

Registration number: 09187479

I3 Energy North Sea Limited
(formerly I3 Energy Limited)

Interim Accounts
for the Six Months Ended 30 June 2017

I3 Energy North Sea Limited
(formerly I3 Energy Limited)
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For the Six Months Ended 30 June 2017

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I3 Energy North Sea Limited
(formerly I3 Energy Limited)
Highlights and Outlook
For the Six Months Ended 30 June 2017

i3 Energy plc presents the interim accounts of I3 Energy North Sea Limited ('i3', 'i3 Energy' or the 'Company'), its operating subsidiary, for the six months to June 2017. i3 Energy plc acquired I3 Energy North Sea Limited after the interim period end via a share for share exchange ahead of its admission to AIM in July 2017.

Highlights

- Successfully completed a private placement raising £4.2m through Convertible Loan Notes before expenses to fund Liberator front-end engineering and design, project management, site survey, environmental statement development, and general corporate purposes
- Continued advancing the Company's Liberator oil field development, a high-quality, low-cost, oil development targeting 7,300 barrels of oil equivalent per day ("BOEPD"):
 - Working with the supply chain on development design and engineering
 - Engagement with infrastructure owners regarding Liberator production offtake
 - Refinement of Field Development Plan ("FDP") with the UK Oil & Gas Authority ("OGA")

Post Period and Outlook

- Admitted i3 Energy plc to the Alternative Investment Market ("AIM") of the London Stock Exchange with first day of dealings on 25 July 2017
- Remain focused on the safe and efficient development of the Liberator field
 - Continuing to advance proposals with the supply chain regarding the provision of a rig, well services, and well services project management related to the development of Liberator
 - Progressing discussions with the Blake field partners regarding Liberator offtake terms across the producing Blake Infrastructure
 - Progressing the process for FDP approval from the OGA
 - Completing the Environmental Statement for two development drill centres at Liberator
- Continue to explore numerous funding options to develop Liberator including equity and debt capital markets, joint venture partnering and supply chain financing
- Working several North Sea asset opportunities and advanced 30th Offshore Licensing Round screening
- Seismic purchased covering 830 km² across multiple blocks

**i3 Energy North Sea Limited
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Chief Executive Officer's Report**

We were delighted to complete our acquisition of the Liberator oil field on 28th December 2016 from Dana Petroleum as it furnished i3 with a high-quality, low-cost development opportunity, which upon successful delivery will provide a strong foundation for growth. Completion of the Liberator acquisition on a 100% owned and operated basis immediately defined for us our critical undertakings for 2017, and the first half of the year saw concerted effort on those tasks required to deliver first oil from Liberator on the nearest achievable timeline. These tasks broadly fall into two categories, the first being those that advance the technical, commercial, and regulatory requirements of Liberator's development, and the second being the sourcing of sufficient funding to enable us to successfully execute our Liberator Field Development Plan.

During the early part of the year and on the back of our acquisition we were pleased to issue approximately £4.2 million of convertible loan notes through a private placement. Though financing to date has enabled the company to advance Liberator's delivery, further funding is required to obtain Field Development Plan approval from the UK Oil & Gas Authority and is a prerequisite to the Company's commitment to key contracts for critical kit, equipment and services. In May and June, we positioned ourselves for a concurrent IPO and listing to AIM. A softening in commodity prices during that period combined with a backdrop of numerous other factors prevented us from attaining the necessary commitment levels required to fully fund the Liberator development and, as such, i3 did not raise additional capital at that time. As to retain the considerable effort and cost expended on our AIM listing, a majority of i3's Loan Noteholders agreed to convert their Notes to ordinary share capital in the Company, permitting us to conclude admission to AIM. i3 Energy plc began trading on 25th July with circa 25.7 million shares in issuance, with Management and Board holding 65%. Listing the Company was crucial to ensure that in the future, both on our timing and when market conditions are more favourable, that capital markets could be swiftly accessed as an avenue for funding. We are deeply focused on delivering the Liberator development during the course of 2018 and, as such, continue to explore all potential funding avenues including, but not limited to, capital markets, joint venture partnering, debt facilities, and vendor financing.

As a required component of our AIM Admission Document, we engaged Gaffney, Cline & Associates ("GCA") as our Competent Person to opine on the hydrocarbon resources in the Liberator field. We were pleased with GCA's assessment that the 2C Contingent Resources attributed to the on-licence portion of Liberator is 9.4 MMboe and produces a pre-tax net present value, discounted at 10%, of US\$ 249 million under certain assumptions. We have since continued to optimize our well locations for the Liberator development and expect to recognize increased recoverable hydrocarbon volumes in a proposed H1 2018 CPR update.

A key component of Liberator's development is the successful negotiation of an offtake agreement with the owners of the adjacent Blake field infrastructure across which Liberator hydrocarbons will be produced for offloading. i3 is very appreciative of the positive engagement received from the Blake field Operator, Repsol Sinopec Resources UK Limited, as we continue to progress the necessary technical and commercial elements to accommodate Liberator's utilization of the Blake facilities. On August 25th, we were pleased to announce the completion of all site survey and pipeline route sampling operations over two areas close to the Liberator field that we've identified as development drill centres, and on September 21st we announced the commencement of "host" engineering studies, being undertaken on i3's behalf by Repsol, which will confirm the technical requirements and construction schedule for the tie-in of Liberator to the existing Blake infrastructure. Our management team believes that projects such as Liberator – yet to be developed satellites near later life but well-maintained infrastructure – is a prime example of the type of collaboration that's required now and in the future between smaller operators and large infrastructure owners to Maximise Economic Recovery in the UK and that this development closely adheres to the guidance given by the OGA in that regard.

Also during the first half of 2017, our technical and commercial teams continued to source all necessary equipment and services to conduct our expected 2018 development campaign, with time-critical components procured to avoid potential schedule disruption. Other major contracts are dependent upon funding and will be executed in due course. Additionally, we have had very constructive interaction with the UK Oil & Gas Authority on Liberator and our wider development aspirations, and have recently submitted our Draft Field Development Plan at the request of OGA after undergoing a peer review of the Liberator field by their technical team.

Altogether a very busy year to date with much progress made towards our goal of delivering material returns through the development of high-quality, low-cost, deliverable assets.

During the first half of the year the Company had a net loss for the period of £1,897,948 (30 June 2015 – net loss of £46,751). The majority of the loss consists of the accrued interest in relation to i3's Loan Notes and G&A expenses associated with i3 Energy plc's AIM listing, ongoing development of the Liberator asset, and day-to-day operating expenses.

£4,195,869 (before expenses) was raised during the first half through a private placement of Loan Notes, with the proceeds being used to fund Liberator Field Cluster front-end engineering and design, project management, environmental statement, site survey and general corporate purposes.

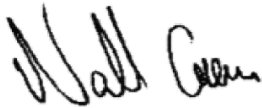
Moving forward, we will continue to tightly manage our existing cash resources, which stood at £2.8 million at the end of June 2017, as we progress the funding and development of an asset that has the potential to deliver

**I3 Energy North Sea Limited
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Chief Executive Officer's Report**

substantial shareholder value. While we advance Liberator's development, we will continue to assess and pursue what we believe to be highly accretive asset opportunities in the North Sea.

I would like to offer my thanks to i3's team. Each member has continued to work diligently with the limited resources available to them while demonstrating their ongoing commitment to the Company and belief in the Liberator project through their willingness to work at a fraction of market salaries.

With gratitude, I also extend my thanks to our shareholders and early investors for your continued support. There is considerable risk at the inception of any venture and we recognize you for your willingness to come alongside us in that. We remain excited about our near-term objectives and see great opportunities ahead.



Neill Carson
Chief Executive Officer
28 September 2017

**I3 Energy North Sea Limited
(formerly I3 Energy Limited)**

**Statement of Comprehensive Income
for the Six Months Ended 30 June 2017**

(GBP)

	Note	Six Months to 30/06/17 (unaudited) £	Six Months to 30/06/16 (unaudited) £	Year to 31/12/16 (audited) £
Administrative expenses		(769,185)	(46,751)	(363,844)
Exploration expenditure		(7,392)	-	(25,324)
Operating loss		(776,577)	(46,751)	(389,168)
Finance expense:				
Interest payable and similar costs	5	(1,121,371)	-	(15,666)
Total finance expense		(1,121,371)	-	(15,666)
Loss on ordinary activities before taxation		(1,897,948)	(46,751)	(404,834)
Tax charge for the period/year		-	-	-
Net loss for the period/year and total comprehensive loss		(1,897,948)	(46,751)	(404,834)
Net loss per share				
From continuing operations				
Basic and diluted	13	0.28	0.02	0.07

The accompanying notes are an integral part of these Interim accounts.

**I3 Energy North Sea Limited
(formerly I3 Energy Limited)**

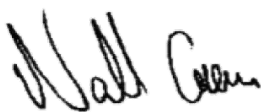
Balance Sheet

As at 30 June 2017

(GBP)

		30/06/17 (unaudited) £	30/06/2016 (unaudited) £	31/12/16 (audited) £
ASSETS	Note			
Non-current assets				
Property, plant & equipment		22,886		
Exploration and evaluation assets	7	2,316,192	-	1,725,772
Total non-current		2,339,078	-	1,725,772
Current assets				
Cash at bank and in hand		2,799,588	-	18,905
Trade and other receivables	8	160,896	676	10,449
Total current assets		2,960,484	676	29,354
Current liabilities				
Trade and other payables	9	(713,393)	(46,751)	(165,131)
Convertible loan notes payable		(6,884,794)	-	(1,990,264)
Total current liabilities		(7,598,187)	(46,751)	(2,155,395)
Net current liabilities		(4,637,703)	(46,075)	(2,126,041)
Total assets less current liabilities		(2,298,625)	(46,075)	(400,269)
Net liabilities		(2,298,625)	(46,075)	(400,269)
Capital and reserves				
Called up share capital	10	701	676	701
Share-based payment reserve		3,456		3,864
Retained earnings		(2,302,782)	(46,751)	(404,834)
Shareholders' (deficit)/funds		(2,298,625)	(46,075)	(400,269)

The financial statements of i3 Energy North Sea Limited, company number 09187479, were approved by the Board of Directors and authorized for issue on 28 September 2017. Signed on behalf of the Board of Directors by:



Neill Carson
Director

The accompanying notes are an integral part of these interim accounts.

I3 Energy North Sea Limited
(formerly I3 Energy Limited)
Statement of Changes in Equity
for the Six Months Ended 30 June 2017
(GBP)

	Note	Share capital	Share-based payment reserve	Retained	Total
As at 31 December 2015	10	1	-	-	1
Loss for the period and total comprehensive income		-	-	(46,751)	(46,751)
Issue of share capital	10	675	-	-	675
Share-based payment expense		-	-	-	-
As at 30 June 2016		676	-	(46,751)	(46,075)
Balance at 31 December 2016		701	3,864	(404,834)	(400,269)
Loss for the period and total comprehensive income		-	-	(1,897,948)	(1,897,948)
Issue of share capital		-	-	-	-
Share-based payment expense		-	(408)	-	(408)
Balance at 30 June 2017		701	3,456	(2,302,782)	(2,298,625)

The accompanying notes are an integral part of these interim accounts.

I3 Energy North Sea Limited
(formerly I3 Energy Limited)
Statements of Cash Flows for the Six Months Ended 30 June 2017
(GBP)

	Note	6 months to 30/06/2017 (unaudited) £	6 months to 30/06/2016 (unaudited) £	Year to 31/12/16 (audited) £
OPERATING ACTIVITIES				
Loss for the period/year		(1,897,948)	(46,751)	(404,834)
Adjustments for:				
- Unrealised currency translation (gains)/loss	12	(214,038)	-	137,498
- Share-based payment expense		(408)	-	3,864
Operating cash flows before movements in working capital:				
- (Increase) in receivables	8	(150,447)	(676)	(10,448)
- Increase in interest payable	5	898,526	-	8,068
- Increase in current liabilities	9	548,262	46,751	165,131
Net cash used in operating activities		(816,053)	(676)	(100,721)
INVESTING ACTIVITIES				
Expenditure on exploration and evaluation assets	7	(590,420)	-	(1,725,772)
Property, plant & equipment		(22,885)	-	-
Net cash used in investing activities		(613,305)	-	(1,725,772)
FINANCING ACTIVITIES				
Proceeds on issue of ordinary shares		-	676	700
Proceeds from loan notes	12	4,210,041	-	1,844,698
Net cash from financing activities		4,210,041	-	1,845,398
Net decrease in cash and cash equivalents		2,780,683	-	18,905
Cash and cash equivalents, beginning of period/year		18,905	-	-
CASH AND CASH EQUIVALENTS, END OF PERIOD/YEAR		2,799,588	-	18,905

The accompanying notes are an integral part of these interim accounts.

**I3 Energy North Sea Limited
(formerly I3 Energy Limited)**

Notes to the Interim Accounts for the Six Months Ended 30 June 2017

1 Corporate information

I3 Energy North Sea Limited (formerly I3 Energy Limited) (“i3”, “I3 Energy”, or the “Company” is a private company limited by shares incorporated in England and Wales. The registered office is located at New Kings Court, Tollgate, Chandler’s Ford, Eastleigh, Hampshire, SO53 3LG. I3 Energy North Sea Limited was incorporated on 22 August 2014. The nature of the Company’s operations and its principal activities consists of the development and production of oil and gas in the UK North Sea. Its parent and ultimate controlling party is i3 Energy plc, a company incorporated in England, which holds 100% of the issued ordinary shares of the Company. The registered office of i3 Energy plc is located at New Kings Court, Tollgate, Chandler’s Ford, Eastleigh, Hampshire, SO53 3LG.

2 Basis of preparation

Statement of Compliance

The interim accounts have been prepared under the historic cost convention, using the accounting policies that will be applied in the Company’s statutory financial statements for the year ended 31 December 2017 and in accordance with the Disclosure and Transparency Rules of Financial Conduct Authority (previously the Financial Services Authority) and with IAS 34 ‘Interim Financial Reporting’. The interim accounts should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with IFRS as adopted by the European Union.

The reports for the six months ended 30 June 2017 and 30 June 2016 are unaudited and un-reviewed and do not constitute statutory accounts as defined by the Companies Act 2006. The financial statements for 31 December 2016 have been prepared and delivered to the Registrar of Companies. The auditors’ report on those financial statements was unqualified, but did include reference to uncertainties which may cast significant doubt about the Company’s ability to continue as a going concern, to which the auditors drew attention by way of an emphasis of matter without qualifying their opinion. Their report did not contain a statement under section 498 of the Companies Act 2006.

Going concern

The Company is working to secure the requisite funding required to develop the Liberator asset from, but not limited to, one or a combination of the capital markets and/or a partial sale of Liberator to an industry partner and/or the provision of supply chain financing.

Given the Company’s reliance upon its ability to raise funds, the matters discussed in the Chief Executive Officer’s Report, specifically the costs associated to execute the Company’s initial strategy, including putting Liberator into production, give rise to a material uncertainty that may cast doubt upon the Company’s ability to continue as a going concern such that it may be unable to realise its assets and discharge its liabilities in the normal course of business. As of the date of this Report, the Company is actively engaged in discussions to raise requisite funding through one or a combination of joint venture partnering, debt facilities, and/or equity issuance that the Directors are confident will successfully conclude within a 12 month time period. Therefore, based on the matters discussed above and making appropriate enquiries, the Directors have concluded that the financial information should be presented on the basis that the Company is a going concern. Accordingly, the financial information does not include adjustments relating to the carrying value of assets, the amounts and classification of liabilities, or other adjustments that might result should the Company be unable to continue as a going concern.

3 Significant accounting policies

The accounting policies adopted are consistent with those applied in the previous financial year, unless otherwise indicated.

Financial instruments:

Cash and cash equivalents:

Cash and cash equivalents comprise cash on hand and cash held on current account or on short-term deposits at variable interest rates with original maturity periods of up to three months. Any interest earned is accrued monthly and classified as interest income within finance income.

Trade and other receivables:

Trade and other receivables are initially recognised at fair value when related amounts are invoiced then carried at this amount less any allowances for doubtful debts or provision made for impairment of these receivables.

Trade and other payables:

These financial liabilities are all non-interest bearing and are initially recognised at the fair value of the consideration payable.

**I3 Energy North Sea Limited
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Notes to the Interim Accounts for the Six Months Ended 30 June 2017

3 Significant accounting policies – continued

Impairment of financial assets:

In relation to financial assets, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of receivables is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Financial liabilities at Fair Value Through Profit or Loss (“FVTPL”)

Financial liabilities at FVTPL comprise of the Company’s convertible loan notes payable. Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the ‘other gains and losses’ line item in the income statement.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Equity:

Equity instruments issued by the Company are usually recorded at the proceeds received, net of direct issue costs, and allocated between called up share capital and share premium accounts as appropriate.

Foreign currency:

The Company does not have any foreign operations. Transactions denominated in currencies other than functional currency are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences that arise are recorded in the income statement.

For the purpose of the financial information, the results and financial position are expressed in GBP.

Exploration and evaluation assets:

Exploration and evaluation expenditures (E&E):

Exploration and evaluation (pre-license) costs are recognised in the statement of comprehensive income as incurred. E&E costs, including the costs of acquiring undeveloped land and drilling costs are initially capitalised until the drilling of the well is complete and the results have been evaluated. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable

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Notes to the Interim Accounts for the Six Months Ended 30 June 2017

3 Significant accounting policies – continued

when proved or probable reserves are determined to exist. If proved and or probable reserves are found, the drilling costs and associated undeveloped land are transferred to development and production assets once the Company has obtained FDP and after completing an impairment assessment. The cost of undeveloped land that expires or any impairment of capitalised E&E expenditures recognised during a period is charged to the statement of operations and comprehensive income.

E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units (CGU's). Any impairment identified is charged to the statement of operations and comprehensive income as additional depreciation. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reserved as a credit to the statement of operations and comprehensive income, net of any depreciation that would have been charged since the impairment.

Share-based payments:

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Deferred taxation:

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4 Revenue

The Company had nil revenue during for the six month period ended 30 June 2017 (30 June 2016 – Nil).

5 Interest payable and similar costs

	Period ended 30 June 2017	Period ended 30 June 2016	Year ended 31 December 2016
	£	£	£
Interest payable	363	-	-
Interest payable on redeemable loan notes	898,526	-	8,068
Commission payable on loan notes	222,482	-	7,598
Total interest payable and similar costs	1,121,371	-	15,666

6 Taxation

I3 Energy North Sea Limited had no liability to UK corporation tax on the ordinary activities for the period ended 30 June 2017 (30 June 2016 – Nil). As at 31 December 2016 the Company had taxable losses of £161,934 (30 June 2015 – Nil) for which no deferred tax asset has been recognised. This is due to uncertainty over the availability of future taxable profits to offset these losses against.

I3 Energy North Sea Limited
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Notes to the Interim Accounts for the Six Months Ended 30 June 2017

7 Exploration and evaluation assets

	Exploration and evaluation assets £	Total £
As at 30 June 2016	-	-
Additions	1,725,772	1,725,772
As at 31 December 2016	-	1,725,772
Additions	590,420	2,316,192
As at, 30 June 2017	-	2,316,192

8 Trade and other receivables

	As at 30 June 2017 £	As at 30 June 2016 £	As at 31 December 2016 £
VAT receivable	54,018	-	10,449
Prepays	106,878	-	-
Share subscription receivable	-	676	-
Total trade and other receivables	160,896	676	10,449

9 Trade and other payables

	As at 30 June 2017 £	As at 30 June 2016 £	As at 31 December 2016 £
Trade creditors	206,632	17,279	25,524
Accrued liabilities	506,761	29,472	139,607
Total trade and other payables falling due within one year	713,393	46,751	165,131

The average credit period taken for trade purchases is 30 days. No interest is charged on the trade payables. The directors consider that the carrying amount of trade payables approximates to their fair value.

10 Authorised, issued and called-up share capital

	Issuance Date	Ordinary Shares	A Ordinary Shares	Nominal Value £ per Share	Called up Share Capital
As at 31 December 2015		1		1.00	1
Issuance of A ordinary shares	01 Mar 16	-	6,750,000	0.0001	675
Subdivision of ordinary share	31 May 16	(1)	10,000	0.0001	-
As at 30 June 2016		-	6,760,000	0.0001	676
Change of class of shares	01 Jul 16	6,760,000	(6,760,000)	0.0001	-
Issue of ordinary shares	15 Dec 16	250,000	-	0.0001	25
As at 31 December 2016		7,010,000	-	0.0001	701
Issue of ordinary shares		-	-	-	-
As at 30 June 2017		7,010,000	-	0.0001	701

The ordinary shares confer the right to vote at general meetings of the Company, to a repayment of capital in the event of liquidation or winding up and certain other rights as set out in the Company's articles of association.

**I3 Energy North Sea Limited
(formerly I3 Energy Limited)**

Notes to the Interim Accounts for the Six Months Ended 30 June 2017

11 Related party transactions

The Company had the following related party transactions:

- a. During the six months ended 30 June 2017, the Company had nil in share subscription receivable (30 June 2016 - £1.00) (31 Dec 2016 - £1.00) relating to share issuance costs by a director and officer of the Company.

12 Convertible Loan Notes

On or before 28 December 2016, the Company issued Loan Notes in the amount of £1,844,698, of which the proceeds were used to fund the SPA with Dana Petroleum and for general corporate purposes. This issue comprised of £1,100,000 50 per cent. Loan Notes and £744,698 25 per cent. Loan Notes. A summary of the terms of the Loan Notes is as follows:

- Security: None
- Interest: None
- Mandatory conversion/redemption conditions:
 - AIM listing; and
 - Minimum raise of USD 36 million
- Conversion Election
 - 25 per cent. Loan Notes
 - Conversion price: Lower of 75% of IPO price (in USD) and USD 0.60/share (IPO will be on AIM and shares will trade in GBP)
 - Conversion option: Anytime at option of noteholder at USD 0.60/share
 - 50 per cent. Loan Notes
 - Conversion price: Lower of 50% of IPO price (in USD) and USD 0.40/share (IPO will be on AIM and shares will trade in GBP)
 - Conversion option: Anytime at option of noteholder at USD 0.40/share
 - Redemption Election
 - 25 per cent. Loan Notes
 - Redemption price: Principal plus 25% redemption premium automatically paid within 10 business days of certain mandatory redemption conditions
 - 50 per cent. Loan Notes
 - Redemption price: Principal plus 50% redemption premium automatically paid within 10 business days of certain mandatory redemption conditions
 - Term:
 - 25 per cent. Loan Notes
 - 125% of principal to be repaid after 28th December 2017 in the event of non-conversion/non-redemption
 - 50 per cent. Loan Notes
 - 150% of principal to be repaid after 28th December 2017 in the event of non-conversion/non-redemption

At the time of subscribing for the i3 Energy Loan Notes, the subscriber had the option to select a conversion election or a redemption election. Selections were made as follows:

1. £1,531,717 of the Loan Notes will convert to shares as follows:
 - I. £1,100,000 at the lower of 50% of IPO price (in USD) and USD 0.40/share
 - II. Conversion option: Anytime at option of noteholder at USD 0.40/shareAnd the balance of £431,717 will convert as follows:
 - I. Lower of 75% of IPO price (in USD) and USD 0.60/share
 - II. Conversion option: Anytime at option holder at USD 0.60/share

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(formerly I3 Energy Limited)**

Notes to the Interim Accounts for the Six Months Ended 30 June 2017

12 Convertible Loan Notes - continued

2. £312,981 of the funds will be redeemed as follows:

Redemption price: Principal plus 25% redemption premium automatically paid within 10 business days of certain mandatory redemption conditions

In the first half of 2017, the Company successfully raised £4,195,869 before expenses through the issuance of further Loan Notes of which proceeds will be used to fund Liberator Field Cluster front-end engineering and design, project management, environmental statement, potential site survey, and general corporate purposes.

The Loan Notes issued by the Company shall rank pari passu equally and rateably with the any present and future unsecured debt obligations of the Company. If the notes have not been converted, they will be redeemed on 28 December 2017 at the agreed redemption price.

The Loan Notes are not deemed to contain an equity component and the options meet the definition of a derivative and are not closely related to the host contract. Due to the complexity of performing separate valuations for each derivative, the Company has elected under IAS 39 to designate the entire hybrid loan notes as fair value with subsequent changes in value flowing through profit and loss.

The net proceeds received from the issue of the convertible loan notes is as follows:

	£
Proceeds of issue of convertible loan notes as at 30 June 2016	-
Proceeds of issue of convertible loan notes as at 31 Dec 2016	1,844,698
	<hr/>
Liability component at date of issue	1,844,698
Interest charged	8,068
Unrealized FX loss as at 31 December 2016	137,498
Liability component at 31 December 2016	<u>1,990,264</u>
Proceeds of issue of convertible loan notes as at 30 June 2017	4,210,041
	<hr/>
Interest charged	898,526
Unrealized FX loss as at 30 June 2017	(214,038)
Liability component a 30 June 2017	<u>6,884,793</u>

The interest expensed for the six month period ended 30 June 2017 is calculated by applying an effective interest rate of 25 per cent and 50 per cent to the liability components of £4,878,200 and £1,100,000 respectively for the period since the Loan Notes were issued. The liability component is measured at amortised cost. The difference between the carrying amount of the liability component at the date of issue and the amount reported in the balance sheet at 30 June 2017 represents the effective interest rate less interest paid to that date.

On 13 June 2017, the holders of the 50 per cent. Loan Notes waived the requirement for the Company to raise a minimum of USD 36 million before their notes automatically convert at a price of USD 0.40/share. Such waiver is conditional on Admission taking place on or before 27 December 2017.

The existing 25 per cent. Loan Notes were amended and restated on 29 June 2017, and a further loan note instrument constituting US\$2,500,000 unsecured convertible Loan Notes was entered into on 17 February 2017 and subsequently amended and restated on 29 June 2017 (the "New Notes").

A summary of the terms in the amended 25 per cent. Loan Notes and the New Notes are as follows:

- Interest: None
- Mandatory conversion/redemption conditions:
 - AIM listing and;
 - Minimum raise of USD 20 million (in respect of New Notes only)
- Conversion Election:
 - 25 per cent. Loan Notes

Conversion price: USD 0.54/share (IPO will be on AIM and shares will trade in GBP)

**I3 Energy North Sea Limited
(formerly I3 Energy Limited)**

Notes to the Interim Accounts for the Six Months Ended 30 June 2017

12 Convertible Loan Notes - continued

Conversion option: On Admission or at anytime at option of noteholder at USD 0.54/share

o New Notes

Conversion price: Lower of 75% of the issue price upon a minimum USD 20 million fundraise and USD 0.54/share (IPO will be on AIM and shares will trade in GBP)

Conversion option: Upon a minimum USD 20 million fundraise (post Admission) or at anytime at option of noteholder in multiples of USD 500,000 at USD 0.54/share

• Redemption Election:

o 25 per cent. Loan Notes and New Notes

Redemption price: Principal plus (i) 25% redemption premium if redeemed on or before 28 December 2017; or (ii) 35% Redemption premium if redeemed after 28 December 2017, automatically paid within 10 business days of mandatory redemption conditions

• Term

o 25 per cent. Loan Notes and New Notes

o 135% of principal to be repaid at the earlier of AIM listing date plus 13 months or 31 August 2018 in the event of non-conversion/non-redemption prior to that date

At the time of subscription for the Loan Notes and pursuant to subsequent amendments to the Loan Notes, the subscriber had the option to select a conversion election or a redemption election. Selections were made as follows:

- £1,100,000 of the funds will convert upon AIM listing at USD 0.40/share
- £2,413,364 of the funds will convert upon AIM listing at USD 0.54/share
- £2,006,750 of the funds elected to convert in the future as follows:
 - o Lower of 75% of IPO price (in USD) and USD 0.54/share
 - o Conversion option: Anytime at option of noteholder in multiples of USD 500,000 at USD 0.54/share
- £520,452 of the funds will be redeemed as follows:
 - o Redemption price: Principal plus (i) 25% redemption premium if redeemed on or before 28 December 2017; or (ii) 35% redemption premium if redeemed after 28 December 2017, automatically paid within 10 business days of certain mandatory redemption conditions

13 Loss per share

From continuing operations

The calculation of the basic and diluted loss per share is based on the following data:

	Period Ended 30 June 2017	Period Ended 30 June 2016	Year Ended 31 December 2016
Earnings			
Earnings for the purposes of basic loss per share being net loss attributable to owners of i3 Energy (£)	1,897,948	46,751	404,834
Weighted average number of Ordinary Shares	6,750,001	2,256,165	5,678,683
Loss for the purposes of diluted earnings per share (£)	0.28	0.02	0.07

The 30 June 2017, 30 June 2016 and 31 December 2016 calculations use the Ordinary Shares, both basic and diluted, held at these dates. The diluted loss per Ordinary Share is calculated by adjusting the weighted average number of Ordinary shares outstanding to assume conversion there would be no potential dilutive Ordinary Shares in issue. The effect of potential dilutive Ordinary Shares would be anti-dilutive and therefore are not included in the above calculation of diluted earnings per Ordinary Share.

**i3 Energy North Sea Limited
(formerly i3 Energy Limited)**

Notes to the Interim Accounts for the Six Months Ended 30 June 2017

14 Subsequent events

i3 Energy plc (“plc”), incorporated on 30 March 2017, is a public limited company incorporated in England and Wales (company number 10699593) with its registered office at New Kings Court, Tollgate, Chandler’s Ford, Eastleigh, Hampshire, United Kingdom. On 17 July 2017, pursuant to a share for share exchange agreement between plc, the Company and the then-holders of the entire share capital of the Company (the “Exchange Agreement”), plc issued 16,499,999 ordinary shares of £0.0001 each and 5,000 deferred shares of £10 each (the “New Shares”), and the plc Subscriber Share was deemed paid up in full, all in consideration for plc’s acquisition of the entire issued share capital of the Company. In connection with this, the board of plc recommended, and by special resolution, the shareholders of plc approved, authority to plc’s directors to allot and waive all pre-emption rights in order to allot the new shares pursuant to the Exchange Agreement and to maintain sufficient capacity to issue shares in the event of conversion of the Loan Notes. On completion of the Exchange Agreement, plc became the ultimate holding company of the Company.

Simultaneously with the completion of the Exchange Agreement, the holders of Loan Notes in the Company sold to plc the rights and obligations under the existing Loan Notes held by them in the Company. In exchange for doing so, the then-holders of Loan Notes in the Company were issued Loan Notes by plc in the same amounts on the same terms as those sold to plc. Simultaneously with completion of the Exchange Agreement, the following employees released the original options held by them over shares in the Company (the “Original Options”), in consideration for the grant of options over an equal number of shares in plc (the “New Options”).

- Ian Little – 250,000 Original Options; and
- Mihai Butuc – 250,000 Original Options

The New Options are held on the same terms and conditions as the Original Options, and the options held by each such employee are on identical terms and conditions.

On 25th July 2017, i3 Energy plc announced the Admission and dealings in its ordinary shares on the AIM market of the London Stock Exchange under the TIDM “i3E”. The total number of ordinary shares in issue immediately following Admission was 25,690,892, inclusive of approximately £3.5 million Loan Notes which converted to 9,190,892 ordinary shares prior to Admission.

On 25th August 2017 plc announced that all site survey and pipeline route sampling operations at its Liberator field had been successfully completed on time and within budget. The MV Poseidon (operated by MG3) conducted site surveys across two areas close to the Liberator field, identified by i3 as development drill centres for expected future production operations. The survey acquired seismic, sonar, soils strengths and environmental sample data to assess drilling hazards and provide accurate soils data for construction activities on the field and associated in-field pipeline route.

On 21st September 2017 plc announced that the engineering studies to enable i3’s Liberator field to be tied into existing Blake field ‘host’ infrastructure and produced through the Bleo Holm Floating Production Storage and Offloading vessel have commenced, the results of which will be used to support the Liberator FDP which is under consultation with the OGA.