awards.

The transfer in of £73,216 (2014: £95,490) relates to the share option expense for the year. There were no options forfeited or exercised during the year (2014: £nil). For further information on the share based payment scheme see note 8.

27. CASH (USED IN) OPERATIONS

| Group | 2015 £ | 2014 £ |
|---|------------------|------------------|
| Operating loss for the year | (4,307,946) | (1,313,586) |
| Impairment of Exploration & Evaluation assets | 3,577,659 | - |
| Depreciation | 71 | 1,974 |
| Decrease in trade and other receivables | (155,585) | 103,863 |
| (Decrease)/Increase in trade and other payables | (81,496) | 263,455 |
| Share option expense | 73,216 | 95,490 |
| Exchange difference on eCORP debtor | - | 56,004 |
| Net working capital change in Islandmagee Storage Limited prior to reclassification | - | 90,393 |
| Cash (used in) operating activities | <u>(894,081)</u> | <u>(702,407)</u> |

27. CASH (USED IN) OPERATIONS (CONTINUED)

| Company | 2015 £ | 2014 £ |
|---|--------------------|------------------|
| Operating loss for the year | (1,134,815) | (718,127) |
| Impairment of intercompany receivables | 523,650 | - |
| Depreciation | 71 | 1,974 |
| (Increase) in trade and other receivables | (3,361,643) | (265,006) |
| (Decrease)/Increase in trade and other payables | (122,029) | 276,639 |
| Share option expense | 73,216 | 95,490 |
| Cash (used in) operating activities | <u>(4,021,550)</u> | <u>(609,030)</u> |

28. OPERATING LEASE COMMITMENTS

Future minimum rentals payable under non-cancellable operating leases as at 31 July are as follows:

| | Land and buildings 2015 £ | Land and buildings 2014 £ |
|-----------------|------------------------------------|------------------------------------|
| Amounts due: | | |
| Within one year | <u>15,000</u> | <u>15,000</u> |

Operating lease payments represent rentals payable by the Group for office premises. The office premises lease rentals are fixed for 5 years and the escalation clause is linked to market rates agreed between the landlord and tenant. The lease provides for a break clause at the fifth anniversary of the lease which was on 30 October 2012, exercisable at the Company's option. The landlord and the Company agreed on 16 May 2012 that there will be no rent review and that either party may terminate the lease at any time on or after 30 October 2012 by serving six months written notice.

29. OTHER COMMITMENTS
Fyrd asset exchange

In December 2014 the group agreed to an asset exchange with Fyrd Energy Limited ("Fyrd") ("the Agreement"). Under the terms of the Agreement, InfraStrata was to acquire a 25% interest in UK Promote Licence P2235, a 22.5% shareholding in Integrated GeoRenewables (Dorset) Limited ("IGR") and a carry for the first £200,000 of expenditure by IGR. InfraStrata was to assign 77.5% of its rights and intellectual property in the Portland project (excluding the gas pipeline construction authorisation and associated rights) to IGR and would grant an option to that company to acquire the gas pipeline rights from InfraStrata in return for the Company being carried for a further £200,000 of expenditure by IGR.

As disclosed in note 32, InfraStrata has now amended the Agreement such that Fyrd will transfer, subject to OGA approval, its remaining 75% P2235 licence interest to InfraStrata and in exchange InfraStrata will transfer its remaining 22.5% of the rights and intellectual property in the Portland project, excluding the gas pipeline rights and intellectual property, to Fyrd.

30. RELATED PARTY TRANSACTIONS

Group and Company

InfraStrata plc leases the Group's head office from Toffee Limited, a company of which Andrew Hindle is a director and shareholder. The rent and service charges paid during the period were £45,000 (2014: £45,000). The balance outstanding at 31 July 2015 was £nil (2014: £nil).

The Group has related party relationships with its associates. Amounts owed by associates at 31 July 2015 were £27,793 (2014: £3,600) and amounts owed to associates at 31 July 2015 were £2,959 (2014: £87,149).

Fyrd (note 29) is a related party as Alan Booth, a director of the Company at the end of the financial year, is also a director and shareholder of Fyrd.

Company

The Company has related party relationships with its subsidiaries and associates in the course of normal operations.

InfraStrata plc recovered overhead and technical support costs from Islandmagee Storage Limited of £552,744 (2014: £181,264), InfraStrata UK Limited of £nil (2014: £181,264) and Portland Gas Storage Limited of £nil (2014: £120,000).

Gross balances due to/from subsidiaries were £182,465 (2014: £nil) / £13,683,316 (2014: £11,884,754). The amounts due from Group undertakings, which are unsecured, are stated net of an impairment provision of £8,418,323 (2014: £7,894,673).

31. JOINTLY CONTROLLED OIL & GAS EXPLORATION ACTIVITIES

At 31 July 2015 the Group and Company held in interests in the following exploration licences:

| <i>Country</i> | <i>Licence</i> | <i>Field name</i> | <i>Operator</i> |
|------------------|----------------|-------------------------|-----------------|
| Northern Ireland | PL1/10 | Larne-Lough Neagh Basin | InfraStrata |
| Northern Ireland | P2123 | Larne-Lough Neagh Basin | InfraStrata |
| England | P1918 | English Channel | InfraStrata |
| Scotland | P2222 | East Shetland Basin | InfraStrata |
| Scotland | P2235 | Moray Firth | Fyrd |

The Company has entered into agreements with partners whereby the Company's share of initial exploration costs are wholly or partly covered by the partners, therefore the company has incurred net expenditure to the extent of £179,732 (2014: £347,211) in developing its share of the assets. As explained in note 32, after the end of the period the Company has entered into agreements to dispose of most of its licence interests to Corallian Energy Limited.

Joint Bidding Agreement

The Company has a New Ventures Exploration Joint Bidding Agreement with Carstone Exploration Limited ("Carstone"). Under the terms of the agreement InfraStrata and Carstone (which expires in March 2016) work together to identify early stage opportunities where the principals of each company have expertise and experience. Each company bears its own costs in relation to the agreement and will hold 50% of the available licence interest in each new venture.

32. EVENTS AFTER THE REPORTING PERIOD

On 16 November 2015, the Company announced that it had signed Sale & Purchase Agreements (“S&P Agreements”) with Corallian Energy Limited (“Corallian”) and Osmington Holdings Limited (“Osmington”), a wholly owned subsidiary of Corallian. Corallian and Osmington are recently incorporated UK companies. Under the S&P Agreements, InfraStrata will transfer its entire interests in UK offshore licences P1918, P2222 and P2235 to Corallian, and its 40% shareholdings in Brigantes Energy Limited (“Brigantes”) and Corfe Energy Limited (“Corfe”) (which between them hold interests in UK licences P1918, P2123, PL1/10, PEDL201, PEDL 237, PL090 and PEDL070) to Osmington. The effective date for these transfers is 1 October 2015.

The transfer of licence P2235 involves an amendment of the Asset Exchange Agreement with Fyrd Energy Limited (“Fyrd”) announced on 16 December 2014 (the “Fyrd Agreement”) under which InfraStrata acquired a 25% interest in licence P2235. Under the revised Fyrd Agreement, Fyrd will transfer its remaining 75% interest in licence P2235 to InfraStrata and in exchange, InfraStrata will transfer its 22.5% retained interest in the rights and intellectual property in its former Portland project (which are held directly by InfraStrata rather than via a new project company as originally contemplated in the Fyrd Agreement), excluding the gas pipeline rights and associated intellectual property, to Fyrd. The entire P2235 interest to be held by InfraStrata will then be transferred under the S&P Agreements to Corallian. In addition, the Portland gas pipeline rights and associated intellectual property will be transferred by InfraStrata to Osmington as part of the S&P Agreements.

The total consideration payable immediately under the S&P Agreements is £240,000 plus a net profits interest (“NPI”) instrument in each of P1918, P2222 and P2235 of 4% of Corallian’s anticipated interest in the licence at the time of drilling the first well on the licences (0.5%, 0.5% and 1% respectively of the gross) plus a 4% share of any future profits derived by Osmington from its shareholdings in Brigantes and Corfe, again in the form of NPI instruments.

The NPIs will entitle InfraStrata to that share of any future profits from the licences or from Brigantes and Corfe without making any further investment. The NPI instruments may be traded and sold by InfraStrata.

In addition to the above, Corallian has also agreed to acquire from InfraStrata a fully carried 10% interest in both the PL1/10 licence and offshore licence P2123 in Northern Ireland, for a cash consideration of £300,000 (the “NI Agreement”). The NI Agreement is subject to conditions precedent, notably a successful outcome of the ongoing farm-out process, on terms currently being negotiated with interested parties, for the Woodburn Forest-1 well in Northern Ireland licence PL1/10. InfraStrata and Corallian are looking to conclude the NI Agreement by February 2016.

Andrew Hindle is a Director of InfraStrata and has made an investment in Corallian, but holds less than 20 percent of its issued share capital.

33. CONTROL OF THE GROUP

There is no ultimate controlling party of InfraStrata plc.

LETTER FROM THE CHAIRMAN WITH NOTICE OF ANNUAL GENERAL MEETING

Directors:

Kenneth Ratcliff (Non-executive Chairman)
Andrew Hindle (Chief Executive Officer)
Anita Gardiner (Commercial Development Director)
Stewart McGarrity (Finance Director)
Maurice Hazzard (Non-executive Director)

Registered Office:
Blackstable House
Longridge
Sheepscombe
Stroud
GL6 7QX

Dear Shareholder,

7 December 2015

1. Introduction

Notice of the Company's forthcoming annual general meeting to be held on Tuesday 26 January 2016 ("AGM" or "Annual General Meeting") appears on the following pages.

As in previous years your Board is not recommending the payment of a dividend.

2. Resolutions to be proposed at the AGM

Ordinary Business

Annual Report and Accounts (Resolution 1)

A copy of the annual report and accounts (together with the Directors' and Auditor's reports on the annual report and accounts) for the Company for the financial year ended 31 July 2015 (the "Accounts") has been sent to you with this document. Shareholders will be asked to receive the Accounts at the Annual General Meeting.

Re-appointment of Auditor (Resolution 2)

The Company is required at each general meeting at which accounts are presented to appoint an auditor to hold office until the next such meeting. Nexia Smith & Williamson Audit Limited have indicated their willingness to continue in office. Accordingly, Resolution 2 proposes their re-appointment as auditor of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next annual general meeting of the Company at which accounts are laid, and authorises the Directors to determine their remuneration.

Retirement by Directors (Resolutions 3 and 4)

Maurice Hazzard and Stewart McGarrity are the Directors retiring by rotation this year and each of them offers himself for re election. All members of the Board are required to submit themselves for re-election at least once every three years. Brief biographical details of each of the Directors appear on pages 14 and 15 of the Accounts.

Authority of Directors to Allot Shares (Resolution 5)

The authority given to the Directors to allot further shares in the capital of the Company requires the prior authorisation of the shareholders in general meeting under section 551 Companies Act 2006. Upon the passing of Resolution 5, pursuant to paragraph (A) of the Resolution, the Directors will have authority to allot shares up to a maximum of £506,638.66 (which is approximately one third of the current issued share capital as at 7 December 2015, being the latest practicable date before the publication of this Letter).

In addition, in accordance with the guidance from the Association of British Insurers ("ABI") on the expectations of institutional investors in relation to the authority of directors to allot shares, upon the passing of Resolution 5, the Directors will have authority (pursuant to paragraph (B) of the Resolution) to allot an additional number of ordinary shares up to a maximum of £506,638.66 (which is approximately a further third of the current issued share capital as at 7 December 2015, being the latest practicable date before the publication of this Letter). However, the Directors will only be able to allot those shares for the purposes of a rights issue in which the new shares are offered to existing shareholders in proportion to their existing shareholdings. As a result, if Resolution 5 is passed, the Directors could allot shares representing up to two-thirds of the current issued share capital pursuant to a rights issue.

To the extent not already expired, the authorities conferred by Resolution 5 will expire immediately following the next Annual General Meeting or, if earlier, on 31st January 2017.

LETTER FROM THE CHAIRMAN WITH NOTICE OF ANNUAL GENERAL MEETING

2. Resolutions to be proposed at the AGM (continued)

Ordinary Business (continued)

Disapplication of Pre-emption Rights (Resolution 6)

If the Directors wish to exercise the authority under Resolution 5 and offer unissued shares (or sell any shares which the Company may purchase and elect to hold as treasury shares) for cash, the Companies Act 2006 requires that unless shareholders have given specific authority for the waiver of the statutory pre-emption rights, the new shares be offered first to existing shareholders in proportion to their existing shareholdings. In certain circumstances, it may be in the best interests of the Company to allot new shares (or to grant rights over shares) for cash without first offering them to existing shareholders in proportions to their holdings.

Resolution 6 would authorise the Directors to do this by allowing the Directors to allot shares for cash (i) by way of a rights issue (subject to certain exclusions), (ii) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportions to their shareholdings (subject to certain exclusions) and (iii) to persons other than existing shareholders up to an aggregate nominal value of £303,983.19 (which represents approximately 20% of current issued share capital as at 7 December 2015, being the latest practicable date before the publication of this Letter). If given, to the extent not already expired, the authorities conferred by Resolution 6 will expire on the conclusion of the next Annual General Meeting or, if earlier, on 31st January 2017.

For this purpose the ABI recommendation aimed predominantly at premium-listed companies on the LSE main list is 5%, although it is generally recognised that for smaller companies and those on AIM this may be too restrictive. The nature of our business and the critical phase of the projects in which we are involved, which can both be expected to require up front investment and can take a long time to develop fully means that your Board considers 5% to be insufficient. Consequently I would ask that you approve a 20% disapplication of pre-emption rights to provide your Board with the flexibility to pursue such opportunities without incurring the costs of a rights issue or the need to market part of the investment opportunity to third parties.

3. Recommendation

Your Directors consider the Resolutions to be proposed at the AGM to be in the best interests of the Company and its shareholders as a whole. Consequently, the Directors recommend shareholders to vote in favour of the Resolutions as they intend to do in respect of their own beneficial holdings totalling 9,520,951 Ordinary shares (representing 6.26 per cent. of the Company's issued share capital as at the date of this Letter).

A form of proxy is included for use at the AGM. Forms of proxy should be completed, signed and returned as soon as possible and in any event so as to be received by Capita Asset Services at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not less than 48 hours prior to the time appointed for the holding of the AGM on 26 January 2016.

Completion of a proxy form will not prevent you from attending the AGM in person if you so wish.

Yours sincerely,
Ken Ratcliff
Non-executive Chairman

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of InfraStrata plc (the "Company") will be held at the offices of Allenby Capital Limited, 3 St Helen's Place, London EC3A 6AB, United Kingdom on Tuesday 26 January 2016 at 11.30 a.m., for the purpose of passing the following Resolutions, of which Resolutions 1 to 5 will be proposed as Ordinary Resolutions and Resolution 6 will be proposed as a Special Resolution:

Ordinary Resolutions:

1. To receive the report of the Directors and the audited accounts of the Company for the year ended 31 July 2015, together with the report of the Auditor on those audited accounts.
2. That Nexia Smith & Williamson Audit Limited be and are hereby reappointed as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the meeting, at a remuneration to be determined by the Directors.

LETTER FROM THE CHAIRMAN WITH NOTICE OF ANNUAL GENERAL MEETING

3. To re-elect Maurice Hazzard as Director who retires pursuant to article 92 of the Company's articles of association and who, being eligible, offers himself for re election.
4. To re-elect Stewart McGarrity as Director who retires pursuant to article 92 of the Company's articles of association and who, being eligible, offers himself for re election.
5. To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with section 551 Companies Act 2006 (CA 2006) to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:

- (A) up to an aggregate nominal amount of £506,638.66; and
- (B) comprising equity securities (within the meaning of section 560 CA 2006) up to a further aggregate nominal amount of £506,638.66 in connection with an offer by way of a rights issue:
 - (1) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (2) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that that Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts).

The authorities conferred on the Directors under paragraphs (A) and (B) above shall, in so far as they have not previously expired, expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or 31 January 2017, whichever is the earlier save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for, or to convert any security into, shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for, or to convert any security into, shares (as the case may be) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Special Resolution:

6. To consider and, if thought fit, to pass the following resolution as a special resolution:

THAT, subject to the passing of Resolution 5 above the Directors be and they are hereby empowered pursuant to section 570 CA 2006 to allot equity securities (within the meaning of section 560 CA 2006) for cash pursuant to the authority conferred by Resolution 5, as if section 561 CA 2006 did not apply to any such allotment, provided that this power shall be limited:

- (A) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authorities granted under paragraph (B) of Resolution 5, by way of a rights issue only):
 - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
 - (ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts); and

LETTER FROM THE CHAIRMAN WITH NOTICE OF ANNUAL GENERAL MEETING

Special Resolution (continued):

(B) to the allotment (otherwise than under paragraph (A) of this Resolution 6) of equity securities up to an aggregate nominal amount of £303,983.19;

and shall, in so far as they have not previously expired, expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or 31 January 2017, whichever is the earlier, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

| | |
|-----------------------|--------------------|
| Dated 7 December 2015 | Registered Office: |
| By Order of the Board | Blackstable House |
| Walter Roberts | Longridge |
| Secretary | Sheepscombe |
| | Stroud |
| | GL6 7QX |

Notes:

1. A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member. If a member wishes to appoint more than one proxy and so requires additional proxy forms, the member should contact Capita Asset Services on 0871 664 0300 if calling within the United Kingdom or +44 20 8639 3399 if calling from outside the United Kingdom. Lines are open 8:30am – 5:30pm Mon–Fri. Calls to the helpline from within the United Kingdom cost 12 pence per minute (including VAT) from a BT landline. Other service providers' costs may vary. Call to the helpline from outside the United Kingdom will be charged at applicable international rates. Calls may be recorded and monitored for security and training purposes. A form of proxy for use by members at the Annual General Meeting accompanies this notice.
2. To be effective, the form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority, must be received by post or (during normal business hours only) by hand at the office of the Company's Registrars, being Capita Asset Services at PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, not less than 48 hours, excluding non-business days, before the time of the holding of the meeting or any adjournment thereof.
3. Completion and return of the proxy form does not preclude a member from attending and voting at the meeting in person.
4. In the case of joint shareholders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint shareholders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
5. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
6. In order to revoke a proxy instruction you will need to inform the Company by sending notice in writing clearly stating your intention to revoke your proxy appointment to the Company's Registrars, being Capita Asset Services at PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than 48 hours, excluding non-business days, before the time of the holding of the meeting or any adjournment thereof. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
7. In accordance with the permission in Regulation 41(1) of The Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), only those holders of ordinary shares who are registered on the Company's share register at 1800 hours on 22 January 2016 shall be entitled to attend the above Annual General Meeting (or, in the case of an adjourned meeting, 1800 hours on the day which is two days before the adjourned meeting) and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 1800 hours on 22 January 2016 shall be disregarded in determining the rights of any person to attend and/or vote at the Annual General Meeting.
8. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are to be cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.
9. Copies of the service agreements and letters of appointment between the Company and its Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and Bank Holidays excluded) until the date of the meeting and also on the date and at the place of the meeting from half an hour before the meeting until the conclusion of the meeting.

PROXY FORM

INFRASTRATA PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 (as amended) with registered number 6409712)

Proxy Form for use by Shareholders at the Annual General Meeting (“AGM”) of InfraStrata plc (the “Company”) to be held at the offices of Allenby Capital Limited, 3 St Helen’s Place, London EC3A 6AB, United Kingdom on Tuesday 26 January 2016 at 11.30 a.m.

Please read the Notice of the AGM and the accompanying notes carefully before completing this Proxy Form. As a Shareholder of the Company you have the right to attend, speak at and vote at the AGM. If you cannot, or do not want to attend the AGM, but still want to vote, you can appoint someone to attend the AGM and vote on your behalf. That person is known as a “proxy”. You can use this Proxy Form to appoint the Chairman of the AGM, or someone else, as your proxy. Your proxy does not need to be a Shareholder of the Company.

I/We, _____ (in BLOCK CAPITALS please) being a Shareholder/Shareholders of InfraStrata plc, appoint the Chairman of the AGM or _____

(see note 1) as my/our proxy to attend and, on a poll, to vote for me/us and on my/our behalf as indicated below at the AGM and at any adjournment thereof (see notes below).

Please clearly mark the boxes below to instruct your proxy how to vote.

| ORDINARY RESOLUTIONS | For | Against | Vote withheld | Discretionary |
|--|-----|---------|---------------|---------------|
| 1. To receive the Report and Accounts for the year ended 31 July 2015 | | | | |
| 2. To re-appoint Nexia Smith & Williamson Audit Limited as auditor at a remuneration to be determined by the Directors | | | | |
| 3. To re-elect Maurice Hazzard | | | | |
| 4. To re-elect Stewart McGarrity | | | | |
| 5. To grant the directors authority to allot shares on the basis set out in the Notice of AGM | | | | |
| SPECIAL RESOLUTION | | | | |
| 6. To disapply pre-emption rights on the basis set out in the Notice of AGM | | | | |

Signature(s) (see note 8) Date 20.....

Please complete and send this proxy form to Capita Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF.

NOTES TO PROXY FORM

1. A proxy need not be a member of the Company but must attend the meeting to represent you. If you wish to appoint as a proxy a person other than the Chairman of the AGM, please delete the words “the Chairman of the AGM” and insert the name of the other person. All alterations made to this Proxy Form must be initialled by the signatory. If you sign and return this Proxy Form with no name inserted in the box, the Chairman of the AGM will be deemed to be your proxy. If the proxy is being appointed in relation to less than your full voting entitlement, please enter the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this Proxy Form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
2. To be effective, this Proxy Form (together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority) must be received by post or (during normal business hours only) by hand at the office of the Company’s Registrars, being Capita Asset Services at PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, by no later than 11.30 a.m. on 22 January 2016.
3. You are entitled to appoint more than one proxy provided that each proxy is appointed to exercise rights attached to a different share or shares held by you. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional Proxy Form(s) may be obtained by contacting the Registrars helpline on +44 (0)871 664 0300 (calls cost 12p per minute plus network extras) or you may photocopy this form. Please indicate next to the proxy holder’s name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
4. Completion and return of this Proxy Form will not prevent you from attending in person and voting at the AGM should you subsequently decide to do so.
5. If you wish your proxy to cast all of your votes “For” or “Against” a resolution you should insert an “X” in the appropriate box. If you wish your proxy to cast only certain votes “For” and certain votes “Against”, insert the relevant number of shares in the appropriate box. In the absence of instructions, your proxy may vote or abstain from voting as he or she thinks fit on the specified resolution and, unless instructed otherwise, may also vote or abstain from voting as he or she things fit on any other business (including on a motion to amend a resolution to propose a new resolution or to adjourn the AGM) which may properly come before the AGM.
6. The “Vote Withheld” option is provided to enable you to instruct your proxy to abstain from voting on a particular resolution. A “Vote Withheld” is not a vote in law and will not be counted in the calculation of the proportion of the votes “For” or “Against” a resolution. The “Discretionary” option is provided to enable you to give discretion to your proxy to vote or abstain from voting on a particular resolution as he or she thinks fit.
7. In accordance with the permission in Regulation 41 of the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), only those holders of ordinary shares who are registered on the Company’s share register at 1800 hours on 22 January 2016 shall be entitled to attend the above AGM (or 1800 hours on the day which is two days before the day of any adjourned meeting) and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 1800 hours on 22 January 2016 shall be disregarded in determining the rights of any person to attend and/or vote at the AGM.
8. This Proxy Form must be signed by the shareholder or his/her attorney. Where the shareholder is a corporation, the signature must be under seal or signed by a duly authorised representative stating their capacity (e.g. Director, secretary). In the case of joint shareholders, any one shareholder may sign this Proxy Form or may vote in person at the Meeting. If more than one joint shareholder is present at the AGM either in person or by proxy, that one of them whose name stands first in the register of members in respect of the share shall alone be entitled to vote (whether in person or by proxy) in respect of it.
9. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
10. In order to revoke a proxy instruction you will need to inform the Company by sending notice in writing clearly stating your intention to revoke your proxy appointment to Company’s Registrars, being Capita Asset Services at PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than 48 hours before the time of the holding of the meeting or any adjournment thereof. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
11. If you submit more than one valid proxy appointment in respect of the same share or shares, the appointment received last before the latest time for the receipt of proxies will take precedence. If the Company is unable to determine which was received last, none of the proxy appointments in respect of that share or shares shall be valid.



InfraStrata plc
80 Hill Rise
Richmond
Surrey
TW10 6UB

www.infrastrata.co.uk