

Registration number: 10699593

i3 Energy plc

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the Six Months Ended 30 June 2018

i3 Energy plc
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For the Six Months Ended 30 June 2018

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i3 Energy plc
Highlights
For the Six Months Ended 30 June 2018

HIGHLIGHTS:

- Awarded sole ownership of 30th Offshore Licensing Round Block 13/23c containing a material extension of the Liberator field referred to by i3 as Liberator West
- Block 13/23c added 22MMBO of 2C Contingent Resources and 47MMBO Mid-case Prospective Resources to i3's previously held 11MMBO of 2P Liberator Reserves, as independently verified by the Company's Competent Person, AGR TRACS International Limited ("AGR")
- Joint venture discussions with multiple industrial parties relating to Liberator and Liberator West, granting 90-day exclusivity to a potential farminee in June 2018. (See Post Period Events of 18 Sept 2018 for further information)
- Successfully completed placements raising £2.57m before expenses through the issue of new ordinary shares at a price of 30 pence per share to fund Field Development Plan ("FDP") engineering, trees and wellheads for the Liberator development, and general corporate purposes
- Converted US\$2.5m of existing loan notes held by James Caird Asset Management ("JCAM") into 5,220,580 new ordinary shares at an average conversion price of US\$0.48 per share
- Focused on defining an enlarged FDP following the award of Liberator West:
 - Redefined expected Liberator Phase I work programme to include 2 development wells in addition to the Company's commitment to appraise Liberator West
 - Worked with the supply chain on development design and engineering
 - Conducted internal and third-party reservoir simulations to optimize and de-risk well locations and trajectories
 - Continued sourcing long-lead equipment and services in advance of i3's expected 2019 development and appraisal programme
 - Commissioned and completed feasibility and engineering studies for the tie-in of the planned Liberator production wells to the Bleo Holm FPSO via Ross infrastructure

POST PERIOD EVENTS:

On 27 July 2018, the Company announced that it had raised approximately £1.62 million through a placing of 1,542,336 new ordinary shares at 105 pence per share with existing institutional investors.

On 24 August 2018, the Company announced that holders of its Unsecured Convertible Loan Notes ("CLNs") of £521,456 (£517,452 as at 30 June 2018 prior to FX adjustment at 24 August 2018) had agreed to extend the term of the CLNs to 31 October 2018, thereby amending the maturity date of the CLNs from 25 August 2018 to 31 October 2018 (the "Extension") in order to allow the Company to deploy existing resources toward time-critical elements of its Liberator development. The Extension constituted a related party transaction for the purposes of Rule 13 of the AIM Rules for Companies because Mr. Richard Ames and Mr. Neill Carson, who are directors of the Company, hold £155,032 and £112,782 in CLNs respectively.

On 30 August 2018, the Company announced that it had contracted Gardline Limited to conduct a site survey at its Liberator field.

On 18 September 2018, the Company announced that under the exclusivity agreement announced on 27 June 2018, i3's potential joint venture partner was expected to deliver on key assurances within the 90-day period of exclusivity and that some of these conditions remained outstanding and were not expected to be addressed in advance of exclusivity ending on September 24th. i3 remains ready to enter a legally binding Farmout Agreement with the potential JV partner at such time as these key assurances have been provided.

i3 Energy plc
Chairman and Chief Executive Officer's Report
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CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

The strategic value to i3 Energy plc ("i3" or "the Company") and its shareholders of key events during the period is difficult to overstate.

The award to i3 of Block 13/23c, referred to by i3 as Liberator West, during the UK's 30th Offshore Licensing Round added Mid-case Resources of 69 MMBO (Contingent plus Prospective) to our previously held 2P Liberator Reserves of 11 MMBO, representing a potential sevenfold increase in the Company's reserves.

i3's strategy since start-up has been to focus on quality, company-making assets with the potential for upside. Our 2016 acquisition of Licence P.1987 Block 13/23d, the Liberator oil discovery, provided such an opportunity with our team's expectation that a significant reservoir extension existed beyond its western boundary. The procurement and reconditioning of multiple seismic datasets and their tying to regional control wells strongly supported this expectation, prompting the Company's November 2017 firm-well bid for Block 13/23c. In advance of that bid, the Company engaged AGR TRACS International Limited ("AGR") to independently assess Liberator and Liberator West, the findings of which validated i3's view. i3 has continued to conduct further technical analysis which has further confirmed i3's confidence in the value of the Liberator asset.

The Company continues to progress commercial and regulatory deliverables to achieve Field Development Plan ("FDP") approval in Q1 2019. With the successful completion of funding initiatives i3 will be well placed to deliver first oil thereafter. The addition of Liberator West endows the Company with considerable Resources which it intends to de-risk through an appraisal programme.

During the period, i3's balance sheet was bolstered through the successful placement of £2.57 million at a price of 30 pence per new ordinary share and through the conversion of US\$2.5 million of previously issued convertible loan notes into equity at an average price of US\$0.48 per ordinary share. Subsequent to 30th June, i3 carries an outstanding convertible loan notes balance of approximately £517,543 (redeemable at 135% of par or convertible at US\$0.54 per ordinary share at the election of the noteholder in advance of the 31 October 2018 maturity) and has additionally issued new equity to existing shareholders of approximately £1.62 million at 105 pence per share. This deleveraging and addition of capital resources has strengthened the Company's financial capacity as it works to achieve Liberator development sanctioning early next year.

Highly attractive Liberator West extension awarded in the UK's 30th Offshore Licensing Round

In November 2017, i3 applied for Block 13/23c, containing a large western extension of the Liberator field, in the UK's 30th Offshore Licensing Round on a 100% basis. Our confidence in bidding a firm well commitment had followed an extensive evaluation of seismic and well data by our technical team. The bid was underpinned by a funding agreement entered into between the Company and an existing investor, post their engagement of an independent third-party to conduct due diligence on i3's current and potential asset portfolio.

In advance of its bid, i3 had commissioned AGR to independently assess Liberator West and the resulting Resources Report indicates that the main target contains recoverable Contingent Resources of 22MMBO with a 70% chance of commercial success due to the low risk nature of the discovery, reservoir properties, oil quality, and proximity to infrastructure. A further opportunity exists in the acreage with potential recoverable Prospective Resources of 47MMBO to which AGR attributes a 56% chance of success.

On 23 May 2018, the Oil and Gas Authority ("OGA") announced that i3 had been awarded Block 13/23c, marking i3's first step to further grow the Company and confirming our belief that attractive opportunities remain accessible within the UK North Sea.

Redefining an enlarged Liberator development and appraisal programme

Since early 2018, i3 has been redefining the Liberator Phase I FDP in anticipation of the abovementioned 30th Round award, enlarging and adjusting it to account for a potentially successful Liberator West appraisal well, the outcome of which could dictate the surface location and placement of a third production well. i3

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has also revised the previously planned pipeline route to tie into higher capacity infrastructure. The Company expects to submit an updated Field Development Plan to the OGA later this year and work continues to progress commercial and regulatory deliverables for an expected FDP approval in Q1 2019. Key 2018 highlights include:

- Host engineering studies to accommodate the introduction and processing of Liberator fluids have been completed. These studies confirm the technical requirements and construction schedule, enabling final engineering design to be completed and commercial arrangements for an offtake agreement to be finalised.
- Site survey data will be collected for the Liberator development, allowing i3 to complete its updated Environmental Statement that will provide the necessary engineering and environmental data for inclusion in the Liberator Field Development Plan which the Company expects to submit before year end.

We strongly believe that projects such as Liberator – yet to be developed satellites near later life but well-maintained infrastructure – are a prime example of the collaboration required now and in the future between smaller operators and large infrastructure owners to maximise economic recovery in the UK. This development closely adheres to guidance given by the OGA in that regard and i3 continues to work with OGA to fully evaluate and develop Liberator and Liberator West.

Financial review to 30 June 2018

During the period ended 30 June 2018, the Group incurred a net loss of £179,804 (30 June 2017 – net loss of £1,897,948). The majority of the loss resulted from the Group's expenses relating to day-to-day operations. The Group reclaimed £553,658 of interest payable relating to CLNs that were converted to ordinary shares thereby eliminating any interest payable.

A total of £2,569,088 (before expenses) was raised during the six-month period ended 30 June 2018 through a placing of 8,563,630 ordinary shares at 30 pence per share, representing a 0.4% premium to the 30-day average for the week ending 26 January 2018. Proceeds of the placing were used towards pre-FDP engineering, trees and wellheads for the Liberator development, and general corporate purposes.

Moving forward we will continue to tightly manage our existing cash resources, which stood at £1,045,004 at the end of June 2018, as we progress the funding and development of an asset that has the potential to deliver substantial shareholder value.

Successfully funding a North Sea E&P junior

Across the last 12 months, shares of i3 have traded between 22 and 128 pence. This volatility is representative of an early stage company that is de-risking the elements required to become a successful venture. We expect fluctuations to continue as we expand our asset base, navigate the regulatory and commercial requirements of an oil developer in the UK North Sea, negotiate contracts within a rising commodity price environment, and configure funding arrangements that will benefit both current and future shareholders.

World oil prices in 2016 provided i3 the opportunity to acquire an economic asset at a cycle bottom, thereby minimising downside risk and affording the opportunity to deliver superior returns in the strengthening commodity price environment that ensued. The Company bid for Liberator on a day when Brent was hovering just above US\$33 per barrel. For a single-asset company such as ours, buying at the bottom presented substantial funding challenges as most institutional investors found themselves in the midst of major asset write-offs within our sector. Creatively confronting this challenge, i3 funded itself through 2016 and early 2017 by the issuance of circa £6 million of zero-coupon, unsecured convertible loan notes. Prior to AIM Admission and without access to liquidity, these early noteholders took substantial risk in funding our venture. Since their issuance, £5.5 million of loan notes have been converted at an average price of approximately 38 pence per share, with the remaining loan notes of £521,456 to be redeemed at 135% of par or converted at US\$0.54 per share at maturity on 31 October 2018. Having now converted almost 90% of these Company-founding loan notes, we want to reiterate our appreciation to each noteholder for their boldness and trust in supporting us during our infancy.

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We also want to extend thanks and gratitude to the small but supportive handful of institutional investors who funded the Company's January and July equity placements totalling circa 10.1 million new ordinary shares at an average price of 41 pence per share. Your past and continued support has enabled i3 to source critical equipment, to contract a site survey of Liberator licence areas and to continue key engineering works in advance of submitting our FDP to the OGA later this year.

To date, the Company has raised a sum-total of approximately £10.2 million through the issuance of £6 million in zero-coupon, unsecured convertible loan notes and £4.2 million in equity placements, at an overall average conversion and issue price of 40 pence per ordinary share.

Holding over 40% of the Company, i3's Management and Board remain tightly aligned to the interests of all i3 investors, ever mindful of equity dilution given the expected value that Liberator could create for our shareholders. In evaluating i3's current capital structure, outlook on commodity prices, and the inherent risks confronting a junior oil & gas developer, our Executive and Board continues to remain very focused on sourcing a qualified joint venture partner for the development and appraisal of Liberator and Liberator West as our preferred funding option. This will enable the Company to minimise corporate dilution in a strengthening oil price environment where interest in North Sea assets continues to increase.

Farm out initiatives

The Company first considered engaging potential farminees in October of 2017. As this was ahead of the 30th Round's November 2017 bid date, i3 remained quite opaque about its intended bid target and limited the number of approached parties given Liberator West's strategic significance to us. Several showed interest and joint venture discussions were advanced across Q1 and Q2 of 2018. On 27 June 2018, i3 granted a 90-day period of exclusivity to a potential farminee during which the parties were to conclude contractual negotiations that, upon completion, would result in i3 being fully funded for both the Liberator field development and the appraisal of Liberator West.

During the exclusivity period, the joint project team formed between the parties constructively refined the Liberator field development plan and appraisal well location and agreed the commercial arrangements underpinning the completion of legally binding agreements. As was announced on 18th September, i3's potential joint venture partner was expected to deliver on key assurances within the 90-day period of exclusivity. Some of these conditions remained outstanding and were not expected to be addressed in advance of exclusivity ending on 24th September. It is important for i3's stakeholders to recognize that the aforementioned assurances are in no way related to the Liberator asset or project, commercial negotiations, or other elements within i3's control. They are structural issues of the potential farminee and outside of i3's ability to resolve. As was stated, i3 remains ready to enter a legally binding Farmout Agreement with this potential JV partner at such time as these key assurances have been provided.

To ensure the Liberator project is fully funded at FDP approval in 2019, the Company will without delay explore the interest of alternative potential farminees to join i3 in its development and appraisal of Liberator. We plan to engage an acquisitions and divestures ("A&D") advisor for this undertaking now that i3 is the 100% owner and operator of the entire Liberator structure, casting a much wider net than our October 2017, pre 30th Round Award position had allowed.

As described above, i3 seeks to maximise shareholder value through the right balance of JV farmout and self-funding. To facilitate this, the Company continues to progress multiple options, including an undertaking to upsize the previously announced US\$25 million credit facility given stronger Brent pricing and i3's addition of Liberator West to its Reserves & Resource base.

Looking Forward

During the first 6 months of 2018, i3 recognised substantial improvements to its Reserves & Resources, balance sheet and ability to fund its operations. We have additionally made significant progress towards our goal of delivering material returns through the development and appraisal of a much-enlarged Liberator oil field. The continuing increase in commodity prices will help to support both the value of Liberator and the commerciality of infrastructure-led exploration of captured prospects. Though Liberator at present

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commands our full attention, the Company will continue to consider growth beyond our existing portfolio when opportunity allows.

As always, we would like to say thank you to i3 Energy's team. Their commitment to one another, to our core project and to our shareholders reveals deep dedication and an admirable willingness to successfully navigate through a period of uncertainty.

We also thank our early loan noteholders, our institutional investors, and those shareholders who support us in the open market. These last 6 months have redefined i3's potential trajectory and we are thrilled to be on this adventure together.

David Knox
Non-Executive Chairman
28 September 2018

Neill Carson
Chief Executive Officer
28 September 2018

i3 Energy plc
Consolidated Statement of Comprehensive Income
For the Six Months Ended 30 June 2018

	Six Months to 30/06/18 (unaudited)	Six Months to 30/06/17 (unaudited)	Year to 31/12/17 (audited)
Note	£	£	£
Administrative expenses	(622,012)	(776,577)	(1,576,713)
AIM listing expenses	-	-	(475,050)
Operating loss	(622,012)	(776,577)	(2,051,763)
Finance expense:			
Finance fees	4 (5,610)	-	(259,832)
Other	553,658	-	531,562
Interest payable and similar costs	4 (105,840)	(1,121,371)	(1,155,659)
Total finance expense	442,208	(1,121,371)	(883,929)
Loss on ordinary activities before taxation attributable to owners of the parent	(179,804)	(1,897,948)	(2,935,692)
Tax charge for the period/year	-	-	-
Net loss for the period/year and total comprehensive loss for the period attributable to owners of the parent	(179,804)	(1,897,948)	(2,935,692)
Earnings per ordinary share from continuing operations Basic and diluted	5 (0.01)	(0.28)	(0.25)

No other comprehensive income has arisen in the period and as such is not disclosed.

i3 Energy plc
Consolidated Statement of Financial Position
As at 30 June 2018

		30/06/18 (unaudited) £	30/06/2017 (unaudited) £	31/12/17 (audited) £
ASSETS	Note			
Non-current assets				
Property, plant & equipment		19,187	22,886	19,187
Exploration and evaluation assets	6	4,565,714	2,316,192	3,879,859
Total non-current		4,584,901	2,339,078	3,899,046
Current assets				
Cash at bank and in hand		1,045,004	2,799,588	628,389
Trade and other receivables	7	38,373	160,896	151,641
Total current assets		1,083,377	2,960,484	780,030
Current liabilities				
Trade and other payables	8	(624,309)	(713,393)	(1,263,917)
Loan payable – related parties		-	-	(44,555)
Convertible loan notes payable	9	(685,841)	(6,884,794)	(2,995,914)
Total current liabilities		(1,310,150)	(7,598,187)	(4,304,386)
Net current liabilities		(226,773)	(4,637,703)	(3,524,356)
Total assets less current liabilities		4,358,128	(2,298,625)	374,690
Net liabilities		4,358,128	(2,298,625)	374,690
Capital and reserves				
Ordinary shares	10	3,948	701	2,569
Share premium	10	7,679,280	-	3,517,417
Deferred shares	10	50,000	-	50,000
Share-based payment reserve		145,230	3,456	145,230
Retained earnings		(3,520,330)	(2,302,782)	(3,340,526)
Shareholder' funds/(deficit)		4,358,128	(2,298,625)	374,690

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Consolidated Statement of Changes in Equity
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Notes	Ordinary shares £	Share premium £	Deferred shares £	Share- based payment reserve £	Retained earnings £	Total £
At 1 January 2017	701	-	-	3,864	(404,834)	(400,269)
Loss for the year and total comprehensive income	-	-	-	-	(1,897,948)	(1,897,948)
Issue of share capital	-	-	-	-	-	-
Share-based payment expense	-	-	-	(408)	-	(408)
At 30 June 2017	701	-	-	3,456	(2,302,782)	(2,298,625)
At 1 January 2018	2,569	3,517,417	50,000	145,230	(3,340,526)	374,690
Loss for the year and total comprehensive income	-	-	-	-	(179,804)	4,163,242
Issue of share capital, net of issue costs	1,379	4,161,863	-	-	-	4,163,242
Share-based payment expense	-	-	-	-	-	-
At 30 June 2018	3,948	7,679,280	50,000	145,230	(3,520,330)	4,358,128

i3 Energy plc
Consolidated Statement of Cash Flows
For the Six Months Ended 30 June 2018

	Note	6 months to 30/06/2018 (unaudited) £	6 months to 30/06/2017 (unaudited) £	Year to 31/12/17 (audited) £
OPERATING ACTIVITIES				
Loss for the period/year		(179,804)	(1,897,948)	(2,935,692)
Adjustments for:				
- Unrealised currency translation (gains)/loss		(1,983)	(214,038)	(234,557)
- Share-based payment expense		-	(408)	141,366
- Depreciation		-	-	4,894
Operating cash flows before movements in working capital:				
- Decrease/(Increase) in receivables		100,347	(150,447)	(103,608)
- Decrease/(Increase) in prepaid expenses		12,921	-	(37,584)
- Decrease/(Increase) in interest payable	4	(463,413)	898,526	623,733
- Decrease/(Increase) in current liabilities	8	(639,608)	548,262	253,902
Net cash used in operating activities		(1,171,540)	(816,053)	(2,287,546)
INVESTING ACTIVITIES				
Property, plant & equipment		-	(22,885)	(24,081)
Expenditure on exploration and evaluation assets	6	(685,855)	(590,420)	(1,309,203)
Net cash used in investing activities		(685,855)	(613,305)	(1,333,284)
FINANCING ACTIVITIES				
Proceeds on issue of ordinary shares	10	2,329,662	-	94,999
Proceeds on issue of deferred shares		-	-	50,000
Proceeds from loan notes		-	4,210,041	4,210,041
Repayment of employee loans		(44,555)	-	44,555
Net cash from financing activities		2,285,107	4,210,041	4,399,595
Effect of exchange rate changes on cash		(11,097)	-	(169,281)
Net increase in cash and cash equivalents		416,615	2,780,683	609,484
Cash and cash equivalents, beginning of period/year		628,389	18,905	18,905
CASH AND CASH EQUIVALENTS, END OF PERIOD/YEAR		1,045,004	2,799,588	628,389

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

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Notes to the Consolidated Interim Financial Statements
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1. Corporate information

i3 Energy plc (“i3”, “i3 Energy”, or “the Company”) and its subsidiary (together, “the Group”) are involved in the upstream oil and gas business in the UK.

The Company is a public limited company incorporated and domiciled in England & Wales. The Company’s ordinary shares are traded on the Alternative Investment Market (“AIM”) on the London Stock Exchange. The registered office of the Company is New Kings Court, Tollgate, Chandler’s Ford, Eastleigh, Hampshire, SO53 3LG.

2. Basis of preparation and accounting policies

Basis of Preparation

These consolidated interim financial statements have been prepared using the accounting policies that were applied in the Group’s statutory financial statements for the year ended 31 December 2017 and are expected to be applied in the preparation of the financial statements for the year ended 31 December 2018. The interim financial statements have been prepared in accordance with IAS 34. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS as adopted by the European Union.

The reports for the six months ended 30 June 2018 and 30 June 2017 are unaudited and do not constitute statutory accounts as defined by the Companies Act 2006. The financial statements for 31 December 2017 have been prepared and delivered to the Registrar of Companies. The auditor report of these financial statements was unqualified but included a material uncertainty in relation to going concern.

The interims are presented in British Pound Sterling (“GBP”) unless otherwise indicated.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial period beginning on or after 1 January 2018 that would be expected to have a material impact on the Group.

The Group’s results are not impacted by seasonality.

No dividend has been declared or paid by the Company during the six months ended 30 June 2018 (six months ended 30 June 2017 – £nil).

Going concern

The financial statements have been prepared on a going concern basis. The Group’s assets are not generating revenues, an operating loss has been reported and an operating loss is expected in the 12 months subsequent to the date of these financial statements and as a result the Company will need to raise funding to provide additional working capital to finance their ongoing activities and non-discretionary expenditures.

Based on the Board’s assessment that the necessary funds will be raised to fund the Liberator development and corporate overheads, the Directors have a reasonable expectation that the Group will continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting.

3. Segmental information

The Chief Operating Decision Maker (CODM) is considered to be the Board of Directors. They consider that the Group operates in a single segment, that of oil and gas exploration, appraisal and development, in a single geographical location, the North Sea of the United Kingdom. As a result, the financial information of the single segment is the same as set out in the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of Changes in Equity and Consolidated Statement of Cashflows.

4. Interest payable and similar costs

	Period ended 30 June 2018	Period ended 30 June 2017	Year ended 31 December 2017
	£	£	£
Interest payable	15,594	363	-
Finance expense	5,610	222,482	259,832
CLN interest cancelled	(553,658)	-	(531,562)
Interest payable on loan notes	90,246	898,526	1,155,659
Total interest payable and similar costs	(442,208)	1,121,371	883,929

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4 Interest payable and similar costs - continued

Total interest payable and similar costs include the reversal of accrued interest payable resulting from conversion of US\$2,500,000 convertible loan notes.

5. Earnings per share

From continuing operations

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

	Period ended 30 June 2018	Period ended 30 June 2017	Year ended 31 December 2017
Earnings			
Earnings for the purposes of basic earnings per share being net loss attributable to owners of i3 Energy (£)	(179,804)	(1,897,948)	(2,935,692)
Weighted average number of Ordinary Shares	35,167,798	6,750,001	11,731,570
Loss for the purposes of diluted earnings per share (£)	(0.01)	(0.28)	(0.25)

Basic loss per share is calculated using the weighted average number of ordinary shares outstanding during the period.

Diluted loss per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

6. Exploration and evaluation assets (Intangible)

	Total £
Cost:	
As at 1 January 2016	-
Additions - includes Liberator acquisition	1,725,772
As at 31 December 2016	1,725,772
Additions - includes seismic, engineering, competent persons report ("CPR")	590,420
As at 30 June 2017	2,316,192
Additions – includes trees and wellheads, engineering, site survey, offtake studies, CPR	1,563,667
As at 31 December 2017	3,879,859
Additions – includes trees and wellheads, offtake studies, reservoir simulation, licence fees	685,855
As at, 30 June 2018	4,565,714

7. Trade and other receivables

	As at 30 June 2018 £	As at 30 June 2017 £	As at 31 December 2017 £
VAT receivable	13,710	54,018	114,057
Prepays	24,663	106,878	37,584
Total trade and other receivables	38,373	160,896	151,641

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8. Trade and other payables

	As at 30 June 2018 £	As at 30 June 2017 £	As at 31 December 2017 £
Trade creditors	108,574	206,632	750,458
Accrued liabilities	515,735	506,761	513,459
Total trade and other payables falling due within one year	624,309	713,393	1,263,917

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.

The accrued liabilities include £286,667 of accrued salary due to employees upon receipt of FDP approval or the Board determining the Company has the financial capability to pay. In addition, the Company has also accrued £139,810 for directors' fees earned in 2017 / 2018 but not yet paid to any of the directors.

9. Convertible loan notes

Proceeds of issue of convertible loan notes as at 31 December 2015	-
Proceeds of issue of convertible loan notes as at 31 Dec 2016	1,844,698
Liability component at date of issue	1,844,698
Interest charged	8,068
Foreign exchange	137,498
Liability component at 31 December 2016	1,990,264
Proceeds of issue of convertible loan notes as at 31 December 2016	1,990,264
Issuance of convertible loan notes	4,210,041
CLNs converted on Aim Listing	(3,424,286)
CLN Interest reversed upon CLN conversions	(531,562)
Interest charged	1,155,295
Foreign exchange	(403,838)
Liability component at 31 December 2017	2,995,914
Issuance of convertible loan notes	-
CLNs converted on election	(1,833,580)
CLN interest reversed upon CLN conversions	(553,658)
Interest charged	90,245
Foreign exchange	(13,080)
Liability component at 30 June 2018	685,841

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Notes to the Consolidated Interim Financial Statements
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10. Authorised, issued and called-up share capital

	Issuance Date	Ordinary Shares	A Ordinary Shares	Deferred Shares	Nominal Value £ Per Share	Called up Share Capital	Share Premium
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	-	-
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	30 Mar 17	1	-	-	0.0001	-	-
Issue of ordinary shares	17 Jul 17	9,490,000	-	-	0.0001	949	94,050
Issue of deferred shares	17 Jul 17	-	-	5,000	10.00	50,000	-
Issue of ordinary shares	18 Jul 17	9,190,891	-	-	0.0001	919	3,423,367
As at 31 December 2017		25,690,892	-	5,000	-	52,569	3,517,417
Issuance of ordinary shares	30 Jan 18	8,563,630	-	-	0.0001	856	2,328,805
Issuance of ordinary shares	27 Feb 18	1,516,876	-	-	0.0001	152	363,067
Issuance of ordinary shares	21 Mar 18	925,926	-	-	0.0001	93	359,157
Issuance of ordinary shares	25 May 18	925,926	-	-	0.0001	93	370,278
Issuance of ordinary shares	07 Jun 18	1,851,852	-	-	0.0001	185	740,556
As at 30 June 2018		39,475,102	-	5,000	-	53,948	7,679,280

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.

The deferred shares do not confer any voting rights at general meetings of the Company and do confer a right to a repayment of capital in the event of liquidation or winding up, they do not confer any dividend rights or any of redemption.

On 1 January 2018, 8,563,630 ordinary shares with a nominal value of £2,569,088 was issued at a price of £0.30 per share as part of a placing in which the Company raised £2.57 million. Share issue costs of £239,427 were incurred which have been recognised as direct costs of capital against share premium.

On 27 February 2018, £363,219 of CLNs were converted into 1,561,876 ordinary shares with a nominal value of £0.0001 per share.

On 31 March 2018, £359,250 of CLNs were converted into 925,926 ordinary shares with a nominal value of £0.0001 per share.

On 25 May 2018, £370,371 of CLNs were converted into 925,926 ordinary shares with a nominal value of £0.0001 per share.

On 7 June 2018, 740,741 of CLNs were converted into 1,851,852 ordinary shares with a nominal value of £0.0001 per share.

i3 Energy plc
Notes to the Consolidated Interim Financial Statements
For the Six Months Ended 30 June 2018

11. Related party transactions

The Company had the following related party transactions:

- a. During the period ended 30 June 2018, one executive director, Neill Carson, and one non-executive directors, Richard Ames, held convertible loan notes. Terms of the convertible loan notes are detailed in note 9.
- b. During the period the Company provided funds amounting to £7,675,778 (30 June 2017: £5,958,705) to its subsidiary and received funds in the amount of £976,098 (30 June 2017: £842,666) from its subsidiary. The total net receivable from its subsidiary at 31 December 2017 was £6,699,680 (30 June 2017: £5,116,039).

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

12. Events after the reporting period

On 27 July 2018, the Company announced that it had raised approximately £1.62 million through a placing of 1,542,336 new ordinary shares at 105 pence per share with exiting institutional investors.

On 24 August 2018, the Company announced that holders of its Unsecured Convertible Loan Notes ("CLNs") of £521,456 (£517,452 as at 30 June 2018 prior to FX adjustment at 24 August 2018) have agreed to extend the term of the CLNs to 31 October 2018, thereby amending the maturity date of the CLNs from 25 August 2018 to 31 October 2018 (the "Extension") in order to allow the Company to deploy existing resources toward time-critical elements of its Liberator development. The Extension constitutes a related party transaction for the purposes of Rule 13 of the AIM Rules for Companies because Mr. Richard Ames and Mr. Neill Carson, who are directors of the Company, hold £155,032 and £112,782 CLNs respectively.

On 30 August 2018, the Company announced that it has contracted Gardline Limited to conduct a site survey at its Liberator field.

On 18 September 2018, the Company announced that under the exclusivity agreement announced on the 27th July 2018, i3's potential joint venture partner was expected to deliver on key assurances within the 90-day period of exclusivity. Some of these conditions remain outstanding and are not expected to be addressed in advance of exclusivity ending on 24th September. I3 remains ready to enter a legal binding Farmout Agreement with the potential JV partner at such time as these key assurances have been provided.

i3 Energy plc
Review Opinion
For the Six Months Ended 30 June 2018

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises which comprise the interim consolidated balance sheet as at 30 June 2018, and the related consolidated statements of income, changes in equity, cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Issuers.

The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

This report, including the conclusion, is made solely to the Company for the purpose of the AIM Rules for our work, for this report, or for the conclusion we have formed. This report may not be provided to third parties without our prior written consent.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK), and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules for Issuers.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 2 in the condensed set of financial statements, which states that the Company will need to raise further funding to develop its projects. These conditions along with the other matters explained in Note 2, indicate the existence of a material uncertainty which may cast doubt on the Company's ability to continue as a going concern. The condensed financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

PKF Littlejohn LLP

Statutory Auditor
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28 September 2018