



i3 ENERGY

**UNAUDITED CONSOLIDATED INTERIM
FINANCIAL REPORT FOR THE SIX MONTHS
ENDED 30 JUNE 2019**

Contents

Highlights and Outlooks	2
Chairman’s and Chief Executive’s Report	4
Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash Flow	11
Notes Forming Part of the Financial Statements	12
Corporate Information	20

HIGHLIGHTS AND OUTLOOKS

- Completed equity placings, raising gross proceeds of approximately £19.15 million prior to expenses
- Repaid all outstanding convertible loan notes totalling £433,153 in principal and paid interest in accordance with the terms on the maturity date of 31 March 2019
- Conducted a site survey for the 2019 multi-well drilling campaign at Liberator and Serenity and future Liberator Phase I development
- Closed investments with funds managed by Bybrook Capital LLP, BP Oil International Limited, Lombard Odier Investment Managers group and James Caird Asset Management for a £22 million loan note facility
- Entered into a contract with Dolphin Drilling for the Borgland Dolphin semi-submersible rig for a 94-day drilling programme commencing in Summer 2019, targeting two wells on the Liberator field and one well on the Serenity structure
- Executed a crude oil offtake and marketing agreement with BP Oil International Limited to market i3's crude production from the Liberator field
- Continued negotiations with RSRUK to finalise offtake terms for the Bleo Holm FPSO and progressed documentation with the OGA for the Liberator Phase I field development plan
- Worked with the supply chain on development design and engineering
- Continued sourcing long-lead equipment and services for i3's appraisal and development programme

Post Period and Outlook

On 2 July 2019 the Company Awarded Baker Hughes, a GE Company ("BHGE"), contracts for its 2019 summer drilling programme on its Liberator and Serenity assets and its planned 2020 Phase I development of Liberator. BHGE's scope included directional drilling, drilling fluids, mudlogging, formation evaluation operations and wellheads. In connection with the award, BHGE agreed that £3m of oilfield service and oilfield equipment contract payments would not become payable until such time as i3 has received its first sales revenues from the Liberator Phase I development.

On 14 August 2019 the Company announced that the Borgland Dolphin semi-submersible drilling rig had completed its acceptance testing. The Borgland started move preparations on 14 August 2019 to begin transit towards the Liberator field to commence drilling operations.

On 22 August 2019 the Company announced that the Borgland Dolphin semi-submersible drilling rig had arrived on location at the Liberator field and that the 13/23c-9 (formerly known as LPT-02) pilot well had been spud.

On 10 September 2019 the Company announced that the 13/23c-9 pilot well had reached total depth at 5818 ft True Vertical Depth Sub-sea (TVDSS) in the Valhall formation. The objectives of the pilot well were to enable a future development well to be positioned at an optimal location in the upper Captain sands channel in the south-eastern area of the Liberator field. Preliminary petrophysical information obtained from the Measurement While Drilling (MWD) tools indicated that the targeted upper Captain sand had not been penetrated



and was pinched out at the 13/23c-9 location. The lower Captain sand was present in the well and was below the estimated oil water contact as expected. On initial tie to the seismic data, the well appeared to be located proximal to the main upper Captain channel fairway with further well data required in order to interpret and locate the key reservoir upper Captain channel edge. As such, preparations were made to obtain a vertical seismic profile (VSP) in the well and to also run a shear wave sonic log, after which 13/23c-9 would be plugged and abandoned as planned. This data would be used to recalibrate and update the existing seismic model such that options and plans for further operations at this location to meet the objective of locating a future development well in the south-east area of the field could be evaluated.

On 17 September 2019 the Company announced the appointment of Linda Janice Beal as a non-executive director of the Company with immediate effect.

On 20 September 2019 the Company announced that the 13/23c-9 pilot well had been plugged and abandoned as planned following completion of the vertical seismic profile ("VSP") survey and shear wave sonic logging, and that the Borgland Dolphin drilling rig would next be mobilised to drill the Serenity SA-01 well upon receipt of necessary permitting from the UK regulators. The rig was down-manned to minimise standby costs. The Company also announced the purchase of a recently processed 3D seismic data set that would be integrated into its modelling ahead of drilling the LA-03 appraisal well at Liberator. This newly processed seismic has the characteristics necessary to allow an inversion process to be applied, enabling additional interpretation of the channel sand architecture. The processing and interpretation of this new seismic data has begun and will continue while i3 is drilling the Serenity SA-01 well and will be integrated with i3's existing mapping to confirm that the planned LA-03 well, situated in the western part of the Liberator structure, remained at an optimal location.

The Company's focus for the remainder of 2019 will be on 3 key areas:

- 1 The safe completion of its multi-well drilling campaign at Liberator and Serenity.
- 2 Continued advancement of a robust Liberator Phase I development plan while securing associated funding to bring the field to first oil.
- 3 On success at Serenity and Liberator West, progress development options for these assets.

The Company continuously evaluates opportunities to strengthen its balance sheet whilst maintaining tight control of its costs and working capital position.

CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT

At the time of i3's Admission to AIM in mid-2017, the Company had 2C on-block resources of circa 8.5 MMboe. With i3's capture of block 13/23c in May 2018 and the additional subsurface work conducted since, the Company is now targeting a combined 500 million barrels of oil in place on its licences within the Liberator and Serenity structures, with the potential to recover in excess of 200 million barrels. This significant increase in the potential of our asset base necessitated an expansion of our evaluation and development programme beyond the one-well tie-back of a much smaller Liberator accumulation that was originally envisaged at the time of i3's listing. In order to properly evaluate and develop its assets, the Company therefore decided to prepare for and implement a multi-well drilling programme on the Liberator field and Serenity structure. Our work since has led to 2019 being a very intense year of activity for i3.

Operational activity on our assets commenced in April with the completion of a site survey over the surface locations for our summer 2019 drilling campaign and future location of the Liberator Phase I drill centre. In April we also concluded negotiations and entered into a contract with Dolphin Drilling Limited ("Dolphin") for the Borgland Dolphin semi-submersible rig to enable us to drill three wells starting mid-summer, two on Liberator and one on Serenity. In order to fund our 2019 drilling and operations, we concluded in May a funding exercise which raised from a combination of equity and debt investors an aggregate amount of £41 million; a number far in excess of our market capitalisation at the time and a very significant achievement for a small cap oil and gas company with no production. This is a testament to the potential value of our asset base. Following the successful re-activation of the Borgland Dolphin rig, in August we spud our first well (13/23c-9) on the Liberator field and we are currently preparing to spud our second well on the Serenity structure. In parallel with this operational activity, commercial discussions have continued and considerable progress has been made with RSRUK for the tie-in and offtake agreements to evacuate Liberator production through the Bleo Holm FPSO. We have also advanced negotiations and preparations with potential lenders for a reserve-based lending facility to fund the development of the Liberator field. Our technical team has continued to evaluate and refine its understanding of the Liberator field and Serenity prospect and to optimise development options for these fields and in parallel we have progressed all other commercial and regulatory deliverables required to achieve Field Development Plan ("FDP") approval from the UK Oil & Gas Authority ("OGA").

During the period, i3's balance sheet was transformed through the successful placement of £19.15 million of equity at a price of 37 pence per new ordinary share and through the completion of a loan note facility of £22 million. Subsequent to 30 June, i3 awarded contracts for its 2019 summer drilling programme and 2020 Liberator Phase I development to Baker Hughes, a GE company ("BHGE"). In connection with the award, BHGE agreed that £3 million of oilfield service and equipment contract payments would not become due until such time as i3 receives its first sales revenues from the Liberator field. The addition of these capital resources has enabled the Company to conduct its 2019 drilling programme.

Operations highly focused on establishing reserves and resources at Liberator and Serenity

Since entering a letter of intent in January 2019 with Dolphin, i3 staff have worked at pace with the supply chain, investors, and regulators in order to initiate a safe, multi-well drilling campaign at Liberator and Serenity. Operations commenced in August and remain ongoing.

Though counterintuitive, the recent period of "lower for longer" experienced in global crude oil markets left drilling rig availability surprisingly tight in the UK North Sea. As we entered 2019,



single-well rig slots were non-existent while the few procurable rigs were attracting near year-long commitments under day rates that reflected low rig availability. Close cooperation between i3 and Dolphin led to a creative contract that enabled i3 to commit to a 94-day drilling programme under favourable day rates during a low-risk weather window, while also assisting Dolphin to deploy the Borgland semi-submersible rig from “smart stacking” in Norway. This has indeed been a win-win for both parties.

Drilling operations at the Company's Liberator field began on 21 August with the spudding of the 13/23c-9 pilot well, the objective of which was to establish the position and optimal trajectory for a future Phase I development well. Very frustratingly for our shareholders and our team, on 10 September i3 announced that preliminary petrophysical information obtained from the Measurement While Drilling (“MWD”) tools in the well indicated that the targeted upper Captain sand was not penetrated and that these were pinched out at the 13/23c-9 location. The Company thereafter obtained a vertical seismic profile (“VSP”) and shear wave sonic log from the well prior to its planned plugging and abandonment. This was an unexpected result that was not only disappointing for i3's technical team, but also a surprise to the myriad of independent technical reviewers, reserves auditors, and third-party consultants who have conducted due diligence on behalf of the Company's stakeholders. All three sets of seismic utilised to map the Liberator structure had conformed to one another and resolved the 13/23c-9 well location as a relatively low-risk target at a structural high, even though proximal to the edge of the channel.

With well findings that were contrary to expectation, i3 acquired the only other available seismic dataset over the area. Unprocessed samples of this seismic had previously been reviewed by the Company and were determined to be unhelpful due to energy-induced distortion at Liberator's shallow depth making it unsuitable for interpretation. However, the newly processed seismic that is now available has the characteristics necessary to allow an inversion process to be applied which will enable additional interpretation of the channel sand architecture. i3's initial acquisition of this seismic covers approximately 50 km² at Liberator, and the Company now expects to buy an additional 100 km² of this seismic dataset which encapsulates Serenity. The analysis and interpretation of this new seismic data and its integration with the 13/23c-9 VSP and existing Liberator mapping will be completed ahead of further drilling at the Liberator field to ensure that the next well drilled on Liberator is at an optimal location. i3's preliminary integration and findings explain the unexpected 13/23c-9 well result and continue to support Management's view of Liberator's potential resources. Though this well was a disappointment, it has provided critical data for improving our mapping and positioning of the next Liberator appraisal well.

In order to allow time for i3's technical team to analyse the results from 13/23c-9, update our Liberator modelling, potentially re-permit an alternative surface location for Liberator's next appraisal well, and to minimise standby costs for the Borgland Dolphin (as the Company is on a continuous 94-day contract), i3 is preparing the rig to drill Serenity's SA-01 as the second well in the current drilling programme. Mobilisation operations will commence as soon as the consent to locate permit is obtained from the regulatory authorities and, once drilling begins, the well is anticipated to take approximately four weeks.

The poor result from the 13/23c-9 well, which was deemed to be relatively low-risk, exemplifies an inherent risk in the oil and gas business – the drill bit remains the only way to definitively resolve geological uncertainty. And though the Management feels very keenly the perceived setback of the 13/23c-9 well result, we remain confident in the resource potential of both the Liberator discovery and Serenity prospect.

Funding from equity and debt capital markets

In January i3 executed an LOI with Dolphin Drilling to conduct an expected US\$41 million drilling programme starting in Q3. Having a New Year's market cap of £16 million meant the Company would be required to source a multiple of its enterprise value in order to meet this commitment. Given the continual struggle to match sufficient capital with planned operational demands, the Company has and continues to advance all funding options simultaneously, while recognizing that a "first past the post" approach is necessary if operational commitments and their associated contractual agreements are to be satisfied.

During early Q1 it became evident that our intended summer drilling could only remain on track if funded through a loan note facility i3 had been negotiating, in combination with an equity raise, and the Company quickly moved to conclude these initiatives. Though the formal farmout process announced in October 2018 may have eventually produced an acceptable offer, we remain confident that our decision to place circa £19 million of equity and £22 million of loan notes with investors was the right one. Under any funding scenario i3 would see dilution – whether at the asset or the corporate level – and the approach we've taken has allowed us to remain in control of our own destiny. Sizeable anchor investments from the likes of Bybrook Capital, Lombard Odier and Miton, additional commitment from James Caird Asset Management, and material contributions from respected industry players such as BP Oil International and Baker Hughes GE validate the potential of Liberator and Serenity, and all i3 shareholders are the beneficiaries of their due diligence and willingness to fund the Company at its early stage. We want to reiterate our appreciation to each of these parties and to all of our capital providers for your trust and support.

In regard to future funding, i3 continues to explore all options. We are preparing to fund Liberator Phase I on a 100% working interest basis through our progression of a US\$100 million reserve-based lending facility.

Financial review to 30 June 2019

During the period ended 30 June 2019, the Group incurred a net loss of £4,362,963 (30 June 2018 – net loss of £179,804). The majority of the loss resulted from the Group's expenses relating to day-to-day operations and professional fees associated with the Company's equity placings and H1-2019 loan note facility.

A total of £41.15 million (before expenses) was raised during the six-month period ended 30 June 2019 through an equity placing of 51,756,758 ordinary shares at 37 pence per share and the closing of a £22 million H1-2019 loan note facility. Proceeds from the equity issuances and the H1-2019 loan note facility will be used for asset appraisal, development and working capital requirements.

Looking forward

During the first 6 months of 2019, i3 has been focused on preparations for its summer drilling campaign, both operationally and financially, while continuing to advance all regulatory and commercial deliverables required to support its FID for Liberator's Phase I development. Though achieving first oil remains our mid-term goal, the potential value creation from success at either of our next two wells should be meaningful and most welcome given our current share price.

As always, we would like to say thank you to i3 Energy's team. Recent disappointment has only served to strengthen their resolve and commitment to the Company and its stakeholders. They are a small team trying to do big things in hopes of delivering outsized shareholder returns.



We also thank our loan noteholders, institutional investors, those shareholders who support us in the open market, supply-chain partners and our UK regulators. The year to date has been intense and we're only hoping for more of the same.

"David Knox"

"Majid Shafiq"

David Knox
Non-Executive Chairman
30 September 2019

Majid Shafiq
Chief Executive Officer
30 September 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six Months to 30/06/19 (unaudited) £	Six Months to 30/06/18 (unaudited) £	Year to 31/12/18 (audited) £
Administrative expenses		(2,993,435)	(622,012)	(2,369,529)
Operating loss		(2,993,435)	(622,012)	(2,369,529)
Finance expense:				
Finance fees	4	(1,224,819)	(5,610)	(25,370)
Other – CLN interest expense (reclaimed)	4	6,098	553,658	553,658
Interest payable and similar costs	4	(150,807)	(105,840)	(118,561)
Total finance expense		(1,369,528)	442,208	409,727
Loss on ordinary activities before taxation attributable to owners of the parent		(4,362,963)	(179,804)	(1,959,802)
Tax charge for the period/year		–	–	–
Net loss for the period/year and total comprehensive income for the period attributable to owners of the parent		(4,362,963)	(179,804)	(1,959,802)
Earnings per ordinary share Basic and diluted	5	(0.07)	(0.01)	(0.05)

All operations are continuing.

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

The accompanying notes on pages 12 – 19 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	Notes	Six Months to 30/06/19 (unaudited) £	Six Months to 30/06/18 (unaudited) £	Year to 31/12/18 (audited) £
Non-current assets				
Property, plant & equipment		15,090	19,187	12,937
Exploration and evaluation assets	6	8,716,045	4,565,714	5,706,646
Total non-current assets		8,731,135	4,584,901	5,719,583
Current assets				
Cash at bank and in hand		33,161,818	1,045,004	598,039
Trade and other receivables	7	229,030	38,373	159,068
Total current assets		33,390,848	1,083,377	757,107
Current liabilities				
Trade and other payables	8	(1,298,283)	(624,309)	(1,229,903)
Convertible loan notes payable	9	-	(685,841)	(591,562)
Total current liabilities		(1,298,283)	(1,310,150)	(1,821,465)
Net current assets/(liabilities)		32,092,565	(226,773)	(1,064,358)
Non-current liabilities				
H1-2019 LNs payable	10	(10,793,204)	-	-
Total non-current liabilities		(10,793,204)	-	-
Total net assets		30,030,496	4,358,128	4,655,225
Capital and reserves				
Called up share capital – ordinary shares	11	9,343	3,948	4,102
Called up share capital – deferred shares	11	50,000	50,000	50,000
Share premium		27,573,407	7,679,280	9,215,598
Share-based payment reserve	12	685,853	145,230	685,853
H1-2019 LN Warrants	10	11,375,184	-	-
Retained earnings		(9,663,291)	(3,520,330)	(5,300,328)
Shareholders' funds		30,030,496	4,358,128	4,655,225

The consolidated financial statements of i3 Energy plc, company number 10699593, were approved by the Board of Directors and authorized for issue on 30 September 2019.

Signed on behalf of the Board of Directors by:

Majid Shafiq
Director

The accompanying notes on pages 12 – 19 form part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called up share capital	Share premium	Deferred shares	Share- based payment reserve	H1-2019 LN Warrants	Retained earnings	Total
	£	£	£	£	£	£	£
Balance at 1 January 2018	2,569	3,517,417	50,000	145,230	-	(3,340,526)	374,690
Loss for the period and total comprehensive income	-	-	-	-	-	(179,804)	(179,804)
Transactions with owners:							
Issue of share capital	11	1,379	4,161,863	-	-	-	4,163,242
Share-based payment expense	-	-	-	-	-	-	-
Balance at 30 June 2018	3,948	7,679,280	50,000	145,230	-	(3,520,330)	4,358,128
Balance at 1 January 2019	4,102	9,215,598	50,000	685,853	-	(5,300,328)	4,655,225
Loss for the period and total comprehensive income	-	-	-	-	-	(4,362,963)	(4,362,963)
Transactions with owners:							
Issue of share capital	11	5,241	18,357,809	-	-	-	18,363,050
H1-2019 LN Warrants	10	-	-	-	11,375,184	-	11,375,184
Share-based payment expense	-	-	-	-	-	-	-
Balance at 30 June 2019	9,343	27,573,407	50,000	685,853	11,375,184	(9,663,291)	30,030,496

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Ordinary shares	Represents the nominal value of shares issued
Share premium account	Amount subscribed for share capital in excess of nominal value
Deferred shares	Represents the nominal value of shares issued, the shares have full capital distribution (including on wind up) rights and do not confer any voting or dividend rights, or any of redemption.
Share-based payment reserve	Represents the accumulated balance of share-based payment charges recognised in respect of share options granted by the Company less transfers to retained deficit in respect of options exercised or cancelled/lapsed
Warrants	Represents the accumulated balance of warrant-based payment charges recognised in respect of warrants granted by the Company less transfers to retained deficit in respect of warrants exercised or cancelled/lapsed
Retained earnings	Cumulative net gains and losses recognised in the Consolidated Statement of Comprehensive Income

Note: The issued share capital comprises of both ordinary and deferred shares and the consolidate nominal value exceeds the required minimum issued capital of £50,000.

The accompanying notes on pages 12 – 19 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	6 months to 30/06/2019 (unaudited) £	6 months to 30/06/2018 (unaudited) £	Year to 31/12/2018 (audited) £
OPERATING ACTIVITIES				
Loss for the period/year		(4,362,963)	(179,804)	(1,959,802)
Adjustments for:				
Unrealized FX (Gain)/Loss		23,430	(1,983)	(10,161)
Share-based payment expense		-	-	540,623
Depletion, depreciation and amortization		-	-	7,528
Operating cash flows before movements in working capital:				
(Increase) in receivables / prepaid expenses		(69,962)	113,268	(7,427)
(Decrease)/Increase in current liabilities		238,287	(1,103,021)	(91,187)
Net cash used in operating activities		(4,171,208)	(1,171,540)	(1,520,426)
INVESTING ACTIVITIES				
Property, plant & equipment		(2,155)	-	(1,278)
Expenditure on exploration and evaluation assets		(3,323,107)	(685,855)	(2,220,304)
Net cash used in investing activities		(3,325,262)	(685,855)	(2,221,582)
FINANCING ACTIVITIES				
Proceeds on issue of ordinary shares	11	18,363,050	2,329,662	3,866,133
Repayment loan notes	9	(447,054)	-	(112,782)
Outflow from employee loans		-	(44,555)	(44,555)
Proceeds from issuance of H1-2019 LNs	10	10,793,204	-	-
Proceeds from H1-2019 LN Warrants	10	11,375,184	-	-
Net cash from financing activities		40,084,384	2,285,107	3,708,796
Effect of exchange rate changes on cash		(24,135)	(11,097)	2,862
Net (decrease)/increase in cash and cash equivalents		32,563,779	416,615	(30,350)
Cash and cash equivalents, beginning of period/ year		598,039	628,389	628,389
CASH AND CASH EQUIVALENTS, END OF PERIOD/YEAR		33,161,818	1,045,004	598,039

The accompanying notes on pages 12 – 19 are an integral part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies

General Information and Authorisation of Financial Statements

i3 Energy plc (“the Company”) is registered in England and Wales under the Companies Act 2006 with registered number 10699593. The Company’s ordinary shares are traded on the AIM Market operated by the London Stock Exchange. The address of the Company’s registered office is New Kings Court, Tollgate, Chandler’s Ford, Eastleigh, Hampshire, SO53 3LG.

The Company and its subsidiaries (together, “the Group”) principal activities consist of the development and production of oil and gas in the UK North Sea. The Company’s wholly-owned subsidiary, i3 Energy North Sea Limited, is an independent oil and gas company with assets in the UK. The Company’s principal activity is that of a listed holding company.

2 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 2018 and are expected to be applied in the preparation of the financial statements for the year ended 31 December 2019. 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 2018, which have been prepared in accordance with IFRS as adopted by the European Union.

The reports for the six months ended 30 June 2019 and 30 June 2018 are unaudited and do not constitute statutory accounts as defined by the Companies Act 2006. The financial statements for 31 December 2018 have been prepared and delivered to the Registrar of Companies. The auditor report of these financial statements was unqualified.

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those disclose in the Group’s statutory financial statements for the year ended 31 December 2018 with the addition of the estimates applied in determining the variables applied in assessing the fair value of the H1-2019 Loan Note facility as set out in Note 10.

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 2019 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 2019 (six months ended 30 June 2018 – £nil).

2 Basis of Preparation - continued

Going concern

The financial statements have been prepared on a going concern basis. The Board successfully raised approximately £19.15 million, prior to expenses, during the period through equity issuances as well as secured £22 million in H1-2019 loan notes. The net proceeds of the placing, in addition to the debt facility, will be used for asset appraisal, development and working capital requirements.

Based on the Board's assessment that the cash flow budgets can be achieved, the Directors have a reasonable expectation that the Group and the Company has access to adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting.

3 Segmental reporting

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 2019 (unaudited) £	Period ended 30 June 2018 (unaudited) £	Year ended 31 December 2018 (audited) £
Commission payable on H1-2019 LNs / CLNs	(1,224,819)	(5,610)	(25,370)
Other – CLNs interest expense – reclaim after conversion of CLNs	6,098	553,658	553,658
Interest payable on loan notes	(150,807)	(105,840)	(118,561)
Total interest payable and similar costs	(1,369,528)	442,208	409,727

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 2019 (unaudited) £	Period ended 30 June 2018 (unaudited) £	Year ended 31 December 2018 (audited) £
Earnings for the purposes of basic earnings per share being net loss attributable to owners of i3 Energy (£)	(4,362,963)	(179,804)	(1,959,802)
Weighted average number of Ordinary Shares	65,199,518	35,167,798	37,800,091
Loss for the purposes of diluted earnings per share (£)	(0.07)	(0.01)	(0.05)



5 Earnings per share - continued

The 30 June 2019, 30 June 2018 and 31 December 2019 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 consider the impact of options, warrants and other dilutive securities. As the effect of potential dilutive Ordinary Shares would be anti-dilutive, as the Company has a loss, they are not included in the above calculation of diluted earnings per Ordinary Share.

6 Exploration and evaluation assets (Intangible)

	Exploration and evaluation assets £	Total £
As at 1 January 2018		3,879,859
Additions	685,855	
As at 31 June 2018		4,565,714
Additions	1,140,932	-
As at 31 December 2018		5,706,646
Additions	3,009,399	
As at June 2019		8,716,045

7 Trade and other receivables

	As at 30 June 2019 (unaudited) £	As at 30 June 2018 (unaudited) £	As at 31 December 2018 (audited) £
VAT receivable	199,422	13,710	148,862
Prepayments & other receivables	29,608	24,663	10,206
Total trade and other receivables	229,030	38,373	159,068

Other receivables are all due within one year.

The fair value of other receivables is the same as their carrying values as stated above.

Other receivables do not contain any impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

8 Trade and other payables

	Period ended 30 June 2019 (unaudited) £	Period ended 30 June 2018 (unaudited) £	Year ended 31 December 2018 (audited) £
Trade creditors	974,798	108,574	350,698
Accruals	273,485	515,735	682,270
Provision – Payment in Lieu (Leavers)	50,000	-	196,935
Total trade and other payables falling due within one year	1,298,283	624,309	1,229,903



8 Trade and other payables - continued

The average credit period taken for trade purchases is 30 days. No interest is charged on the trade payables. The carrying values of trade and other payables are considered to be a reasonable approximation of the fair value and are considered by the Directors as payable within one year.

9 Convertible loan notes

	£
Liability component at 1 January 2018	2,995,914
CLNs Converted	(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
CLNs Redeemed	(83,542)
CLN Interest Paid on Redemption	(29,240)
Interest charged	12,721
Foreign exchange	5,782
Liability component at 31 December 2018	591,562
CLNs Redeemed	(433,153)
CLN Interest Paid on Redemption	(151,604)
Foreign exchange	(6,805)
Liability component at 30 June 2019	-

During the period the Company repaid all outstanding convertible loan notes totalling £433,153 in principal and paid interest in accordance with the terms on the maturity date of 31 March 2019.

10 H1-2019 Loan Note Facility

In May 2019, the Company completed a £22 million H1-2019 loan note facility (“H1-2019 LN”). The H1-2019 LNs have a term of 4 years, maturing on 31 May 2023 and bearing interest, payable on a quarterly basis at the Company’s option (i) in cash at a rate of 8% per annum, or (ii) in kind (at i3’s option) at a rate of 11% per annum by the issuance of additional H1-2019 LNs.

The noteholders were granted warrants (“H1-2019 LN Warrants”) in the notional amount of £1 for each £1 of loan notes issued, with H1-2019 Warrants being issued proportionately across three series. The H1-2019 LN Warrants will vest on the issue date and expire 4 years thereafter and can be exercised through either/or a combination of a cash payment and/or surrender of H1-2019 LNs plus accrued interest equal to the aggregate notional amount of the H1-2019 LN Warrants being exercised. Each H1-2019 LN Warrant gives the holder the right to convert the notional amount into such number of shares as is derived by dividing the notional amount by the exercise price.



10 H1-2019 Loan Note Facility - continued

	Notional amount of warrants (£)	Exercise price (£/share)	Shares to be issued upon exercise of warrants	Share price at issuance (£)	Time to maturity (years)	Value (£/share)
Tranche 1	7,333,333	0.4070	18,018,018	0.39	4	0.2557
Tranche 2	7,333,333	0.4810	15,246,015	0.39	4	0.2435
Tranche 3	7,333,333	0.5550	13,213,213	0.39	4	0.2313

The fair value of the Tranche 1 warrants were determined by the Black-Scholes method. In the Black Scholes model the inputs were share price of £0.39, exercise price of £0.4070, time to maturity of 4 years, volatility as 94.67% and the Risk-Free Interest Rate as 0.9755%.

The fair value of the Tranche 2 warrants were determined by the Black-Scholes method. In the Black Scholes model the inputs were share price of £0.39, exercise price of £0.4810, time to maturity of 4 years, volatility as 94.67% and the Risk-Free Interest Rate as 0.9755%.

The fair value of the Tranche 3 warrants were determined by the Black-Scholes method. In the Black Scholes model the inputs were share price of £0.39, exercise price of £0.5550, time to maturity of 4 years, volatility as 94.67% and the Risk-Free Interest Rate as 0.9755%.

Total fair value of the Tranche 1, Tranche 2 and Tranche 3 warrants as at 30 June 2019 was £11,375,184 and was bifurcated from the debt contract and classified as equity.

The H1-2019 LNs are comprised of the following components: the debt contract, the conversion feature, the interest rate payment option and the early conversion feature (at i3's option). At inception the debt component was recorded at an estimated fair value of £10,624,816. The debt balance is unwound using the effective interest rate method to the principal value at maturity with a corresponding non-cash accretion charge to earnings.

The H1-2019 LNs are redeemable before the maturity date and the holders are secured against the Company's assets. The Company may repay all or part of the H1-2019 LNs within the first 12 months at 116% of par and at par plus accrued interest thereafter.

Interest expense and accretion expense to 30 June 2019 was £149,890 and £168,388 respectively.



11 Authorised, issued and called-up share capital

	Issuance Date	Ordinary Shares	Deferred Shares	Nominal Value £ per Share	Share Issuance Costs	Called up Share Capital	Premium Share Capital Before Share Issue Costs	Premium Share Capital After Share Issue Costs
As at 31 December 2017		25,690,892	5,000	-	-	52,569	3,517,417	3,517,417
Issuance of ordinary shares	30 Jan 18	8,563,630	-	0.0001	221,035	856	2,568,232	2,347,197
Issuance of ordinary shares	27 Feb 18	1,516,876	-	0.0001	-	152	363,067	363,067
Issuance of ordinary shares	21 Mar 18	925,926	-	0.0001	-	93	359,157	359,157
Issuance of ordinary shares	25 May 18	925,926	-	0.0001	-	93	370,278	370,278
Issuance of ordinary shares	07 June 18	1,851,852	-	0.0001	-	185	740,556	740,556
Issuance of ordinary shares	01 Aug 18	1,542,336	-	0.0001	101,373	154	1,619,299	1,517,926
As at 31 December 2018		41,017,438	5,000	-	322,408	54,102	9,538,006	9,215,598
Issuance of ordinary shares	18 Mar 19	11,005,527	-	0.0001	265,986	1,101	4,070,944	3,804,958
Issuance of ordinary shares	01 Apr 19	32,237,716	-	0.0001	704,155	3,224	11,924,731	11,220,576
Issuance of ordinary shares	04 Apr 19	2,131,538	-	0.0001	-	213	788,456	788,456
Issuance of ordinary shares	05 Apr 19	983,059	-	0.0001	-	98	363,634	363,634
Issuance of ordinary shares	31 May 19	5,405,405	-	0.0001	100,000	540	1,999,459	1,899,459
Issuance of ordinary shares	31 May 19	653,002	-	0.0001	-	65	280,726	280,726
As at 30 June 2019		93,433,685	5,000	-	1,392,549	59,343	28,965,956	27,573,407

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 18 March 2019, 11,005,527 ordinary shares with a nominal of £1,101 were issued at a price of £0.37 per share as part of placing in which the company raised £17.15 million. Share issuance costs of £265,986 were incurred which have been recognised as direct costs of capital against share premium.

On 1 April 2019, 32,237,716 ordinary shares with a nominal of £3,224 were issued at a price of £0.37 per share as part of placing in which the company raised £17.15 million. Share issuance costs of £704,155 were incurred which have been recognised as direct costs of capital against share premium.

On 4 April 2019, 2,131,538 ordinary shares with a nominal of £213 were issued at a price of £0.37 per share as part of placing in which the company raised £17.15 million.

On 5 April 2019, 983,059 ordinary shares with a nominal of £98 were issued at a price of £0.37 per share as part of an open offer in relation to an equity placing in which the company raised £17.15 million.

11 Authorised, issued and called-up share capital - continued

On 31 May 2019, 5,405,405 ordinary shares with a nominal of £540 were issued at a price of £0.37 per share in conjunction with the Company's placing of H1-2019 loan notes. Share issuance costs of £100,000 were incurred which have been recognised as direct costs of capital against share premium.

On 31 May 2019, 653,002 ordinary shares with a nominal of £65 were issued at a price of £0.43 per share as payment in kind for finance costs in relation to the Company's H1-2019 loan note facility.

12 Share based payments

Share Options

During the period 5,920,000 share options ("Options") were granted. The exercise price of the Options is £0.395 per share. The Options are for ten years and vest as follows:

- One-third upon spud of the first well in i3's upcoming drilling campaign;
- One-third upon securing funding for the Liberator Phase I development; and
- One-third on increasing gross reserves to 50 MMbbls or achieving first oil from the Company's licences.

As none of the Options issued during the period had vested no cost was charged to share based payment reserves.

13 Events after the reporting period

On 2 July 2019 the Company awarded Baker Hughes, a GE Company ("BHGE"), contracts for its 2019 summer drilling programme on its Liberator and Serenity assets and its planned 2020 Phase I development of Liberator. BHGE's scope included directional drilling, drilling fluids, mudlogging, formation evaluation operations and wellheads. In connection with the award, BHGE agreed that £3m of oilfield service and oilfield equipment contract payments would not become payable until such time as i3 has received its first sales revenues from the Liberator Phase I development. As part of this transaction, the Company will be issuing to BHGE warrants up to a notional value of £3 million at an exercise price of 56.85 pence per ordinary share, totalling up to 5,277,045 warrants if fully issued. BHGE can exercise the warrants via cash settlement or in exchange for payments due under OFS or OFE contracts with the Company.

On 14 August 2019 the Company announced that the Borgland Dolphin semi-submersible drilling rig had completed its acceptance testing. The Borgland started move preparations on 14 August 2019 to begin transit towards the Liberator field to commence drilling operations.

On 22 August 2019 the Company announced that the Borgland Dolphin semi-submersible drilling rig had arrived on location at the Liberator field and that the 13/23c-9 (formerly known as LPt-02) pilot well had been spud.

On 10 September 2019 the Company announced that the 13/23c-9 pilot well had reached total depth at 5818 ft True Vertical Depth Sub-sea (TVDSS) in the Valhall formation. The objectives of the pilot well were to enable a future development well to be positioned at an optimal location in the upper Captain sands channel in the south-eastern area of the

13 Events after the reporting period - continued

Liberator field. Preliminary petrophysical information obtained from the Measurement While Drilling (MWD) tools indicate that the targeted upper Captain sand had not been penetrated and was pinched out at the 13/23c-9 location. The lower Captain sand was present in the well and was below the estimated oil water contact as expected. On initial tie to the seismic data, the well appeared to be located proximal to the main upper Captain channel fairway with further well data required in order to interpret and locate the key reservoir upper Captain channel edge. As such, preparations were made to obtain a vertical seismic profile (VSP) in the well and to also run a shear wave sonic log, after which 13/23c-9 would be plugged and abandoned as planned. This data will be used to recalibrate and update the existing seismic model such that options and plans for further operations at this location to meet the objective of locating a future development well in the south-east area of the field can be evaluated.

On 17 September 2019 the Company announced the appointment of Linda Janice Beal as a non-executive director of the Company with immediate effect.

On 20 September 2019 the Company announced that the 13/23c-9 pilot well had been plugged and abandoned as planned following completion of the vertical seismic profile ("VSP") survey and shear wave sonic logging, and that the Borgland Dolphin drilling rig would next be mobilised to drill the Serenity SA-01 well upon receipt of necessary permitting from the UK regulators. The rig was down-manned to minimise standby costs. The Company also announced the purchase of a recently processed 3D seismic data set that would be integrated into its modelling ahead of drilling the LA-03 appraisal well at Liberator. This newly processed seismic has the characteristics necessary to allow an inversion process to be applied, enabling additional interpretation of the channel sand architecture. The processing and interpretation of this new seismic data has begun and will continue while i3 is drilling the Serenity SA-01 well and will be integrated with i3's existing mapping to confirm that the planned LA-03 well, situated in the western part of the Liberator structure, remained at an optimal location.

CORPORATE INFORMATION

Registered number	10699593
Directors	David John Wissler Knox – Non-Executive Chairman Majid Shafiq – Chief Executive Officer Graham Andrew Heath – Chief Financial Officer Neill Ashley Carson – Non-Executive Director Richard Millington Ames – Non-Executive Director Linda Janice Beal – Non-Executive Director (appointed 17 September 2019)
Company Secretary	Burness Paull LLP
Registered Office	New Kings Court Tollgate Chandler's Ford Eastleigh, Hampshire United Kingdom S053 3LG
Independent Auditor	PKF Littlejohn LLP (Registered Auditor) 15 Westferry Circus Canary Wharf London E14 4HD United Kingdom
Solicitors	Burness Paull LLP 50 Lothian Road Festival Square Edinburgh EH3 9WJ
Nominated Advisor	WH Ireland Limited 24 Martin Lane London EC4R 0DR
Broker	GMP First Energy 85 London Wall London EC2M 7AD Canaccord Genuity Limited 88 Wood Street London EC2V 7QR
Registrars	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Principal Bankers	Royal Bank of Scotland
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