Registration number: 10699593

i3 ENERGY

UNAUDITED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2020

Contents

HIGHLIGHTS

- Initiated farm-down process for Serenity and Liberator in the UK North Sea and conducted a site survey over future appraisal and potential development well locations
- Obtained a strategic foothold in Western Canadian Sedimentary Basin ("WCSB") production assets through a debt acquisition of Toscana Energy Income Corporation ("Toscana" or "TEIC") and entry into an Option agreement, exercised in the period, to acquire all issued and outstanding shares of TEIC
- i3 to pay CAD$3.4 million (c.US$2.5 million), half in March 2020 and half at end-December 2020, to acquire all of TEIC's outstanding debt and to assume the role of senior-secured lender to Toscana, who was in default under its CAD$28 million (c.US$21 million) senior and subordinated credit facilities and was conducting a competitive strategic review process; i3 will additionally issue 4,399,224 ordinary shares to TEIC shareholders at completion of the TEIC acquisition, expected to conclude via a Plan of Arrangement during Q4 2020 following a meeting of TEIC's shareholders to approve the transaction
- i3 is acquiring TEIC's 2019 year-end 2P Reserves of 4.65 MMboe (53% oil, 47% gas) with a reserve life index of 14.7 years and Q4 2019 production of 1,065 boepd at US$2,661/boepd and US$0.61/boe 2P
- Announced major acquisition of producing WCSB assets in Alberta and Saskatchewan (the Company subsequently announced post period that these were from Gain Energy Ltd. ("Gain")) and that i3 was also entering an onward sale of Gain's Saskatchewan assets to Harvard Energy ("Harvard"), leaving i3 with all of Gain's Alberta assets (the "Gain Assets") post the completion in September 2020
- The Gain Assets provide i3 with approximately 9,000 boepd of long-life, low-decline production and 54 MMboe 2P reserves at highly attractive acquisition metrics of 1.1x next twelve months ("NTM") net operating income ("NOI" = revenue less royalties, opex and transportation), US$2,876/boepd, and US$0.48/boe 2P
- Completed key amendments to i3's May 2019 Loan Notes, replacing obligations to enter a development funding facility for the Company's UK assets with obligations to achieve certain production and funding levels during 2020 and 2021 (these replacement obligations have been fully satisfied through i3's funding and acquisition of the Gain Assets)
- Suspended trading on AIM to conduct a reverse take-over ("RTO") of the Gain Assets, which has now completed and trading has resumed
- Whilst the acquisition of the Gain assets occurred post period, Note 12 to these interim statements provides an update on the financial information of the Gain assets for the six month period ended 30 June 2020.

Post Period and Outlook

On 6th July 2020 (the "PSA Date"), i3 entered a binding purchase and sale agreement with Gain Energy Ltd. ("Gain") to acquire 100% of its producing and non-producing petroleum assets in the Canadian provinces of Alberta and Saskatchewan (the "Gain Portfolio") for CAD$80 million (c.US$59 million), with an effective date of 1st May 2020 (the "Gain Acquisition"). In Q4 of 2019, the Gain Portfolio produced on average 10,645 boepd (47% liquids) to which Gain's independent reserve evaluator had attributed PDP reserves of 26.4 MMboe with a before-tax NPV10 of ~US$177 million, and 2P reserves of 69.4 MMboe with a before-tax NPV10 of ~US$397 million. In 2019, the Gain Portfolio produced ~US$34 million in field NOI from 242 Gain-operated wells at an average working interest of 78% and 1,633 non-operated wells at an average working interest of 11%, and includes 174k net developed acres and 186k net undeveloped acres of land. (see 7th August 2020 immediately below for subsequent partial sale of the Gain Portfolio)

On 7th August 2020, i3 announced its conditional sale of Gain's Saskatchewan assets and a proposed £30 million fundraise. The Company agreed to sell, immediately following completion of the Gain Acquisition, those petroleum and infrastructure assets currently held by Gain which are located in Saskatchewan, to Harvard Resources Inc. for CAD$45 million (c.US$33 million) (the "Harvard Sale"), conditional only on completion of the Gain Acquisition, leaving i3 with all of Gain's Alberta assets (the "Gain Assets") post the completion in September 2020.

The net consideration payable by i3 to acquire the Gain Assets, which are the petroleum and infrastructure assets of Gain to be retained by i3 following completion of the Gain Acquisition and the Harvard Sale, is CAD$35 million (c.US$26 million), subject to normal completion adjustments. In 2019, the Gain Assets (excluding, for the avoidance of doubt, those assets being the subject of the Harvard Sale), produced c.US$22 million in field net operating income ("NOI" = revenue less royalties, opex and transportation) from 242 Gain-operated wells at an average working interest of 78% and 1,044 non-operated wells at an average working interest of 14%, and included 172k net developed acres and 186k net undeveloped acres of land. i3 commissioned GLJ Ltd. ("GLJ") to update the reserves associated with the Gain Assets. As at 30 June 2020, the updated 2P reserves of the Gain Assets are 53.8 MMboe with a before-tax NPV10 of c.US$182 million. Based on June 2020 production of 8,948 boepd, the net consideration to be paid by i3 for the Gain Assets translates to acquisition metrics of US$2,876/boepd and US$0.48 per 2P boe.

On 11th August 2020, the Company announced the conditional Placing and Subscription of 568,496,326 new Ordinary Shares at 5 pence per Ordinary Share (the "Issue Price"). The Company also conditionally placed 12,650,929 new Ordinary Shares at the Issue Price with UK retail clients of PrimaryBid. The total firm fundraising was for approximately £29 million and the Company received a further subscription commitment of approximately £1 million, subject to regulatory approval. Also, on 11th August, i3 announced the publication of its Admission Document and Re-admission to trading on AIM.

On 27th August 2020, the Company held a General Meeting at which all resolutions were passed to approve i3's acquisition of the Gain Assets and to issue the abovementioned Placing, Subscription (of those shares not requiring regulatory approval) and PrimaryBid shares, followed by an announcement on 28th August that these shares had been admitted to trading on AIM.

On 28th August 2020, following the completion of the re-admission as set out in the announcement of 11th August 2020, the Company's enlarged share capital was admitted to trading on AIM. Following Admission, the Company had in issue 688,866,655 ordinary shares of £0.0001 each.

On 1st September 2020, the Company announced that certain of its Noteholders exercised warrants over 6,788,945 shares in the Company. An application was made for these shares to be admitted to trading on AIM on 7 September 2020. Following this exercise of warrants the Company now has in issue 695,655,600 ordinary shares of £0.0001 each.

On 4th September 2020, the Company announced that, following the completion of the re-admission as set out in the announcement of 11th August 2020, the Company has now completed the acquisition of all the petroleum and infrastructure assets of Gain Energy Ltd. for CAD$80 million (c.US$58.8 million). The Company has also completed the sale of such petroleum and infrastructure assets held by Gain Energy Ltd which are located in Saskatchewan, to Harvard Resources Inc. for CAD$45 million (c.US$33 million). Concurrently, i3 entered into a Management Services Agreement with Toscana who will manage i3's enlarged staff base in Canada and the Gain Assets until such time as i3 consummates its Plan of Arrangement to acquire TEIC.

Further details of the Gain Acquisition, the Harvard Sale, the Company's August 2020 equity fundraise, and other matters are disclosed in i3's Admission Document dated 11th August 2020, available on the Company's website (*http://i3.energy*).

The Company's focus for the remainder of 2020 will be on 3 key areas:

1. The conclusion of the Toscana transaction and the integration of the Company's UK and Canadian businesses
2. Further expansion of its Canadian production business
3. The farmout of i3's UK licences to conduct further appraisal drilling at Serenity and/or Liberator

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

CHAIRPERSON'S AND CHIEF EXECUTIVE'S REPORT

The COVID-19 pandemic has forced change in almost every facet of our lives. Its longevity and long-term effects have yet to be determined and they could forever alter society's previous trajectory. A high degree of uncertainty mixed with universally contracting economies has caused demand destruction for oil, and this on the back of an ill-timed and miscalculated price war between Russia and Saudi Arabia which saw WTI trade in negative territory for the first time in history. These events have caused an unprecedented environment for our sector that has left companies deceased, despondent or driving ahead. We have sat squarely in that latter camp, aggressively pursuing assets during a market bottom and employing a creative acquisition and divestment and funding strategy to simultaneously stabilise and grow our business.

At the end of 2019, i3 had an excellent drilling result at its Serenity prospect – a discovery that the management believes could potentially contain 197 MMbbls of in place oil resource. Upon success, an asset of this size could provide a many-multiples return of i3's current market capitalization. However, the share price increase that a company such as ours would typically experience from such a discovery was entirely neutralized by an unexpectedly poor drilling result in the much smaller Liberator Phase I area. This level of imbalanced share price reaction is not something the Company wishes to see repeated.

To offset the concentration risk of our UK appraisal portfolio – a risk that's exacerbated by a lack of capital markets appetite for this style of appraisal portfolio during times of sector uncertainty – we believe that a low-cost, low-decline production portfolio is a requirement for our survival. Ideally this would balance multiple aspects of our business, including geological, project life cycle, project capital intensity and capital market risks, whilst also being accretive to shareholders. The Company has also for some time believed it is critical to add production to its asset portfolio to provide internal free cash flow to grow the company and provide a near-term return to our shareholders.

Entering 2020, and having considered a number of global oil and gas basins and specific opportunities, including the UK North Sea in the context of our acquisition criteria, we concluded that the Western Canadian Sedimentary Basin (the "WCSB") provides a unique, time-limited opportunity to build a portfolio of production assets on superior metrics not achievable elsewhere. A short to medium term lack of infrastructure to transport Canadian oil and gas to international markets in combination with depressed gas prices in North America due to the growth in gas supply from shale drilling has led to many small and mid-cap oil and gas producers, particularly those with overleveraged balance sheets and heavily gas-weighted portfolios, to become financially distressed and to have limited access to the North American capital markets to fund maintenance opex or growth capex. Many of these companies contain excellent long-life production assets with solid growth potential that may be acquirable at attractive metrics.

In March 2020, i3 announced that it had acquired all of the rights and interests in the senior-secured and subordinated debt of Toscana Energy Income Corporation ("Toscana" or "TEIC"), a TSX-listed oil and gas corporation with assets and operations in the WCSB.

As a result of accessing debt to acquire assets in a much stronger commodity environment, Toscana had struggled for some years and was in default under the terms of its debt facility agreements. i3 purchased Toscana's CAD$28 million senior and junior debt facilities for a total of CAD$3.4 million. At the same time, the Company announced its entry into an Option agreement with Toscana to acquire 100% of the issued share capital of TEIC under which Toscana shareholders would receive 4,399,224 i3 ordinary shares, representing dilution of approximately 4% to i3's shareholders at the time of announcement. On 23rd June 2020, i3 announced that it had exercised its Option with Toscana. On completion of the TEIC acquisition, which is expected to occur Q4 2020, it is intended that i3's enlarged share capital also be listed on the TSX.

Toscana's strong management and operations teams and modest production and reserves base provided a foundation for i3's entry into Canada. As stated in March 2020, i3 intended to swiftly leverage the TEIC platform to execute an M&A driven growth strategy to build a large, low capital intensity, long-life production base in the WCSB. On 23rd June 2020, with further detail on 6th July, i3 announced the planned acquisition of all the petroleum assets of Gain Energy Ltd., a private Canadian company with assets in the Western Canadian Sedimentary Basin. Under the AIM Rules, the Gain Transaction constituted a reverse take-over, and at the Company's request its shares were suspended from trading on AIM until such time as i3 either published a "Readmission document" detailing the Gain Transaction or provided confirmation that discussions had ceased. Across the following month, the executive tested institutional demand while considering the potential dilution of conducting a sizeable transaction against a poor sector backdrop and on 7th August announced its intention to onward sell a portion of Gain's portfolio, (those assets located in Saskatchewan), and complete a £30 million equity fundraise. The sale of ~1,050 boepd in Saskatchewan to Harvard for CAD$45 million (US$33 million), representing approximately 7x next twelve months ("NTM") net operating income ("NOI" = revenue less royalties, opex and transportation), decreased the Company's equity requirement by almost 50% while seeing i3 retain a disproportionate share of the Gain Portfolio, with the retained Gain Assets representing 83% of the NTM NOI, 88% of the production, 79% of the PDP reserves, 87% of the 2P reserves, and 74% of the 2P NPV10. The Company is proud to have brought this complex transaction to completion, having acquired 54 MMboe 2P and over 9,000 boepd while raising approximately 5 times its market cap during a time period of unrivalled difficulty for the oil sector.

i3 published its Readmission document on 11th August and the transaction was approved by the Company's shareholders at a General Meeting on 27th August, with the shares associated with the equity fundraise being admitted to AIM on 28th August The Company completed the Gain Acquisition and back to back Harvard Sale on 3rd September, and entered into a Management Services Agreement with Toscana who will manage i3's enlarged staff base in Canada and the Gain Assets until such time as we consummate our Plan of Arrangement to acquire TEIC.

The Board and Management are looking forward to creating near-term shareholder value. i3 has committed to becoming a dividend payer and will adopt an appropriate hedging program to mitigate commodity price risk. Under current market conditions, residual free cash flow above the dividend will likely be redeployed to acquire additional developed producing reserves or to exploit the best production adding opportunities within the Canadian portfolio in order to replace natural decline and increase production levels. When markets and commodity prices improve and acquisition multiples become unattractive, i3 will focus on unlocking the material value held in its acquired proven undeveloped (PUD) and 2P inventory, which management believes has the capacity to more than double current production Fresh production will be hedged in these strengthening markets to secure future cash flow or, alternatively, the Company may monetize new production so that it returns additional value to shareholders.

It has been an extremely eventful first half, and we are hopeful about the future of the Company.

Financial review to 30 June 2020

During the period ended 30 June 2020, the Group incurred a net loss of £6,611,286 (30 June 2019 – net loss of £4,362,963). 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 purchase of the Toscana debt and planned corporate acquisition. The increase in Exploration & Evaluation ("E & E") assets during the period of £2,112,521 (30 June 2019 - £3,009,399) (31 Dec 2019 - £37,811,588) related to the Company's 2019 North Sea drilling programme.

A total of approximately £29.0 million (before expenses) was raised post the six-month period ended 30 June 2020 through an equity placing of 581,114,726 ordinary shares at 5 pence per share. Proceeds from the equity issuances will be used for the Gain asset acquisition and working capital requirements.

Looking Forward

The COVID-19 virus has had a significant impact, affecting economies and populations globally. The spread of COVID-19 has been unlike any previous virus, taking governments and countries by surprise. It is anticipated that the world economy will be severely impacted by COVID-19 despite measures taken by governments to protect against it. i3 Energy is preserving its capabilities and cash position while ensuring all staff are safe and abiding by government guidelines and recommendations. The directors anticipate that distressed M&A opportunities will continue to result from this situation and are positioning themselves to take advantage of these as they arise. The Company will adhere to government guidelines regarding health and safety while COVID-19 continues to be a threat, and we will remain agile in our decision making process to mitigate its potential effects on our sector and business.

We maintain our strong belief that there is substantial value to be created from our North Sea licences and will continue in our efforts to partner with other industry peers to appraise and develop them. We are very excited about our entry into Western Canada and believe it holds tremendous potential to deliver substantial near-term and progressively greater returns to i3's shareholders. The Canadian transactions are expected to create a solid foundation to aggressively build upon, and we are very much looking forward to integrating our UK and Canadian teams together in the coming weeks.

We are thankful for the continuing commitment of our staff during these disruptive times and admire their boldness in facing odds that have been stacked against companies such as ours. We also extend gratitude to the Toscana team for their diligent work to create a collective foundation in advance of us concluding our transaction together. If what's been achieved over the last few months in very difficult market conditions is any indication of what's to come, we believe i3's future will be a bright one.

Many thanks to our noteholders and previous investors, and we extend a warm welcome and appreciation to those incoming investors who have effectively recapitalised the Company in our recent funding round. With strong execution and any recovery in the oil sector, your support of i3's business plan should be well rewarded.

"Linda Beal"	"Majid Shafiq"
Linda Beal Non-Executive Chairperson 8 September 2020	Majid Shafiq Chief Executive Officer 8 September 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Six Months to 30/06/20 (unaudited)**	Six Months to 30/06/19 (unaudited)	Year to 31/12/19 (audited)
		£	£	£
Administrative expenses		(4,359,790)	(2,993,435)	(7,228,669)
Operating loss		**(4,359,790)**	(2,993,435)	(7,228,669)
Finance expense:				
Finance fees	3	(1,131,522)	(1,224,819)	(2,251,162)
Other – CLN interest expense (reclaimed)	3	-	6,098	-
Interest payable and similar costs	3	(1,303,097)	(150,807)	(1,371,346)
Total finance expense		**(2,434,619)**	(1,369,528)	(3,622,508)
Loss on ordinary activities before taxation attributable to owners of the parent		**(6,794,409)**	(4,362,963)	(10,851,177)
Tax (charge)/recovery for the period/year	4	183,123	–	–
Net loss for the period/year and total comprehensive income for the period attributable to owners of the parent		**(6,611,286)**	(4,362,963)	(10,851,177)
Earnings per ordinary share Basic and diluted	5	**(0.06)**	(0.07)	(0.13)

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 – 20 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	Notes	**Six Months to 30/06/20 (unaudited)**	Six Months to 30/06/19 (unaudited)	Year to 31/12/19 (audited)
		£	£	£
Non-current assets				
Property, plant & equipment		7,602	15,090	7,602
Exploration and evaluation assets	6	48,640,154	8,716,045	46,527,633
Loan receivable	7	2,007,106	-	-
Total non-current assets		**50,654,862**	8,731,135	46,535,235
Current assets				
Cash at bank and in hand		1,515,670	33,161,818	19,069,541
Trade and other receivables		106,186	229,030	305,438
Total current assets		**1,621,856**	33,390,848	19,374,979
Current liabilities				
Trade and other payables	8	(6,402,795)	(1,298,283)	(18,204,752)
Total current liabilities		**(6,402,795)**	(1,298,283)	(18,204,752)
Net current assets/(liabilities)		**(4,780,939)**	32,092,565	1,170,227
Non-current liabilities				
Non-current accounts payable		(3,000,000)	-	(3,000,000)
Loan notes payable	9	(15,413,399)	(10,793,204)	(13,046,184)
Total non-current liabilities		**(18,413,399)**	(10,793,204)	(16,046,184)
Total net assets		**27,460,524**	30,030,496	31,659,278
Capital and reserves				
Called up share capital – ordinary shares		10,772	9,343	10,772
Called up share capital – deferred shares		50,000	50,000	50,000
Share premium		32,571,978	27,573,407	32,571,978
Share-based payment reserve	10	6,215,381	685,853	3,802,849
Warrants - LNs	10	11,375,184	11,375,184	11,375,184
Retained earnings		(22,762,791)	(9,663,291)	(16,151,505)
Shareholders' funds		**27,460,524**	30,030,496	31,659,278

The consolidated financial statements of i3 Energy plc, company number 10699593, were approved by the Board of Directors and authorized for issue on 8 September 2020.

Signed on behalf of the Board of Directors by:

"Majid Shafiq"

Majid Shafiq
Director

The accompanying notes on pages 12 – 20 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Called up share capital	Share premium	Deferred shares	Share-based payment reserve	H1-2019 LN Warrants	Retained earnings	Total
		£	£	£	£	£	£	£
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		5,241	18,357,809	–	–	-	–	18,363,050
Share-based payment expense		-	-	-	-	11,375,184	-	11,375,184
Balance at 30 June 2019		9,343	27,573,407	50,000	685,853	11,375,184	(9,663,291)	30,030,496
Balance at 1 January 2020		10,772	32,571,978	50,000	3,802,849	11,375,184	(16,151,505)	31,659,278
Loss for the period and total comprehensive income		–	–	–	–	-	(6,611,286)	(6,611,286)
Share-based payment expense	10	–	–	–	2,412,532	-	–	2,412,532
Balance at 30 June 2020		**10,772**	**32,571,978**	**50,000**	**6,215,381**	**11,375,184**	**(22,762,791)**	**27,460,524**

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 – LNs	Represents the accumulated balance of share-based payment charges recognised in respect of warrants granted by the Company in respect to warrants granted to the loan note holders
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 – 20 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	**6 months to 30/06/2020 (unaudited) £**	6 months to 30/06/2019 (unaudited) £	Year to 31/12/2019 (audited) £
OPERATING ACTIVITIES				
Loss for the period/year		(6,611,286)	(4,362,963)	(10,851,177)
Adjustments for:				
Unrealized FX (Gain)/Loss		(45,631)	23,430	(27,880)
Share-based payment expense		2,412,531	-	3,116,995
Depletion, depreciation and amortization		-	-	8,742
Loan note – accretion	9	1,123,939	168,388	1,226,637
Interest expense – (Including interest settled with warrants)	9	1,243,275	-	1,194,731
Operating cash flows before movements in working capital:				
Decrease/(Increase) in receivables/prepaid expenses		199,253	(69,962)	(146,371)
(Decrease)/Increase in current liabilities		(666,086)	238,287	294,985
Net cash used in operating activities		**(2,344,005)**	(4,002,820)	(5,183,338)
INVESTING ACTIVITIES				
Property, plant & equipment		-	(2,155)	(3,407)
Expenditure on exploration and evaluation assets		(13,243,310)	(3,323,107)	(21,031,852)
Expenditure on loan note receivable		(2,007,106)	-	-
Net cash used in investing activities		**(15,250,416)**	(3,325,262)	(21,035,259)
FINANCING ACTIVITIES				
Proceeds on issue of ordinary shares, net of issue costs		-	18,363,050	23,363.050
Proceeds on issuance of LNs/LN Warrants		-	22,000,000	22,000,000
Repayment CLNs		-	(447,054)	(433,153)
Net cash from financing activities		**-**	39,915,996	44,929,897
Effect of exchange rate changes on cash		**40,550**	(24,135)	(239,798)
Net (decrease)/increase in cash and cash equivalents		**(17,553,871)**	32,563,779	18,471,502
Cash and cash equivalents, beginning of period/ year		19,069,541	598,039	598,039
CASH AND CASH EQUIVALENTS, END OF PERIOD/YEAR		**1,515,670**	33,161,818	19,069,541

The accompanying notes on pages 12 – 20 form part of this interim financial report.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies

The following accounting policies are to be adopted following the Gain Acquisition.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when or as the group satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control of oil, natural gas, natural gas liquids and petroleum, and other items usually coincides with title passing to the customer and the customer taking physical possession. The group principally satisfies its performance obligations at a point in time; the amounts of revenue recognised relating to performance obligations satisfied over time are not significant.

When, or as, a performance obligation is satisfied, the group recognises as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the group expects to be entitled. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised.

Contracts for the sale of commodities are typically priced by reference to quoted prices. Revenue from term commodity contracts is recognised based on the contractual pricing provisions for each delivery. Certain of these contracts have pricing terms based on prices at a point in time after delivery has been made. Revenue from such contracts is initially recognised based on relevant prices at the time of delivery and subsequently adjusted as appropriate. All revenue from these contracts, both that recognised at the time of delivery and that from post-delivery price adjustments, is disclosed as revenue from contracts with customers.

Depletion (to be included in PPE)

Oil properties, including certain related pipelines, are depreciated using a unit-of-production method. The cost of producing wells is amortised over proved plus probable reserves. Licence acquisition, common facilities and future decommissioning costs are amortised over total proved plus probable reserves. The unit-of-production rate for the depreciation of common facilities takes into account expenditures incurred to date, together with estimated future capital expenditure expected to be incurred relating to as yet undeveloped reserves expected to be processed through these common facilities.

Decommissioning

Liabilities for decommissioning costs are recognised when the group has an obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made. Where an obligation exists for a new facility or item of plant, such as oil production or transportation facilities, this liability will be recognised on construction or installation. Similarly, where an obligation exists for a well, this liability is recognised when it is drilled. An obligation for decommissioning may also crystallise during the period of operation of a well, facility or item of plant through a change in legislation or through a decision to terminate operations; an obligation may also arise in cases where an asset has been sold but the subsequent owner is no longer able to fulfil its decommissioning obligations, for example due to bankruptcy. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The provision for the costs of decommissioning wells,

1 Summary of significant accounting policies - continued

production facilities and pipelines at the end of their economic lives is estimated using existing technology, at future prices, depending on the expected timing of the activity, and discounted using a risk free rate.

An amount equivalent to the decommissioning provision is recognised as part of the corresponding intangible asset (in the case of an exploration or appraisal well) or property, plant and equipment. The decommissioning portion of the property, plant and equipment is subsequently depreciated at the same rate as the rest of the asset. Other than the unwinding of discount on or utilisation of the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding asset where that asset is generating or is expected to generate future economic benefits.

Significant estimates

Following the Gain Acquisition, the following will become significant judgements and estimates to be made by management:

- Recoverability of asset carrying values (including discount rates, oil properties, reserves etc.)
- Decommissioning provisions

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 2019 and are expected to be applied in the preparation of the financial statements for the year ended 31 December 2020. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS as adopted by the European Union.

The reports for the six months ended 30 June 2020 and 30 June 2019 are unaudited and do not constitute statutory accounts as defined by the Companies Act 2006. The financial statements for 31 December 2019 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 disclosed in the Group's statutory financial statements for the year ended 31 December 2019 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 9.

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 2020 that would be expected to have a material impact on the Group.

The Group's results are not impacted by seasonality.

2 Basis of presentation - continued

No dividend has been declared or paid by the Company during the six months ended 30 June 2020 (six months ended 30 June 2019 – £nil).

Going concern

Subsequent to the period end the Group successfully raised approximately £29 million through the issuance of shares. The net proceeds of the placing will be used for the Gain Asset acquisition and general corporate purposes. Based on the Board's assessment that the cash flow budgets can be achieved, which include consideration of the impact of COVID-19, the Directors have a reasonable expectation that the Group and the Company has access to adequate resources to continue in operation for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the interim financial statements for the period ended 30 June 2020.

3 Interest payable and similar costs

	Period ended 30 June 2020 (unaudited)	Period ended 30 June 2019 (unaudited)	Year ended 31 December 2019 (audited)
	£	£	£
Finance expense	(1,131,522)	(1,224,819)	(2,251,162)
Other – CLNs interest expense – reclaim after conversion of CLNs	-	6,098	-
Interest payable on loan notes	(1,303,097)	(150,807)	(1,371,346)
Total interest payable and similar costs	(2,434,619)	(1,369,528)	(3,622,508)

4 Taxation

In February 2020 the Company's application for £183,123 of research and development taxation credits in respect of 2017 was accepted. This has been recorded as a credit to current income tax (charge) / recovery in the period.

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 2020 (unaudited)	Period ended 30 June 2019 (unaudited)	Year ended 31 December 2019 (audited)
	£	£	£
Earnings for the purposes of basic earnings per share being net loss attributable to owners of i3 Energy (£)	(6,611,286)	(4,362,963)	(10,851,177)
Weighted average number of Ordinary Shares	107,719,400	65,199,518	80,869,438
Loss for the purposes of diluted earnings per share (£)	**(0.06)**	**(0.07)**	(0.13)

The 30 June 2020, 30 June 2019 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

5 Earnings per share - continued

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 31 December 2018	5,706,646	**5,706,646**
Additions	3,009,399	
As at 30 June 2019	8,716,045	**8,716,045**
Additions	37,811,588	-
As at 31 December 2019	46,527,633	**46,527,633**
Additions	2,112,521	
As at 30 June 2020	48,640,154	**48,640,154**

7 Loan receivable

On 30th March 2020, the Company purchased the rights and interests in Toscana Energy Income Fund's CAD$24.8 million senior and CAD$3.2 million junior debt facilities for CAD$3.0 million and CAD$0.4 million, respectively, with cash consideration being paid 50% up front and 50% payable on 31 December 2020.

8 Trade and other payables

	Period ended 30 June 2020 (unaudited) £	Period ended 30 June 2019 (unaudited) £	Year ended 31 December 2019 (audited) £
Trade creditors	3,522,635	974,798	12,023,845
Accruals	2,880,160	273,485	6,180,907
Provision – Payment in Lieu (Leavers)	-	50,000	-
Total trade and other payables falling due within one year	**6,402,795**	**1,298,283**	18,204,752

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 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

9 H1-2019 Loan Note Facility - continued

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 vested 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.

	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 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.

On the 23rd June 2020 the Company amended the 30 April 2020 Development Funding Long-stop Date (previously amended on 8 November 2019 when the Majority Noteholders of the Company's secured loan notes agreed to extend the date by which the Company must either inter into a reserves based lending facility or find an alternative means of funding to achieve first oil from the Liberator field, to 30 April 2020). As the Company was not in a position to enter into such a facility by 30 April 2020, the Company and the Majority Noteholders have come to an agreement to waive this condition in return for certain amendments to the May 2019 Loan Note Instrument and the associated Warrant Instruments.

The Loan Note Instrument Amendments are as follows:

The obligation to enter into a development facility for Liberator by a certain date has been removed. A new Corporate Development Long-stop Date has been set for 30 September 2020 prior to which i3 has to achieve one of the following Corporate Development Long-stop Conditions:

- Secure firm irrevocable commitments for a minimum £15mm of unsecured or fully subordinated financing, subject only to closing mechanics; or
- Agree a farm-out and/or funding term sheet, subject only to legal documentation to fund the drilling of a least one appraisal well on Serenity during 2020 or 2021; or
- Execute an acquisition agreement for at least 2500 boepd of production net to i3.

9 H1-2019 Loan Note Facility - continued

In addition, the Company has an obligation to achieve net corporate production at or above 5000 boepd by 30 April 2021.

The Loan Note Instrument amendments include the requirement that the currently outstanding i3 management options will be cancelled and replacement options will be issued to i3 staff and directors which replicate the terms of the adjusted Loan Note warrants (the "New Options") in relation to the exercise price, to seek alignment between the Noteholders and management. A total of 16,157,612 New Options will be issued, of which 4,097,741 will be reserved for Toscana Energy Income Corporation ("TEIC") staff and an incoming director and will be conditional on the closing of the acquisition of TEIC.

The Warrant Instrument Amendments are as follows:

All warrants associated with the Loan Notes will have their strike prices reset to the nominal value of i3 shares (£0.0001/share). The Company calculated the difference in the fair value of the unmodified and modified warrants at the modification date of June 23, 2020 resulting in an additional expense of £2,412,532 recognized in share-based payment expense.

The Loan Note Instrument Amendments is a related-party transaction under Rule 13 of the AIM Rules for Companies as a result of the Company's largest shareholder, Bybrook Capital LLP (owning 13.87% of the Company's issued shares) being a Loan Note holder. In addition, the amendments to the managements options is a related-party transaction for the purposes of Rule 13 of the AIM Rules for Companies. In relation to these transactions, Linda Beal is considered to be independent for the purposes of AIM Rule 13. Having consulted with WH Ireland Limited, the Company's Nominated Advisor ("Nomad"), the independent director considers that the terms of the related-party transactions are fair and reasonable insofar as shareholders are concerned.

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. The fair value of the repayment option is nil at 30 June 2020.

Interest expense and accretion expense to 30 June 2020 was £1,243,275 and £1,123,939 respectively.

10 Share based payments

During the period the Company had share based payment expense relating to the issuance of share options of £nil (2019 - £Nil).

Other Share Based Payments

During the period the Company had share based payment expense relating to the issuance of warrants of £2,412,532 (2019 - £nil).

10 Share based payments - continued

The following assumptions were used to value the modified warrants.

	Notional amount of warrants (£)	Exercise price (£/share)	Shares to be issued upon exercise of warrants	Share price at the modification date (£)	Time to maturity (years)	Value (£/share)
Tranche 1	7,333,333	0.0001	18,018,018	0.061	2.94	0.0609
Tranche 2	7,333,333	0.0001	15,246,015	0.061	2.94	0.0609
Tranche 3	7,333,333	0.0001	13,213,213	0.061	2.94	0.0609
Work Fee	-	0.0001	9,503,798	0.061	2.94	0.0609

The Warrant Instrument Amendment

All warrants associated with the Loan Notes had their strike prices reset to the nominal value of i3 shares (£0.0001/share). The Company calculated the difference in the fair value of the unmodified and modified warrants at the modification date of June 23, 2020

In the Black Scholes model the inputs were stock price of £0.061, exercise price of £0.0001, time to maturity of 2.94 years, Volatility as 120.35% (2019 – Nil) and the Risk-Free Interest Rate as 0.2913% for a share based payment expense of £2,412,532.

11 Events after the reporting period

As at the date of this report, the Company's issued share capital now stands at 695,655,600 ordinary shares with a nominal value of 0.0001 pence each.

On 6th July 2020 (the "PSA Date"), i3 entered a binding purchase and sale agreement with Gain Energy Ltd. ("Gain") to acquire 100% of its producing and non-producing petroleum assets in the Canadian provinces of Alberta and Saskatchewan (the "Gain Portfolio") for CAD$80 million (c.US$59 million), with an effective date of 1st May 2020 (the "Gain Acquisition"). In Q4 of 2019, the Gain Portfolio produced on average 10,645 boepd (47% liquids) to which Gain's independent reserve evaluator had attributed PDP reserves of 26.4 MMboe with a before-tax NPV10 of ~US$177 million, and 2P reserves of 69.4 MMboe with a before-tax NPV10 of ~US$397 million. In 2019, the Gain Portfolio produced ~US$34 million in field NOI from 242 Gain-operated wells at an average working interest of 78% and 1,633 non-operated wells at an average working interest of 11%, and includes 174k net developed acres and 186k net undeveloped acres of land.

The total consideration for the acquisition was as follows:

Particulars	£	Remarks
Deposit Paid	249,794	Paid on 17 July 2020
Deposit Paid	125,750	Paid on 3 August 2020
Deposit Paid	126,357	Paid on 5 August 2020
Final Payment paid	18,726,737	Paid on 3 September 2020
Total	**19,228,638**	

11 Events after the reporting period - continued

The directors are currently assessing the fair value of the assets acquired on completion of the Gain Asset transaction.

On 7th August 2020, i3 announced its conditional sale of Gain's Saskatchewan assets and a proposed £30 million fundraise. The Company agreed to sell, immediately following completion of the Gain Acquisition, those petroleum and infrastructure assets currently held by Gain which are located in Saskatchewan, to Harvard Resources Inc. for CAD$45 million (c.US$33 million) (the "Harvard Sale"), conditional only on completion of the Gain Acquisition.

The net consideration payable by i3 to acquire the Gain Assets, which are the petroleum and infrastructure assets of Gain to be retained by i3 following completion of the Gain Acquisition and the Harvard Sale, is CAD$35 million (c.US$26 million), subject to normal completion adjustments.

On 11th August 2020, the Company announced the conditional Placing and Subscription of 568,496,326 new Ordinary Shares at 5 pence per Ordinary Share (the "Issue Price"). The Company also conditionally placed 12,650,929 new Ordinary Shares at the Issue Price with UK retail clients of PrimaryBid. The total firm fundraising was for approximately £29 million and the Company received a further Subscription commitment of approximately £1 million, subject to regulatory approval. Also, on 11th August, i3 announced the publication of its Admission Document and Re-admission to trading on AIM.

On 27th August 2020, the Company held a General Meeting at which all resolutions were passed to approve i3's acquisition of the Gain Assets and to issue the abovementioned Placing, Subscription (of those shares not requiring regulatory approval) and PrimaryBid shares, followed by an announcement on 28th August that these shares had been admitted to trading on AIM.

On 28th August 2020, following the completion of the re-admission as set out in the announcement of 11th August 2020, the Company's enlarged share capital was admitted to trading on AIM. Following Admission, the Company had in issue 688,866,655 ordinary shares of £0.0001 each.

On 1st September 2020, the Company announced that certain of its Noteholders exercised warrants over 6,788,945 shares in the Company. An application was made for these shares to be admitted to trading on AIM on 7 September 2020. Following this exercise of warrants the Company now has in issue 695,655,600 ordinary shares of £0.0001 each.

On 4th September 2020, the Company announced that, following the completion of the re-admission as set out in the announcement of 11th August 2020, the Company has now completed the acquisition of all the petroleum and infrastructure assets of Gain Energy Ltd. for CAD$80 million (c.US$58.8 million). The Company has also completed the sale of such petroleum and infrastructure assets held by Gain Energy Ltd which are located in Saskatchewan, to Harvard Resources Inc. for CAD$45 million (cUS$33 million).

Further details of the Gain Acquisition, the Harvard Sale, the Company's August 2020 equity fundraise, and other matters are disclosed in i3's Admission Document dated 11th August 2020, available on the Company's website (*http://i3.energy*).

11 Events after the reporting period - continued

COVID-19

The assessment of the COVID-19 situation will need continued attention and will evolve over time. In our view, COVID19 is considered to be a non-adjusting post statement of financial position event and no adjustment is made in the financial statements as a result. The rapid development and fluidity of the COVID-19 virus make it difficult to predict the ultimate impact at this stage. Management will continue to assess the impact of COVID-19 on the Group and Company and will put plans in place to mitigate any impact as far as possible, however, it is not possible to quantify the impact, if any, at this stage.

12 Operating income statement and cash flow of the Gain Assets

In accordance with the AIM Rules for Companies relating to the acquisition by the Company of the Gain Assets the operating income statement and cash flows of the Gain Assets for the six months to 30 June 2020 are presented below:

Gain Energy Interim Operating Statement of Income Before Taxation

	Six Months Ended 30 June 2020 (unaudited) £
Revenue	
Production Revenue	16,495,004
Net Royalties	(509,129)
Net Revenues	**15,985,875**
Operating Expense	(13,023,021)
Depletion	(5,293,216)
Total expenses	(18,316,237)
Net Income Before Taxation	(2,330,362)

Gain Energy Interim Operating Statement of Cash Flow from Operations before Changes in Working Capital and Taxation

	Six Months Ended 30 June 2020 (unaudited) £
Net Income Before Taxation	(2,330,362)
Depletion	5,293,216
Cash flow from operations before changes in working capital and taxation	2,962,854

CORPORATE INFORMATION

Registered number	**10699593**
Directors	**David John Wissler Knox** – Non-Executive Chairperson (Retired from i3's Board 07 February 2020) **Majid Shafiq** – Chief Executive Officer **Graham Andrew Heath** – Chief Financial Officer **Neill Ashley Carson** – Non-Executive Director **Richard Millington Ames** – Non-Executive Director **Linda Beal** – Non-Executive Director (Joined i3 Board 13 September 2019, Appointed Interim Non-Executive Chairperson 07 February 2020)
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 and Broker	**WH Ireland Limited** 24 Martin Lane London EC4R 0DR
Brokers	**Mirabaud Securities Limited** 10 Bressenden PL Westminster London SW1E 5DH **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**
Company Website	www.i3.energy
Company Telephone Number	+44 (0) 1224 945 980