Registration number: 10699593

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Contents

HIGHLIGHTS AND OUTLOOK

- Completed equity placings, raising gross proceeds of approximately £24.4 million prior to expenses
- Redeemed 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 the Company's UK North Sea licences
- 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 multi-well, 94-day drilling programme commencing in Summer 2019
- Executed a crude oil offtake and marketing agreement with BP Oil International Limited to market future UK crude production
- Awarded Baker Hughes, a GE Company ("BHGE"), contracts for the Company's 2019 summer drilling programme on its Liberator and Serenity assets
- Completed drilling of the Liberator 13/23c-9 pilot well; 13/23c-9 was plugged and abandoned as planned following completion of the vertical seismic profile ("VSP") survey and shear wave sonic logging
- Linda Beal appointed as a non-executive director of the Company
- Completed drilling of the 13/23c-10 exploration well, discovering the Serenity oil field
- Completed drilling of the Liberator 13/23c-11 well; the 13/23c-11 well was plugged and abandoned as planned
- Extended the Funding Long-stop Date of the Company's Loan Note facility from 30 November 2019 to 30 April 2020, by which time i3 was required to enter a reserve-based lending ("RBL") facility or to source alternative development financing for the Liberator Phase I development. Subsequent to the year-end the Company announced that the Funding Long-stop Date had been waived and a new Corporate Development Long-stop Date had been set for 30 September 2020 prior to which the Company has to achieve certain conditions as detailed below in Post Period and Outlook 23 June 2020.

Post Period and Outlook

On 2nd January 2020, the Company announced a corporate and funding update.

Well and fluid data from the Serenity 13/23c-10 discovery well encountered sweet, 31.5° API crude in 11 feet of upper Captain oil-bearing sands confirming the strong commercial potential of the Serenity area. Though Liberator wells 13/23c-9 and 13/23c-11 did not meet the Company's expectations, post-drill mapping of the entire Liberator structure still shows significant in place resources in the Liberator West and Minos High areas. With the highly successful Serenity discovery and remaining potential at Liberator, the Company is planning a multi-well appraisal programme and conducting a farm down process of its licences to potentially fund that drilling campaign.

The Company issued 2,816,739 warrants to subscribe for Ordinary Shares at an exercise price of 56.85 pence per Ordinary Share to GE Oil & Gas UK Limited ("GE UK"), in addition to the 2,204,574 issued to GE UK in October 2019. These warrants relate to deferred payments for Oilfield Service ("OFS") contracts entered into between the Company and Baker Hughes. To 30 November 2019, Baker Hughes had performed and invoiced the Company for £3,000,000 worth of oilfield services. GE UK can exercise the warrants via cash settlement or in exchange for payments due to Baker Hughes under OFS contracts with the Company.

On 7th February 2020, the Company provided a Board update where it announced that Linda Beal would become the interim Chairperson of the company, replacing David Knox. After nearly 3 years as the Chairperson of the Board, David stepped down to pursue another role in the renewable energy sector in Australia. The Company also announced plans to list its shares on a secondary exchange, for administrative reasons related to the Company's Loan Notes issued 31st May 2019.

On 19th March 2020, the Company entered into a drilling contract with Dolphin Drilling Limited ("Dolphin") to utilise either the Borgland Dolphin or Blackford Dolphin semi-submersible drilling rig for a minimum 82-day programme which was due to commence not later than 1st September 2020 or as otherwise agreed between the parties. The contract was conditional on the Company confirming availability of funds to satisfy its obligations under the contract, 90 days prior to drilling commencement. The Company also agreed that Dolphin could earn up to a 10% economic interest in Block 13/23c via a Net Revenue Sharing Agreement in exchange for Dolphin forgoing its drilling contract profit margin above its opex, up to a maximum amount of US$14.4 million (the "Dolphin Commitment"). Accordingly, the Dolphin Commitment would cover approximately 22% of the total expected gross drilling costs. Under the terms of the drilling contract, i3 was to notify Dolphin not later than 90 days prior to 1st September 2020 that it had sufficient financial capacity to fund the minimum 82-day drilling programme. i3 was not in a position to do so on 1st June 2020. The parties remain in discussion on the potential timing of future drilling at the Company's UK licences.

On 30th March 2020, the Company announced that it had entered into an Option agreement to acquire all the issued and outstanding common shares of Toscana Energy Income Corporation ("Toscana" or "TEIC"), a TSX listed oil and gas corporation with assets in the Western Canadian Sedimentary Basin ("WCSB") in Alberta and Saskatchewan, Canada (the "Option"). Upon the Company's exercise of the Option, Toscana shareholders will be offered up to 4,399,224 i3 shares for TEIC's entire share capital, representing dilution of approximately 4% to the Company's current shareholders and having a market value at March 27th of approximately C$0.55 million. The Company also announced that on March 27th it had purchased the rights and interests in Toscana's senior and junior debt facilities (which were in default). The Company acquired Toscana's C$24.8 million senior facility for C$3.0 million and its C$3.2 million junior facility for C$0.4 million, with cash consideration for each being paid 50% up front and 50% at year-end. The total aggregate consideration being paid by the Company for TEIC's debt and equity totals approximately C$3.95 million. Upon completion of the transaction with Toscana, the Company intends that its enlarged share capital would also be listed on the TSX, satisfying the Company's obligation under its existing Loan Notes to seek a secondary listing for its shares.

On 1st May 2020, the Company announced an update relating to the Development Funding Long-stop date of its Loan Note facility. On 8th November 2019, the majority noteholders had agreed to extend the date by which the Company was required to enter into a reserve-based lending facility or find an alternative means of funding to achieve first oil from the Liberator field, to 30th April 2020. i3 was not in a position to enter into such a facility by 30th April, but the Company remained in discussion with all noteholders to waive this condition.

On 23rd June 2020, the Company announced that the obligation to enter into a development facility for Liberator by a certain date (30th April 2020 – the Development Funding Long-stop Date) had been waived. A new Corporate Development Long-stop Date has been set for 30th September 2020 prior to which the Company has to achieve one of the following Corporate Development Long-stop Conditions:

- Secure firm irrevocable commitments for a minimum of £15 million 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 at 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.

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

As part of the above Loan Note restructuring, all warrants associated with the Loan Notes had their strike prices reset to the nominal value of i3 shares (£0.0001/share). The Loan Note Instrument amendments include the requirement that the currently outstanding i3 management options be cancelled and replacement options 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.

On 23rd June 2020, the Company announced that it had exercised the above-mentioned Option to acquire all of the issued and outstanding common shares of Toscana Energy Income Trust, a TSX-listed oil and gas company. Upon completion, i3 will also be listed on the Toronto Stock Exchange, thereby satisfying a requirement under the Company’s Loan Notes to obtain a listing on an HMRC-recognized exchange, which AIM is not. Under the Loan Notes, i3 was to apply for this additional listing not later than 28th February 2020 and have admitted to that secondary exchange not later than 30 April 2020.

Also on 23rd June 2020, the Company announced that it had entered into a non-binding letter of intent to acquire a package of producing Canadian oil and gas assets (the “Proposed Assets”). In 2019, the Proposed Assets produced at over 10,000 boepd and generated over US$34 million in field netback from multiple, low-decline, long-life, light oil and gas fields. Upon completion, the proposed transaction would add 2019 year-end reserves of over 25 MMboe PDP and over 65 MMboe 2P to i3’s portfolio. The total consideration to be paid for the Proposed Assets under the letter of intent is just under US$60 million, representing approximately 1.7x 2019 field netback and approximately 2x that forecasted for the next 12 months, ~US$5,500/boepd, and ~US$0.85/boe of 2P reserves. The proposed transaction would be a reverse take-over under the AIM Rules for Companies and, at i3’s request, the Company’s shares were suspended from trading on AIM until i3 either publishes a “Readmission Document” detailing the proposed acquisition or provides confirmation that discussions have ceased.

On 3rd 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 aforementioned Proposed Assets (the “Gain Assets”). In Q4 of 2019, the Gain Assets 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 Assets produced ~US$34 million in field EBITDA (revenues minus royalties, opex and transportation) 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 include 174k net developed acres and 186k net undeveloped acres of land.

Further specifics and updates regarding the Gain transaction and other matters will be released as part of i3's Readmission Document when published.

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

1. The completion of the Gain Transaction and i3's Readmission to AIM
2. The completion of the TEIC transaction and the integration of the Company's UK and Canadian businesses
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 STATEMENT

2019 was an intensely active year for i3 on all fronts, with the period separated into three key phases – funding, operational preparation, and drilling. Entering the year, the team was excited with the prospect of proving up its subsurface analysis of the Company's UK North Sea blocks 13/23c and 13/23d, seeing the potential to target an estimated 500 million barrels of oil within the Liberator and Serenity structures on its licences.

2019's mixed drilling results hold unrecognized value

In order to properly evaluate our UK assets and to ensure funding could be secured for future development works, the Company spent the year making preparations for and conducting a multi-well appraisal drilling campaign. In January, i3 executed an LOI with Dolphin Drilling to conduct an expected US$41 million drilling programme starting in Q3. Having a 2018 year-end market capitalisation of circa £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 advanced all funding options simultaneously, while recognizing that a "first past the post" approach would be necessary if our operational commitments and associated contractual agreements were to be satisfied.

During early Q1 it became evident that our intended summer drilling program 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. To secure the Dolphin Drilling contract and to ensure all drilling operations were completed in 2019, i3 concluded a funding exercise between January and July which raised from equity, debt and supply chain investors an aggregate amount of £43 million – a number far in excess of our market capitalisation coming into 2019 and a very significant achievement for a small cap oil and gas company with no production. Sizeable anchor investments from the likes of Bybrook Capital, Lombard Odier and Miton, additional commitments from James Caird Asset Management, and material contributions from respected industry players such as BP Oil International and Baker Hughes GE enabled i3 to commit to a three-well drilling programme.

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 on May 31st we confirmed our contract with Dolphin Drilling for the Borgland Dolphin semi-submersible rig to conduct a minimum 94-day programme to start mid-summer, with two wells planned at Liberator and one at Serenity. Following the seamless re-activation of the Borgland Dolphin rig between April and August, with much anticipation i3 began its drilling operations. A summary of that campaign follows.

On October 4th we announced that the Serenity 13/23c-10 well had been spud. The purpose of this well was to confirm that the Serenity structure was hydrocarbon bearing. On October 29th, i3 announced a successful oil discovery had been made at the Serenity structure and that key geologic horizons were encountered within the prognosed tolerances. The well was drilled down-dip from the Repsol Sinopec operated Tain discovery and encountered a sequence of oil-bearing sands. Importantly, the oil-water contact was estimated to be at 5270ft based on pressure measurements, the same level as seen in the Blake and Liberator fields. The net oil interval encountered in the 13/23c-10 well was thicker (c.10ft TVD) than in the up-dip Tain discovery and was consistent with our expectation that the Captain sands thicken to the west in Serenity. Reservoir quality is expected to be equivalent to that seen in the Tain wells, one of which (13/23b-5Z) tested at an estimated 2750 bopd from a circa 5ft interval in the Captain sand. The results of the Serenity 13/23c-10 well were closely in line with the Company's expectations and confirmed the strong commercial potential of the Serenity area, of which i3 owns 100%.

Countering the Company's Serenity success were the two wells drilled in the potential Liberator Phase I development area, the 13/23c-9 and 13/23c-11 wells, which delivered unexpected results. Frustratingly for our shareholders and our team, on September 10th i3 announced that preliminary petrophysical information obtained from the Measurement While Drilling ("MWD") tools in the 13/23c-9 well indicated that the targeted upper Captain sand was not penetrated and that these were pinched out at that location. While the Company sent the Borgland rig northward to drill Serenity, i3 acquired the only other seismic dataset available in an attempt to remap the field and reconcile the subsurface interpretation with the 13/23c-9 well results. Following completion of this work, i3 selected a re-positioned location to the north of Liberator's 2013 13/23d-8 discovery well, and on November 8th the Company announced that it had spud well 13/23c-11. Disappointingly, on November 25th we announced that the sand thickness with oil indications in the 13/23c-11 well was circa 20ft, which is thinner than the level i3 would target for a development well location. The disappointing results from these two wells, which were deemed to be relatively low-risk, exemplify an inherent risk in the oil and gas business – the drill bit remains the only way to definitively resolve geological uncertainty.

The Liberator results were discouraging and led to the Company's inability to secure the necessary funding for a small Liberator Phase I development. With the timing of obtaining first production and near-term cash flow from the Company's UK assets becoming uncertain, i3 experienced substantial downward pressure on its share price. However, the Company remains confident in the resource potential of the Serenity prospect and holds that the Liberator West and Minos High areas offer tremendous potential. Though the outcome of our 2019 campaign was mixed, we believe that with further appraisal drilling the value of these fields will eventually be recognized.

Shortening the path to shareholder value

For the reasons stated above, we believe it is necessary to diversify our asset portfolio in order to spread and mitigate risk. 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 also believes 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. 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 in late 2019 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, low-decline production assets, with solid growth potential that may be acquirable at attractive metrics.

In March 2020, i3 announced that it had acquired 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 C$28 million senior and junior debt facilities for a total of C$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, the result of which will see i3's enlarged share capital also being listed on the TSX, post-completion.

Toscana's strong management and operations teams, and production and asset base, provides a platform 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 Canada. On 23rd June 2020, with further detail on 6th July 2020, 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 constitutes a reverse take-over, and at the Company's request its shares were suspended from trading on AIM.

Upon the Company's production of a Readmission Document and upon the completion of an ongoing fundraising effort to finance the Gain Transaction, the acquired assets are expected to deliver immediate shareholder value.

Production + Growth Potential = Dividend + Upside

The Company expects to become a dividend payer as i3's Canadian business expands. 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. At such time as markets 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 has the capacity to more than double current production levels into a strengthening commodity price environment. 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.

Financial review

During the year ended 31 December 2019, the Group incurred a net loss of £10,851,177 (31 December 2018 – net loss of £1,959,802). The majority of the loss resulted from the Group's expenses relating to day-to-day operations, finance costs, interest expenses and stock option scheme expense.

A total of £24.4 million of equity (before expenses) was issued during the year ended 31 December 2019 through the placing of 66,701,962 ordinary shares at an average price of 35 pence per share.

In addition, the Company closed a £22 million H1-2019 Loan Note facility. Proceeds from the equity issuances and the Loan Notes were used for Liberator and Serenity drilling and working capital requirements.

Moving forward we will continue to manage our existing cash resources, which stood at £19,069,541 at the end of December 2019.

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 there will be distressed M&A opportunities that will arise as a result of this situation and are positioning themselves to take advantage of these as they arise.

We maintain our strong belief that there is substantial value to be created in the UK North Sea through the development of small and mid-sized fields which lie proximal to aging but well-maintained infrastructure. Potential satellite developments from fields such as Serenity and Liberator closely adhere to guidance provided by the OGA in regards to maximising economic recovery from the UK's resources, and i3 continues to work diligently on creating value there.

We are additionally very excited for our entry into Western Canada and believe it holds tremendous potential to deliver substantial near-term 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 months.

We extend deep gratitude for the commitment and effort of the Company's management team and staff. The highs and lows of 2019 only increased their resolve to ensure we are building a company for the benefit of its owners. Collectively holding a meaningful portion of the Company, the management and board remain closely aligned to the interests of all i3 stakeholders.

As always, we also thank our noteholders, institutional investors, and shareholders. We will be very intentional in the coming years about structuring a Company and organization that returns value to you as it is created.

"Linda Beal"	*"Majid Shafiq"*
Linda Beal Interim Non-Executive Chairperson 6 August 2020	Majid Shafiq Chief Executive Officer 6 August 2020

STRATEGIC REPORT

Business Review and Strategy

As a junior oil & gas company operating in difficult market conditions, the management team was proud of accomplishing everything that was required to fund and drill 3 wells on a 100% basis during the course of 2019. However, the mixed drilling results and the Company's resulting share price reveals that its single-asset exposure is too high, and that movement towards a full-cycle portfolio is required in order to bring stability to i3's future. With that, the Company's 100% owned position in the Serenity discovery will be used as currency to fund further appraisal of our assets in the North Sea. i3 has been running a farmout process since early 2020 and, though there has been major pressure on the sector this year, we remain confident that seeking a farminee is the right approach for the UK portfolio.

The Company has for some time been analysing other basins for potential production acquisitions, as we see legacy North Sea production as better suited to larger entities willing to accept sizeable decommissioning exposure – something we have always intended on avoiding. As announced in March, the Company has selected the Western Canadian Sedimentary Basin as the first region where it intends to build a material production base.

Why the Western Canadian Sedimentary Basin?

Systemic issues driving near-term opportunity

The Western Canadian Sedimentary Basin has been affected by a dearth of M&A and A&D transactions resulting from overleverage and/or a lack of support in Canadian equity and debt capital markets, compounded by the effects of only having single-market access (other than domestic use, the United States has been the only buyer of Canadian oil and gas), and a US shale oil industry that has driven over-supply resulting in substantial pricing differentials between Canadian and US benchmark crude prices. These have all put downward pressure on what are many small, typically overleveraged, upstream producers, enabling the opportunity to secure assets on very attractive acquisition metrics.

At a time when these difficulties for some WCSB producers is at an apex, a number of previously stalled, large-scale pipeline and infrastructure projects (Trans Mountain pipeline expansion, TC Energy's Keystone XL, Enbridge Line 3 Expansion, Shell's $40B LNG Canada project on the west coast) are progressing. Upon completion, these projects will multiply the export capacity from the WCSB and should have the effect of normalizing Canadian commodity prices to better align with world markets. i3 expects this to resolve one of the main issues that has instigated the financial hardship of many Canadian producers.

It is this backdrop of slumping deal activity and sector-wide depression in the Canadian upstream sector, converging with long-awaited systemic improvements to egress optionality, that i3 believes will result in a rebound in Canadian asset values. The Company sees this as a time-limited opportunity to acquire undervalued asset portfolios.

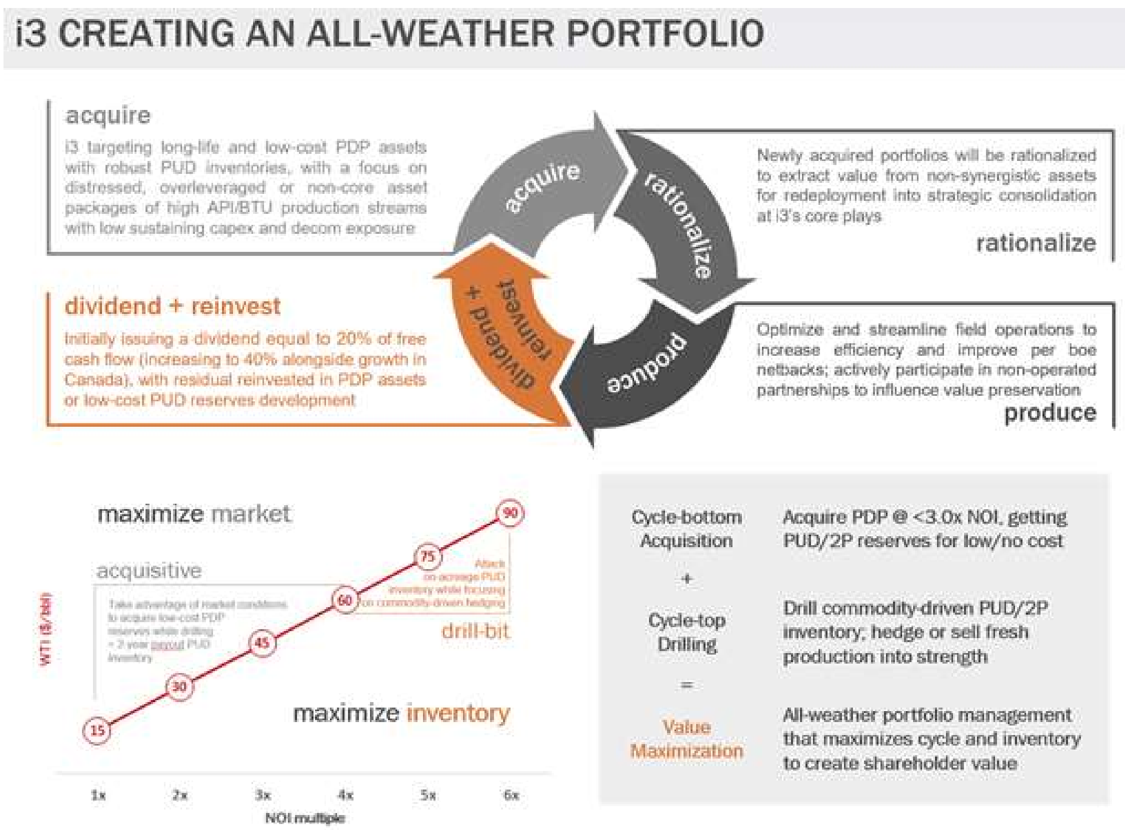
i3 acquiring on historically excellent metrics

COVID-19 and a stand-off between large-scale producers, Russia and Saudi Arabia, drove unprecedented and not previously seen oil price volatility between March and May (with WTI going negative). This provided the Company with an excellent opportunity to capture assets at very attractive metrics in the context of historical transactions.

Though world oil markets are highly volatile at present, the Canadian transactions are expected to provide substantial revenue from a long-life portfolio of assets, with undeveloped upside that offer drillable potential at such time as commodity prices strengthen.

i3's WCSB strategy: acquire developed producing portfolios below 3x CF with PUD/2P upside at no/low-cost

The Company is seeking out assets or portfolios that have developed producing reserves that can be acquired for less than 3x next 12 months (NTM) field netback, but that also contain material PUD and 2P inventory that may be drilled at a later date under stronger commodity pricing. i3 will remain acquisitive as long as finding, development, and acquisition (FD&A) costs remain below finding and development (F&D) costs. Once FD&A overtake F&D costs, the Company will focus on drilling its highest return PUD and 2P inventory, and thereafter materially hedge this fresh production to secure future cash flow or, alternatively, consider selling either outright or partially this new production to capture value. The latter will give the Company the opportunity to potentially return additional value to shareholders over and above its planned dividend policy. This strategy is expanded upon in the graphic below.



To reiterate, the Company believes there is a time-limited opportunity, driven by the systemic and market-based issues outlined above, within which to build a material Canadian production business through M&A that secures a portfolio of future growth opportunities at minimal or zero cost, which can be exploited once oil and gas prices stabilize under the new normal that will result from current world events.

Key Operating and Financial Risks

The Company operates in the oil and gas industry in an environment subject to a range of inherent risks and uncertainties. The current focus of the Company's risk management processes is in the regulatory, financial and growth areas for the Company but as the Company adds producing assets, this will shift towards a greater focus on the full range of operational risks.

The current key risks and associated mitigation are set out below.

Key Risk	Mitigation
Sub-surface assessment and production, reserve, and resource estimation	• Experienced sub-surface professionals with deep knowledge of different play types and contractors. • External assessments and development of Competent Persons Reports.
Development of assets through to production	• Experienced drilling personnel and contractors. • Discussions with potential partners.
Cost overruns	• Tight control of costs. • Regular monitoring of costs against budget.
Ability to raise funds for exploration and development and corporate activity	• Being publicly listed provides access to equity capital markets and potential loan arrangements provide avenues for future funding requirements. • Discussions with industry partners ongoing.
Access to third party infrastructure at appropriate cost	• Experienced technical and commercial professionals. • Working with regulators to ensure consistent application of industry practice and standards.
Ability to meet the Corporate Development Long-stop Conditions	• Negotiated agreements. • Continued focus on Canadian producing asset opportunities.
Commodity price volatility	• Planning based on a range of commodity prices. • Future price mitigation strategies at the point of investment including the possibility of hedging if appropriate.
Health, Safety, Environment and Security	• Integrated Management System (IMS) set up to ensure all regulatory and environmental and safety requirements are met, appropriate training is in place and compliance verified. • IT security is ensured through an external service provider.
Availability and delivery of growth opportunities	• Engagement with a range of advisors and active competitor monitoring provide a range of opportunities for screening. • Experienced professionals spanning key disciplines screen and fully assess opportunities.
Political risk including adverse taxation and legislative changes	• Liaison with Government bodies and stakeholders re upcoming proposals. • Membership of and support to industry bodies, participation in lobbying.
Staff retention and access to future skills	• Strong alignment to Company success through significant equity ownership and options held by key employees. • Remuneration Committee set up to provide governance and ensure market competitiveness.
Covid-19 Pandemic	• UK government and the World Health Organization have procedures designed to limit staff exposure and isolate those suspected of contracting the virus. i3 is implementing those procedures alongside enhanced hygiene and sanitation protocols for UK staff. • All UK staff are able to work from home when required

Key Risk	Mitigation
	following UK Government guidelines.
Claims	• The Company insures the risks appropriate for the Company's needs and circumstances. In particular, events like the drilling of the Liberator and Serenity appraisal/exploration wells carry inherent financial and operations risks and these are insured, where possible, under specific policies with insurers.
Regulatory and compliance risks	• The Group manages its regulatory and compliance risks through the employment of sufficient competent personnel and through retaining suitably proficient advisors.
Brexit	• The Company does not see Brexit having a significant impact on its business. The global oil market is not forecast to be significantly directly impacted by an exit of the UK from the EU and there is significant demand for oil domestically. Access to overseas personnel and equipment may be affected to a greater or lesser extent, depending on the precise Brexit outcome.

The risks set out above are not exhaustive and it is likely that the risks identified will evolve and that additional risks will arise in the future. Any of these risks could have a material adverse effect on the business.

Cash Resources

As at 31 December 2019, the Group had £19,069,541 of cash in the bank. Management continues to remain lean and cost efficient while the oil & gas sector continues to struggle with the impacts of COVID-19, making access to capital more difficult for smaller, non-producing companies such as i3. As at 24 July 2020, the Group had approximately £895,856 of cash in the bank.

Consolidated Statement of Comprehensive Income

During 2019, to facilitate its development of its Liberator and Serenity assets, the Company incurred a loss of £10,851,177 comprised of day-to-day operating expenses, finance costs, interest expense and stock option scheme expense.

Financing

During 2019, the Company raised approximately £46.4 million (before expenses) through equity placings of 66,701,962 ordinary shares at an average price of 35 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 were used for asset appraisal, development and working capital requirements.

Key Performance Indicators ("KPI's")

During the second half of the year the Company drilled three wells on a 100% basis, safely, with no environmental, health or safety issues and all within budget. Each well was drilled within its allotted timeline, though the findings resulted in delays between wells while analysis was conducted and well plans and permits were updated. These delays also extended the campaign into late November which resulted in an amount of additional down-time due to waiting on weather. Though the drilling campaign brought mixed results, the Company has delivered a solid result from Serenity which the Company intends to farm-down in order to conduct future appraisal which, on success, would increase shareholder value by a multiple of the current level.

The Directors do not consider other standard industry key performance indicators to be relevant as yet. The Group currently has no oil and gas production and therefore has no income. The Group will report profits once it acquires production assets or develops its currently non-producing fields. Successful execution of the Company's Canadian production acquisition strategy described above is expected to deliver near-term shareholder returns by way of a robust dividend policy, with substantial portfolio upside being deliverable within a strengthening commodity environment.

Section 172 Statement

Section 172 (1) of the Companies Act obliges the Directors to promote the success of the Company for the benefit of the Company's members as a whole. This section specifies that the Directors must act in good faith when promoting the success of the Company and in doing so have regard (amongst other things) to:

a. the likely consequences of any decision in the long term,
b. the interests of the Company's employees,
c. the need to foster the Company's business relationship with suppliers, customers and others,
d. the impact of the Company's operations on the community and environment,
e. the desirability of the Company maintaining a reputation for high standards of business conduct, and
f. the need to act fairly as between members of the Company.

The Board of Directors is collectively responsible for formulating the Company's strategy, which is to i) acquire undervalued developed producing fields, and ii) ultimately deliver hydrocarbon projects into production by graduating assets through the industry life cycle of exploration, appraisal, development, production and optimization.

Some key decisions were taken by the Board since the beginning of 2019 which were aimed to deliver on this strategy. These included:

- Raising £40 million of equity and debt in order to conduct its planned 2019 drilling programme;
- Investing significant resources into its UK licences which resulted in the Serenity oil discovery for which the Company is now seeking farminees;
- Securing a Canadian production company whose portfolio could be expanded through a targeted M&A growth strategy; and
- Acquisition of a sizeable developed producing portfolio in Canada which the Company expects, on completion, will fund a regular dividend and provide capital for additional organic or inorganic expansion.

The Board places equal importance on all shareholders and strives for transparent and effective external communications, within the regulatory confines of an AIM-listed company. The primary communication tool for regulatory matters and matters of material substance is through the Regulatory News Service, ("RNS"). The Company's website is also updated regularly and provides further details on the business as well as links to helpful content such as our latest investor presentations. We also hold regular investor events which are open to all shareholders and provide an environment where shareholders can interact with the Board and management, ask questions and raise their concerns.

Our employees are one of the primary assets of our business and will be critical to the future success of the Company. First and foremost, the Directors strive to ensure a safe working environment for all its staff and contractors, and we are proud of our safety achievements in

2019. We also seek to reward employees with remuneration packages which align the interests of the Company and its shareholders with those of employees. We believe we have achieved this through the award of share options. Employees are also provided with challenging work and external training opportunities to ensure their continual development.

The Directors believe they have acted in the way they consider most likely to promote the success of the Company for the benefit of its members as a whole, as required by Section 172 (1) of the Companies Act 2006.

Linda Beal
Interim Non-Executive Chairperson
6 August 2020

BOARD OF DIRECTORS

The Directors of the company who were in office during the year and up to the date of signing the financial statements were:

David Knox
Chairperson of the Board (Resigned 7 February 2020)

Mr. Knox held the position of Non-Executive Chairperson of the board until 7th February 2020 at which time he resigned to focus on his role as Chair of Snowy Hydro Limited, Australia's largest renewable energy provider and an iconic Australian company.

Mr. Knox, BSc (Hons) Mech Eng, MBA, FIEAust, FTSE, GAICD, served as the Chief Executive Officer and Managing Director of Santos Limited from 2008 to 2015, after joining the company in 2007 as the Executive Vice President of Growth Businesses. Mr. Knox has global experience in the Petroleum Industry. Prior to Santos, Mr. Knox served as the Managing Director of BP Exploration and Production in Australasia, having previously held management and engineering roles at BP, ARCO and Shell across United Kingdom, Pakistan, United States, the Netherlands and Norway. He served as Director of Santos, the Santos Group Companies. and Santos Finance until December 2015. He was also Chair of the Australian Petroleum Production and Exploration Association (APPEA) 2011 to 2013. Mr. Knox was MD and CEO of Australian Naval Infrastructure (ANI). Originally from Edinburgh, Scotland. Mr. Knox holds a first-class honours degree in Mechanical Engineering from Edinburgh University and a Masters of Business Administration from the University of Strathclyde. Mr. Knox has also been a director on the board of the Botanic Gardens and State Herbarium in South Australia, a member of the Commonwealth Science Council and deputy chair of the Economic Development Board of South Australia. He is a Fellow of the Australian Institute of Mechanical Engineering and also a Fellow of the Australian Academy of Sciences ATSE and a graduate of the Institute of Company Directors. He is currently a director of the Commonwealth Science and Industry Research Organisation (CSIRO), the Adelaide Festival and chair of The Australasian Centre for Social Innovation (TACSI). Mr. Knox has also been a director of Redflow Limited since March 2017, and a council member of Royal Institution Australia (RIAUS).

Linda Beal
Non-Executive Chairperson (Appointed Interim Chairperson of the Board on 7 February 2020)

Ms. Beal has over 30 years' experience advising international E&P clients and since 2016 has been a board member of various companies. As a director of other small cap natural resources businesses, she brings corporate governance and financial expertise and experience as Audit & Risk Committee Chair. Ms. Beal joined Grant Thornton in 2013 as a Tax Partner and was Global Leader for Energy and Natural Resources, mandated to build its global energy and natural resources capability. Previously, she spent 30 years at PwC and its legacy firm Price Waterhouse in Audit and Tax, 16 of them as a Partner. Launching PwC's Natural Resources Independents business in the mid-2000s, she focused on advising international E&P clients across the AIM, FTSE350, overseas listed and private sectors.

Ms. Beal graduated in 1982 from the University of Nottingham with a BSc (Hons) in Mathematics, thereafter, qualifying at Price Waterhouse as a Chartered Accountant in 1985.

Majid Shafiq
Chief Executive Officer

Mr. Shafiq has over thirty years of technical and investment banking experience focused on the global E&P sector. Prior to founding Argentil Capital Partners (UK) Limited as CEO in 2015, Majid spent circa fifteen years in energy investment banking advising on asset level acquisitions and divestments, corporate M&A and equity financing for the private and public, small to mid-cap oil and gas sector. During that time he worked for Waterous and Co, Tristone Capital Ltd and FirstEnergy Capital LLP as Managing Director, Corporate Finance. Prior to his investment banking career, he worked for Mobil Oil Corporation for 13 years in various petroleum engineering and commercial roles in the UK and the Netherlands. Mr. Shafiq holds a Bachelors degree in Nuclear Engineering from Manchester University, a Masters degree in Petroleum Engineering from Heriot-Watt University and an MBA from London Business School.

Mr. Shafiq served as a Non-executive Director of the Company until 8 October 2018 at which time he succeeded Mr. Carson as Chief Executive Officer of the Company.

Graham Heath
Chief Financial Officer

Prior to co-founding i3 in late 2014, Mr. Heath, BComm, served as VP Corporate Development and later as Interim CFO at Iona Energy from December 2010 alongside Mr. Carson. During his time at Iona, Mr. Heath worked with the senior management team to build the company from infancy to 40MMboe of 2P reserves and production above 6,000 boe/day, listing the company on the Toronto Venture Exchange, and structuring equity, debt, and derivative financings in excess of US$670 million. As VP Corporate Development he was a proactive engager of all external stakeholders and as Interim CFO led a finance and administration team that expanded internal financial controls while improving quarter-on-quarter quality and delivery of financial reporting. Before joining Iona, Mr. Heath's 15-year career focused on energy-related tech startups and consulting within Alberta's Oil and Gas Industry. Between 1998 and 2010, Mr Heath consulted to Colt Engineering, PanCanadian Petroleum, EnCana Corporation and Cenovus Energy. From 2002 to 2006, Mr. Heath was Cofounder and VP of Strategic Development for The CO2 Hub – a marketplace created to facilitate the sale and purchase of carbon dioxide and its related purification, compression, storage, and transportation services – designed to foster the aggregation of CO2 supply and demand for its use in enhanced oil recovery. Mr Heath holds a Bachelor of Commerce from the University of Calgary.

Neill Carson
Non-Executive Director

Mr. Carson, Bsc (Hons) Combined Geology & Physics, MSC Geophysics, has 33 years of management and international project experience in the oil & gas industry. On completion of his Bachelors (with First Class Honours) and Master degrees in the geosciences from Ulster University and Birmingham University respectively, he joined Amoco in 1981. During his 14 years with Amoco he was responsible for numerous exploration and production projects within the UKCS. Mr. Carson's international career widened through exploration management positions for BP Amoco in the Netherlands, Bolivia, and Pakistan. As Performance Unit Leader for BP Pakistan, Mr. Carson was responsible for the delivery and growth of approximately 12,000 boe/day and capital budgets in excess of US$50m. Through his career with BP Amoco, Mr. Carson executed growth plans through successful oil and gas discoveries, and the development and management of commercial portfolios. He contributed as a select member of a targeted team to BP's world-wide new venture screening initiative in 2003. In early 2004, Mr Carson co-founded Ithaca Energy Inc. (''Ithaca'') where he served as its President and a director from April 2004 and acted as Chief Operating Officer until late 2007. While at Ithaca, Mr. Carson was responsible for asset acquisitions, all aspects of operations and safety, general corporate strategy, and the drilling of four successful oil wells. Across his 4 years with Ithaca, the portfolio grew to 39MMboe of 2P reserves and was on plan to deliver 8,000 boe/day of production. Mr. Carson founded Iona Energy Inc. (''Iona'') in late 2007 where he served as Chief Executive Officer until his departure in mid 2014 to form i3. Responsible for all aspects of corporate strategy and portfolio development, he grew Iona to 40MMboe of 2P reserves and saw peak production of 6,700 boe/day.

Mr. Carson served as Chief Executive Officer of the Company until 8 October 2018 at which time he was succeeded by Mr. Shafiq. Mr. Carson continues to serve on the Board as a Non-Executive Director.

Richard Ames
Non-Executive Director

Mr Ames BS MS, brings to the Board 36 years of broad range experience in the oil and gas industry with senior executive roles in full-cycle oil and gas exploration and production, information technology and oil and gas services. He has held several Vice President positions in TNK-BP, Sidanco, and Amoco in Russia & Kazakhstan, where he was responsible for government liaison, the implementation of business strategies and the management of exploration and new venture projects. Mr. Ames has recently held Board and Advisory Board of Director positions in Iona, Accenture Russia, the Kiawah Conservancy, and DataSpace. Mr Ames graduated from Duke University with a Bachelor of Science degree in Geology, and from the University of Georgia with a Master of Science in Geology. Mr. Ames joined Amoco in 1981 and worked as a geologist responsible for reserve definition in several international petroleum basins including the North Sea.

DIRECTORS' REPORT

The Directors are please to present this year's annual report together with the audited consolidated financial statements for the year ended 31 December 2019.

Principal Activities

The principal activities of the Group 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.

Business Review and Future Developments

Despite the budgetary constraints and challenging market conditions in i3's sector, the Group continued to progress the appraisal and development of its asset base. The Business Developments during the year are highlighted in the Chairperson and Chief Executive Officer's Statement.

Results and Dividends

The loss on ordinary activities of the Group after taxation amounted to £10,851,177 (2018 - £1,959,802). There were no dividends paid in 2019 (2018 - Nil).

Events after the reporting period

On 2nd January 2020, the Company announced a corporate and funding update.

Well and fluid data from the Serenity 13/23c-10 discovery well encountered sweet, 31.5° API crude in 11 feet of upper Captain oil-bearing sands confirming the strong commercial potential of the Serenity area. Though Liberator wells 13/23c-9 and 13/23c-11 did not meet the Company's expectations, post-drill mapping of the entire Liberator structure still shows significant in place resources in the Liberator West and Minos High areas. With the highly successful Serenity discovery and remaining potential at Liberator, the Company is planning a multi-well appraisal programme and conducting a farm down process of its licences to potentially fund that drilling campaign.

The Company issued 2,816,739 warrants to subscribe for Ordinary Shares at an exercise price of 56.85 pence per Ordinary Share to GE Oil & Gas UK Limited ("GE UK"), in addition to the 2,204,574 issued to GE UK in October 2019. These warrants relate to deferred payments for Oilfield Service ("OFS") contracts entered into between the Company and Baker Hughes. To 30 November 2019, Baker Hughes had performed and invoiced the Company for £3,000,000 worth of oilfield services. GE UK can exercise the warrants via cash settlement or in exchange for payments due to Baker Hughes under OFS contracts with the Company.

On 7th February 2020, the Company provided a Board update where it announced that Linda Beal would become the interim Chairperson of the company, replacing David Knox. After nearly 3 years as the Chairperson of the Board, David stepped down to pursue another role in the renewable energy sector in Australia. The Company also announced plans to list its shares on a secondary exchange, for administrative reasons related to the Company's Loan Notes issued 31st May 2019.

On 19th March 2020, the Company entered into a drilling contract with Dolphin Drilling Limited ("Dolphin") to utilise either the Borgland Dolphin or Blackford Dolphin semi-submersible drilling rig for a minimum 82-day programme which was due to commence not later than 1st September 2020 or as otherwise agreed between the parties. The contract was conditional on the Company confirming availability of funds to satisfy its obligations under the contract, 90 days prior to drilling commencement. The Company also agreed that Dolphin could earn up to a 10% economic interest in Block 13/23c via a Net Revenue Sharing Agreement in exchange for Dolphin forgoing its drilling contract profit margin above its opex, up to a maximum amount of US$14.4 million (the "Dolphin Commitment"). Accordingly, the Dolphin Commitment would cover approximately 22% of the total expected gross drilling costs. Under the terms of the drilling contract, i3 was to notify Dolphin not later than 90 days prior to 1st September 2020 that it had sufficient financial capacity to fund the minimum 82-day drilling programme. i3 was not in a position to do so on 1st June 2020. The parties remain in discussion on the potential timing of future drilling at the Company's UK licences.

On 30th March 2020, the Company announced that it had entered into an Option agreement to acquire all the issued and outstanding common shares of Toscana Energy Income Corporation ("Toscana" or "TEIC"), a TSX listed oil and gas corporation with assets in the Western Canadian Sedimentary Basin ("WCSB") in Alberta and Saskatchewan, Canada (the "Option"). Upon the Company's exercise of the Option, Toscana shareholders will be offered up to 4,399,224 i3 shares for TEIC's entire share capital, representing dilution of approximately 4% to the Company's current shareholders and having a market value at March 27th of approximately C$0.55 million. The Company also announced that on March 27th it had purchased the rights and interests in Toscana's senior and junior debt facilities (which were in default). The Company acquired Toscana's C$24.8 million senior facility for C$3.0 million and its C$3.2 million junior facility for C$0.4 million, with cash consideration for each being paid 50% up front and 50% at year-end. The total aggregate consideration being paid by the Company for TEIC's debt and equity totals approximately C$3.95 million. Upon completion of the transaction with Toscana, the Company intends that its enlarged share capital would also be listed on the TSX, satisfying the Company's obligation under its existing Loan Notes to seek a secondary listing for its shares.

On 1st May 2020, the Company announced an update relating to the Development Funding Long-stop date of its Loan Note facility. On 8th November 2019, the majority noteholders had agreed to extend the date by which the Company was required to enter into a reserve-based lending facility or find an alternative means of funding to achieve first oil from the Liberator field, to 30th April 2020. i3 was not in a position to enter into such a facility by 30th April, but the Company remained in discussion with all noteholders to waive this condition.

On 23rd June 2020, the Company announced that the obligation to enter into a development facility for Liberator by a certain date (30th April 2020 – the Development Funding Long-stop Date) had been waived. A new Corporate Development Long-stop Date has been set for 30th September 2020 prior to which the Company has to achieve one of the following Corporate Development Long-stop Conditions:

- Secure firm irrevocable commitments for a minimum of £15 million 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 at 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.

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

As part of the above Loan Note restructuring, all warrants associated with the Loan Notes had their strike prices reset to the nominal value of i3 shares (£0.0001/share). The Loan Note Instrument amendments include the requirement that the currently outstanding i3 management options be cancelled and replacement options 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.

On 23rd June 2020, the Company announced that it had exercised the above-mentioned Option to acquire all of the issued and outstanding common shares of Toscana Energy Income Trust, a TSX-listed oil and gas company. Upon completion, i3 will also be listed on the Toronto Stock Exchange, thereby satisfying a requirement under the Company's Loan Notes to obtain a listing on an HMRC-recognized exchange, which AIM is not. Under the Loan Notes, i3 was to apply for this additional listing not later than 28th February 2020 and have admitted to that secondary exchange not later than 30 April 2020.

Also on 23rd June 2020, the Company announced that it had entered into a non-binding letter of intent to acquire a package of producing Canadian oil and gas assets (the "Proposed Assets"). In 2019, the Proposed Assets produced at over 10,000 boepd and generated over US$34 million in field netback from multiple, low-decline, long-life, light oil and gas fields. Upon completion, the proposed transaction would add 2019 year-end reserves of over 25 MMboe PDP and over 65 MMboe 2P to i3's portfolio. The total consideration to be paid for the Proposed Assets under the letter of intent is just under US$60 million, representing approximately 1.7x 2019 field netback and approximately 2x that forecasted for the next 12 months, ~US$5,500/boepd, and ~US$0.85/boe of 2P reserves. The proposed transaction would be a reverse take-over under the AIM Rules for Companies and, at i3's request, the Company's shares were suspended from trading on AIM until i3 either publishes a "Readmission Document" detailing the proposed acquisition or provides confirmation that discussions have ceased.

On 3rd 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 aforementioned Proposed Assets (the "Gain Assets"). In Q4 of 2019, the Gain Assets 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 Assets produced ~US$34 million in field EBITDA (revenues minus royalties, opex and transportation) 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 include 174k net developed acres and 186k net undeveloped acres of land.

Further specifics and updates regarding the Gain transaction and other matters will be released as part of i3's Readmission Document when published.

Board of Directors

The Board of Directors at the year-end included two Executive-Directors and four Non-Executive Directors. The Directors are of the opinion that the recommendations of the QCA code have been implemented to an appropriate level. The Board, through the Non-Executive Chairperson and Non-Executive Directors, maintain regular contact with its advisors and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders of the Company.

The Board meets regularly throughout the year, for both Committee and Board meetings. During the year to 31 December 2019 the Board met for a total of ten meetings and passed resolutions in writing on one occasion. The Board is responsible for formatting, reviewing and approving the Group's strategy, financial activities and operating performance. Day-to-day management is devolved to the Chief Executive Officer of the Company, who is charged with consulting with the Board on all significant financial and operational matters. Consequently, decisions are made promptly and following consultation among directors concerned where necessary and appropriate.

All necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively, and all directors have access to independent professional advice, at the Company's expense, as and when required.

Board Meetings:

	Eligible to Attend	**Attended**
David Knox	10	10
Graham Heath	10	10
Majid Shafiq	10	10
Neill Carson	10	10
Richard Ames	10	10
Linda Beal	2	2

In addition to the above meetings there were also three meetings of sub-committees of the Board.

Committees

Audit & Risk Committee

The Audit & Risk Committee comprises of David Knox (Non-Executive Director) (Chair, until 13 September 2019 and committee member until resignation on 7 February 2020), Linda Beal (Non-Executive Director) (Chair, appointed 13 September 2019) and Neill Carson (Non-Executive Director) (Committee member until 13 September 2019) and Richard Ames (Non-Executive Director) (Appointed to committee on 7 February 2020). The committee met for a total of two meetings during the calendar year.

All Directors received a copy of the respective Audit & Risk Committee reports prior to these meetings and had an opportunity to comment. The meeting for the audited financial statements was attended by the auditor. The Chief Financial Officer and a representative of the external auditor are normally invited to attend meetings. Other directors or staff may be invited to attend, as considered beneficial by the committee.

The Audit & Risk Committee's primary responsibilities are internal control and risk management, to review the effectiveness of the Company's systems of internal control, to review with the external auditor the nature and scope of their audit and the results of the audit, to evaluate and select the external auditors.

Corporate Governance Committee

The Corporate Governance Committee comprises of David Knox (Non-Executive Director) (Chair, resigned 7 February 2020), Linda Beal (Non-Executive Director) (Chair, appointed 7 February 2020) and Richard Ames (Non-Executive Director) (Committee member until 7 February 2020) and Neill Carson (Appointed committee member 7 February 2020). The committee met for a total of two meetings during the calendar year.

The committee's primary purpose is to develop and recommend to the Board guidelines, policies and procedures relating to corporate governance, identify individuals qualified to become Board members and recommend to the Board director nominees for election to the Board when it is determined it is suitable and/or necessary to add to the Board, evaluate the performance and effectiveness of the Board and committees of the Board.

Reserves Committee

The Reserves Committee comprises of Neill Carson (Non-Executive Director)(Chair, appointed committee Chair on 7 February 2020, member prior to being appointed Chair) and Richard Ames (Non-Executive Director) (Chair until 7 February 2020 and member thereafter). The committee met for a total of two meetings during the calendar year.

The Reserves Committee assists the Board in monitoring and reviewing the appointment of the independent engineering firm retained by the Company to report on the quantity and the value of the Company's oil and gas reserves. The Reserve Committee reviews the procedures by which the Company provides information to the independent engineering firm to be used as the basis of evaluation and audit, ensuring disclosure complies with applicable laws and regulations, and is also responsible for matters relating to the preparation and public disclosure of estimates of the Company's reserves.

Remuneration Committee

The Remuneration Committee comprise of Richard Ames (Non-Executive Director)(Chair, appointed committee Chair on 7 February 2020, member prior to being appointed Chair) and David Knox (Non-Executive Director)(resigned 7 February 2020) and Linda Beal (Non-Executive Director)(appointed as committee member 7 February 2020). The committee met for a total of four meetings during the calendar year.

The Group's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee agrees with the Board a framework for the remuneration of the Chairperson, the Executive Directors and the senior management group.

Directors

The names of the Directors who served to the date of this report are set out below:

Director	**Date of Appointment**
Executive Directors	
Majid Shafiq	18 July 2017 (Non-Executive to October 2018)
Graham Heath	30 March 2017

Non-Executive Directors

David Knox	18 July 2017
Neill Carson	30 March 2017
Richard Ames	18 July 2017
Linda Beal	13 September 2019

Mr. Knox served as Chair until 7 February 2020 at which time he resigned and Ms. Beal was appointed interim Chair.

Directors' Remuneration

The Group remunerates the Directors at levels commensurate with its size and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes the levels uphold these objectives. Details of the Directors' emoluments and payments made for professional services rendered are set out in note 10 to the financial statements.

Directors' Interests

The beneficial interests of the Directors in the shares and options of the Company are as follows:

Director	2019 Shares	2018 Shares	2019 Options	2018 Options
David Knox	411,638	138,871	461,318	311,318
Neill Carson	6,712,133	6,500,000	534,376	411,318
Graham Heath	6,816,213	6,500,000	1,734,282	490,527
Majid Shafiq	143,765	Nil	2,807,776	1,311,318
Richard Ames	204,575	Nil	534,376	411,318
Linda Beal	-	-	123,058	-

None of the Directors exercised any share options during the year.

Directors' Third Party Indemnity Provisions

The Company maintained during the period and to date of approval of the financial statements indemnity insurance for its Directors and Officers against liability in respect of proceedings brought by third parties, subject to the terms and conditions of the Companies Act 2006.

Share Capital

At 31 December 2019, 107,719,400 ordinary shares with a nominal value of £0.0001 each and 5,000 deferred shares of £10 each were issued and fully paid. Each ordinary share carries one vote and the deferred shares do not confer any voting rights.

Substantial Shareholders

At 24 July 2020, notification had been received by the Company of the following who had a disclosable interest in 3% or more of the nominal value of the ordinary share capital of the Company:

JP Morgan Prime Nominees	13.87%
Hargreaves Lansdown (Nominees) Limited	10.42%
Interactive Investor Services	8.13%
Graham Heath	6.33%
Neill Carson	6.23%
BBHISL Nominees Limited	3.44%
Barclays Direct Investing	3.31%
JIM Nominees Limited Jarvis Acct	3.25%

Save for Messrs Carson and Heath, this does not include the shareholdings of the Directors which are disclosed separately. As at 24 July 2020 the Company had not been notified of any other person who had an interest in 3% or more of the nominal value of the ordinary share capital of the Company.

Corporate Governance

A statement of Corporate Governance is set out on pages 30 to 36. The Group has adopted the Quoted Companies Alliance Corporate Governance Code ("the Code"). Details of how the Group complies with the Code, and the reasons for any non-compliance, are set out on page 30 to 35, together with the principles contained within the Code.

Key Performance Indicators

During the second half of the year the Company drilled three wells on a 100% basis, safely, with no environmental, health or safety issues and all within budget. Each well was drilled within its allotted timeline, though the findings resulted in delays between wells while analysis was conducted and well plans and permits were updated. These delays also extended the campaign into late November which resulted in an amount of additional down-time due to waiting on weather. Though the drilling campaign brought mixed results, the Company has delivered a solid result from Serenity which the Company intends to farm-down in order to conduct future appraisal which, on success, would increase shareholder value by a multiple of the current level.

The Directors do not consider other standard industry key performance indicators to be relevant as yet. The Group currently has no oil and gas production and therefore has no income. The Group will report profits once it acquires production assets or develops its currently non-producing fields. Successful execution of the Company's Canadian production acquisition strategy described above is expected to deliver near-term shareholder returns by way of a robust dividend policy, with substantial portfolio upside being deliverable within a strengthening commodity environment.

Health and safety – number of reported incidents

There were no reportable incidents in the current or prior year.

Principal Risks and Uncertainties

Set out below are the principal risks and uncertainties facing the Group:

Material risks that could negatively affect the Company's results and performance include:

- Oil and gas exploration and development activities are dependent on the availability of skilled personnel, drilling and related equipment in the particular areas where such activities will be conducted. Demand for such personnel or equipment, or access restrictions may affect the availability to the Company.
- Oil and gas drilling is a speculative activity and involves numerous risks and substantial and uncertain costs that could adversely affect the Company.
- Reserve data and estimated discounted future net cash flows are projections based on assumptions that may be inaccurate and are based on existing economic and operating conditions that may change in the future.
- The Company is dependent on the successful development of its oil and gas assets and requires access to infrastructure.
- The Company's business involves significant capital expenditure and given the current liquidity position of the Company as at the date of this report the Company will require additional funding to meet its operational requirements. There is no guarantee that such additional funding will be available on acceptable terms at the relevant time.
- Instability in the global financial system may have impacts on the Company's liquidity and financial condition that currently cannot be predicted.
- The Company has to achieve one of the Corporate Development Long-stop conditions.
- Oil and gas prices are highly volatile, and lower oil and gas prices will negatively affect the Company's financial position, capital expenditures and results of operations.
- The Company is subject to various environmental risks and governmental regulations and future regulations may be more stringent.
- Climate change and climate change legislation and regulatory initiatives could result in increased operating costs and decreased demand for oil and gas.
- Offshore operations are subject to various operating and other casualty risks that could result in liability exposure.
- The Company is seeking opportunities to expand its portfolio of assets but may not find such assets or be able to deliver value from such acquisitions.
- The Company may be exposed to adverse taxation and legislative changes that impact its return from assets.
- The Company may be exposed to cyber security and other risks and may not have enough insurance to cover all of its risks.
- The Company has a small senior management and director team and needs to retain skilled personnel.
- COVID-19 could adversely affect operations and ability to raise funds.
- The Company is subject to various regulations and compliance requirements.
- Exchange rate fluctuations could have a negative effect on the Company's financial position, capital expenditures and results of operations.

- The outcome of Brexit and the resulting uncertainty about the status of the UK could adversely affect the Company's business.

Environmental Responsibility

The Group is aware of the potential impact that its subsidiary and investments may have on the environment. Accordingly, the Group ensures that with regard to the environment, it and its subsidiaries and associated companies at a minimum comply with applicable European Union and local regulatory requirements.

Employment Policy

The Group is committed to promoting policies to ensure that high calibre employees are attracted, motivated and retained for the ongoing success of the business. Employees and those who seek to work within the Group are treated equally regardless of sex, marital status, creed, colour, race or ethnic origin.

Health and Safety

The Group's aim is to maintain a high standard of workplace safety. In order to achieve this, the Group provides training and support to employees and sets demanding standards for workplace safety.

Insurance

The Group maintains insurance in respect of its Directors and Officers against liabilities in relation to the Company and the Group. The Group maintains insurance in respect of its exploration and development and operational projects in the North Sea.

Statement of Disclosure of Information to the Auditor

As at the date of this report the serving Directors confirm that:

- So far as each Director is aware, there is no relevant audit information of which the Group's auditor is unaware, and
- The Directors have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

PKF Littlejohn LLP has signified its willingness to act as the Company's auditor.

Going Concern

The financial statements have been prepared on a going concern basis. The Group's assets are not generating revenues, an operating loss has been reported and an operating loss in the UK is expected in the 12 months subsequent to the date of these financial statements and as a result the Company will need to raise funding to provide additional working capital to finance their ongoing activities and non-discretionary expenditures. The Board has previously successfully raised monies and consider that they would be supported in any further raise.

The net proceeds of any placing would be used towards potential acquisitions, exploration, development 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 and that the necessary funds will be raised, 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 annual financial statements for the year ended 31 December 2019.

These conditions indicate the existence of material uncertainties that may cast significant doubt regarding the applicability of the going concern assumption and the auditors have made reference to this in their audit report.

Should the Group be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for further liabilities which might arise and to classify fixed assets as current.

Board Committees

Information on the Audit & Risk Committee, Corporate Governance Committee, Reserves Committee and Remuneration Committee is included in the Corporate Governance section of the Annual Report.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

The Directors are required to prepare financial statements for each financial year. The Directors have elected to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing these Financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently,
- Make judgements and accounting estimates that are reasonable and prudent,
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. The Group is compliant with AIM Rule 16 regarding the Group's website.

Independent Auditors

A resolution to reappoint PKF Littlejohn LLP as Auditors will be proposed at the forthcoming General Meeting at a fee to be agreed in due course by the Audit & Risk Committee and the Directors.

Annual General Meeting

The Annual General Meeting of the Company was held on 30 June 2020 as stated in the Notice of Meeting.

A General Meeting of the Company will be held on 4 September 2020.

This report was approved by the Board and was signed on its behalf:

Linda Beal
Interim Non-Executive Chairperson
6 August 2020

CORPORATE GOVERNANCE REPORT

Corporate Governance Statement

The Board of i3 Energy plc (the "Company") has adopted the QCA Corporate Governance Code ("the Code") as its code of corporate governance. The Code is published by the Quoted Companies Alliance ("QCA") and is available at *www.theqca.com*.

The Code sets out 10 principles that should be applied. These are listed below together with a short explanation of how the Board applies each of the principles, including where applicable any deviation from those principles:

Principle One

Business Model and Strategy

The Board has concluded that the highest near to medium-term value can be delivered to its shareholders through the above described strategy of acquiring developed producing assets in the Western Canadian Sedimentary Basin which provide upside drilling opportunities that can be drilled and brought into production if and when commodity prices recover, while farming down i3's UK North Sea licences for further appraisal drilling and development. This will enable the Company to become a dividend payer that has multiple options for future capital allocation.

Principle Two

Understanding Shareholder Needs and Expectations

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has ongoing relationships with its retail shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings or via telephone conference with the Company. In addition, all shareholders, when applicable and safe to do so and in consideration of UK Government guidance, are encouraged to attend the Company's Annual General Meeting. Investors also have access to current information on the Company through its website, *www.i3.energy* and via Camarco, the Company's communications advisor, who is available to answer investor relations enquires.

Principle Three

Considering wider stakeholder and social responsibilities

The Board recognises that the long-term success of the Company is reliant upon the efforts of the employees of the Company and its contractors, suppliers, regulators and other stakeholders. The Board has put in place a range of processes and systems to ensure that there is close oversight and contact with its key relationships. For example, the Non-Executive Chairperson conducts visits to the Company's Aberdeen office and encourages a full and open dialogue process which is designed to ensure that there is an open and confidential dialogue with each person in the Company to help ensure successful two-way communication with agreement on goals, targets and aspirations of the employee and the Company. These feedback processes help to ensure that the Company can respond to new issues and opportunities that arise to further the success of employees and the Company.

The Company has ongoing relationships with a broad range of its stakeholders and has regular and direct interaction with various levels of government and provides these stakeholders with the opportunity to raise issues and provide feedback to the Company.

Principle Four

Risk Management

In addition to its other roles and responsibilities, the Audit & Risk Committee is responsible to the Board for ensuring that procedures are in place and are being implemented effectively to identify, evaluate and manage the significant risks faced by the Company.

A detailed list of the Company's key risks are listed on pages 12, 13, 25 and 26 of this Annual Report.

The Directors have established procedures, as represented by this statement, for the purpose of providing a system of internal control. An internal audit function is not considered necessary or practical due to the size of the Company. However, the Audit Committee and the Board will continue to monitor the need for an internal audit function. The Board works closely with and has regular ongoing dialogue with the Chief Financial Officer of the Company and has established appropriate reporting and control mechanisms to ensure the effectiveness of its control systems.

Principle Five

A Well-Functioning Board of Directors

As at the date hereof the Board comprised of two Executive Directors, Mr. Majid Shafiq and Mr. Graham Heath, Interim Chairperson Ms. Linda Beal and two Non-Executive Directors, Mr. Richard Ames and Mr. Neill Carson. Mr. David Knox resigned on 7 February 2020 and Ms. Linda Beal was appointed Interim Chairperson on that same date. The Executive Directors have direct responsibility for business operations, whilst the Chairperson leads and chairs the Board and, along with the Non-Executive Directors, has a responsibility to bring independent, objective judgement to bear on Board decisions. Biographical details of the current Directors are set out on the Company's website under the heading "About Us / Board & Executive". Executive and Non-Executive Directors are subject to re-election at each Annual General Meeting.

At the time of this report, the Non-Executive Chairperson of the Board and the Non-Executive Directors held shares and options to acquire shares in the Company. The Board has considered, in conjunction with its advisors, whether these have any impact on their independence and have concluded they do not. Apart from these matters and their directors' fees the Non-Executive Directors have no other financial interests in the Company or business relationships that would interfere with their independent judgement.

The Board meets at least six times per annum. It has established an Audit & Risk Committee, a Corporate Governance Committee, a Reserves Committee and a Remuneration Committee, particulars of which appear hereafter. The Board has agreed that appointments to the Board are made by the Board as a whole, with recommendations from the Corporate Governance Committee, and therefore has not created a Nominations Committee. The Board considers the above appropriate given the Company's current stage of operations. It shall continue to monitor the need to match resources to its operational performance and the matter will be kept under review going forward. The Non-Executive

Directors are considered to be independent. The Board notes that the QCA recommends a balance between executive and Non-Executive Directors and recommends that there be two independent Non-Executives. The Board shall review further appointments as scale and complexity grows.

All Directors have access to the advice of the Parent Company's solicitors. Necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively, and all Directors have access to independent professional advice, at the Group's expense, as and when required.

Attendance at Board and Committee Meetings

The Company shall report annually on the number of Board meetings held during the year and the attendance record of individual Directors. In order to be efficient, the Directors meet formally and informally both in person and by telephone.

Principle Six

Appropriate Skills and Experience of the Directors

The board currently consists of five Directors and, in addition, the Company has employed the outsourced services of Burness Paull to act as the Company Secretary. The Company believes that the current balance of skills in the Board as a whole, reflects a very broad range of commercial and professional skills across geographies and industries and each of the Directors has experience in public markets. The professional experience of each of the Directors is set out on the Company's website.

The Board includes one female director and various nationalities. Diversity will form a part of any future recruitment consideration if the Board concludes that replacement or additional directors are required.

The Board shall review annually the appropriateness and opportunity for continuing professional development whether formal or informal.

Principle Seven

Evaluation of Board Performance

Internal evaluation of the Board, the Committee and individual Directors is undertaken on an ad hoc basis in the form of appraisal by the Chairperson, who consults with the other Directors as appropriate regarding effectiveness and performance as well as the Directors' continued independence.

The results and recommendations that come out of the evaluation of the Board shall identify the key targets and requirements that are relevant to the Board.

Principle Eight

Corporate Culture

The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact their performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees perform. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long-term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board. A large part of the Company's activities is centred upon what needs to be an open and respectful dialogue with employees, suppliers and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great import on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. The Company has adopted a code for directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

Principle Nine

Maintenance of Governance Structures and Processes

Ultimate authority for all aspects of the Company's activities rests with the Board. The Executive Directors have day-to-day responsibility for the operational management of the Company's activities. The Non-Executive Directors are responsible for bringing independent and objective judgment to the Board decisions. There is clear separation of the roles of the Chief Executive Officer and Non-Executive Chairperson. The Chairperson is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring the Non-Executive Directors are properly briefed on matters.

The Chairperson has overall responsibility for corporate governance matters in the Company and chairs the Corporate Governance Committee.

The Board receives monthly reports regarding the principal areas of activity of the Company and has unrestricted access to management and employees of the Company. The Board also has the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the respective reasonable compensation of these advisors without consulting or obtaining the approval of any officer of the Company. The Company shall provide appropriate funding, as determined by the Board, for the services of these advisors.

Furthermore, the Executive Chairperson maintains close dialogue with other Directors, both through the forum of Board meetings and through ad hoc communication on an individual level.

Audit & Risk Committee

The Audit & Risk Committee will meet at a minimum of twice a year. As of the date of this document, the members of the Audit & Risk Committee are Ms. Linda Beal (Chair) and Mr. Richard Ames. Each of the members of the Audit & Risk Committee are independent. Each of the members of the Audit & Risk Committee are familiar with accounting principles, financial statements and financial reporting requirements and possess experience that is relevant to the performance of their duties as members of the Audit & Risk Committee of the Company.

The Audit & Risk Committee's primary responsibilities, amongst other things, is the planning and reviewing of the annual report and interim statements and accounts and where appropriate, the external auditors, internal controls and risk management is maintained. The Audit & Risk Committee also approves external auditors' fees and ensures the auditors' independence as well as focusing on compliance with legal requirements and accounting standards. It is also responsible for ensuring that an effective system of internal controls is maintained. The ultimate responsibility for reviewing and approving the annual financial statements and interim statements remains with the Board.

The full terms of reference for the Audit & Risk Committee are available on the Company's website.

Corporate Governance Committee

The Corporate Governance Committee meets as required, but at least once a year. Its members are Ms Linda Beal (Chair) and Mr Neill Carson.

The Corporate Governance Committee's primary purpose is to develop and recommend to the Board guidelines, policies and procedure relating to corporate governance identify individuals qualified to become Board members, recommend to the Board director nominees for election to the Board, recommend to the Board committee composition and appointments, evaluate the performance and effectiveness of the Board and committees of the Board and review and make recommendations to the Board on non-employee director compensation.

Reserves Committee

The Reserves Committee meets as required, but at least twice a year. Its members are Mr Neill Carson (Chair) and Mr Richard Ames. The Chief Executive Officer, the Chief Financial Officer and other Directors may also attend and speak at meetings of the reserves committee.

The Reserves Committee assists the Board in monitoring and reviewing the appointment of an independent engineering firm retained by the Company to report on the quantity and the value of the Company's oil and gas reserves. The Reserves Committee reviews the procedures by which the Company provides information to the independent engineering firm to be used as the basis of evaluation and audit, ensuring disclosure complies with applicable laws and regulations, and is also responsible for matters relating to the preparation and public disclosure of estimates of the Company's reserves.

The Remuneration Committee

The Remuneration Committee meets at least twice a year. Its members are Mr. Richard Ames (Chair) and Ms. Linda Beal. The Chief Executive Officer, the Chief Financial Officer and other Directors may also attend and speak at meetings of the remuneration committee.

The Company's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee agrees with the Board, a framework for the remuneration of the Chairperson, the Executive Directors and the senior management of the Company.

The principal objective of the committee is to ensure that members of the executive management of the Company are provided incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. Non-Executive fees are considered and agreed by the Board as a whole.

The terms of reference of the Remuneration Committee are available on the Company's website.

Principle Ten

Shareholder Communication

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. The Company has ongoing relationships with its retail shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders, when applicable and safe to do so and in consideration of UK Government guidance, are encouraged to attend the Company's Annual General Meeting.

Investors also have access to current information on the Company through its website, *www.i3.energy* and via Camarco, the Company's communication advisor, who is available to answer investor relations enquiries.

The Company shall include, when relevant, in its annual report, any matters of note arising from the audit or remuneration committees.

Internal controls

The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal use and external publication. Whilst the Directors are aware that no system can provide absolute assurance against material misstatement or loss, regular reviews of internal controls are undertaken to ensure that they are adequate and effective.

Risk management

The Board considers risk assessment important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by the Board who compare actual progress to forecasts. Project milestones and timelines are regularly reviewed.

Risks and uncertainties

Risk assessment and evaluation is an essential part of the Group's planning and an important aspect of the Group's internal control system. The principal risks facing the Group are set out in the Strategic Report.

Risk management and treasury policy

The Board considers risk assessment to be important in achieving its strategic objectives, with the Board regularly reviewing its projects and activities in this regard.

The Group finances its operations through equity and holds its cash as a liquid resource to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board. Please refer to note 21 for further detail on how the Board manages risk.

Securities trading

The Board has adopted a Share Dealing Code that applies to Directors, senior management and any employee who is in possession of “inside information”. All such persons are prohibited from trading in the Company’s securities if they are in possession of “inside information”. Subject to this condition and trading prohibitions applying to certain periods, trading can occur provided the relevant individual has received the appropriate prescribed clearance from the Company’s Nomad.

Relations with shareholders

The Board is committed to providing effective communication with the shareholders of the Company. Clear communication with shareholders and all stakeholders is an important aspect of the role of the Group’s Board and senior management. In addition to the regulatory forms of communication, including annual and interim reports and Regulatory News Service releases, enquiries from shareholders are encouraged and are to receive a timely response from either the Company or its representatives.

Details of the Group’s activities can be found at the Company’s website (*www.i3.energy*).

All shareholders are offered the choice of receiving shareholder documentation electronically or in paper format, as well as the choice of submitting proxy votes either electronically or by post.

“Linda Beal”

Linda Beal

6 August 2019

INDEPENDENT AUDITORS REPORT

Independent Auditors Report to Members of I3 Energy Plc

Opinion

We have audited the financial statements of i3 Energy Plc (the 'Parent Company') and its subsidiary (the 'Group') for the year ended 31 December 2019 which comprise the Statement of Consolidated Comprehensive Income, the Statement of Consolidated and Parent Company Financial Position, the Statement of Consolidated and Parent Company Changes in Equity, the Statement of Consolidated and Parent Company Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

In our opinion:

the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;

the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw your attention to note 2 in the financial statements which identifies conditions that may cast significant doubt on the Group's ability to continue as a going concern. The Group incurred a net loss of £10,851,177 and incurred operating cash outflows of £7,604,706, and it is not expected to generate any revenue of positive cashflows from the operations of assets currently held in the twelve months from the date of these financial statements were signed.

The financial statements have been prepared on the going concern basis. The ability of the Group to meet its operational objectives is dependent on its ability to raise additional funds.

As stated in note 2, these events of conditions along with other matters elsewhere indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and Company to continue as a going concern.

Our opinion is not modified in this respect.

Our application of materiality

Materiality for the group has been applied separately for the statement of financial position and the statement of comprehensive income. Materiality applied to the statement of financial position items is £1,309,800, being 2% of gross assets. Materiality applied to the statement of comprehensive income items has been set at £147,900, being 2% of expenditure for the year.

Our basis for calculation of materiality has changed from the prior year, at 3% of gross assets, is a result of the significant increase in gross assets in the year. This also would not be proportional to the statement of comprehensive items in the year and hence a separate materiality calculated to ensure sufficient appropriate audit evidence is obtained. We consider the gross assets balance to be the most significant determinant of the Group's financial position and performance used by shareholders.

The same basis for calculation was used for all components of the group. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. At the planning stage materiality is used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes during the audit.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during our audit in excess of £63,490 for statement of financial position items and £7,395 for the statement of comprehensive income items.

There were no misstatements identified during our audit that were individually, or in aggregate, considered to be material, with the exception of an adjustment to re-state the share-based payment expense.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgements by the Director's and considered future events that are inherently uncertain. As in all our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud. The Liberator asset, held through the Group's only subsidiary undertaking, represents the principal business unit in the Group upon which we performed audit procedures. A full scope audit was undertaken on the financial statements of both the Parent Company and Subsidiary.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of exploration and evaluation assets

The carrying value of intangible assets as at 31 December 2019 was £46.1m which comprises of exploration and evaluation expenditure on the Liberator asset. There is the risk that the carrying value of this project is impaired and that exploration and development costs capitalised during the year have not been capitalised in accordance with IFRS 6.

How the scope of our audit responded to the key audit matter

Our work included:

- Reviewing and considering the impairment indicators in IFRS 6 in relation to the asset held;
- Obtaining and reviewing the Competent Person's Report ("CPR"), for any indicators of impairment;
- Obtaining support for ownership;
- Reviewing with management the basis for impairment or non-impairment and challenging any assumptions made; and
- Performing substantive testing on capitalised expenditure during the year to ensure it met the capitalisation criteria of IFRS 6

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the Group and Parent Company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities , the directors are responsible for the preparation of the Group and Parent Company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group and Parent Company financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: *http://www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

Use of our report

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

Joseph Archer

Joseph Archer (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP

Statutory Auditor

6 August 2020

15 Westferry Circus
Canary Wharf
London E14 4HD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year Ended 31 December 2019	Year Ended 31 December 2018
		£	£
Administrative expenses	5	(7,228,669)	(2,369,529)
Operating loss		**(7,228,669)**	(2,369,529)
Finance expense:			
Finance costs	7	(2,251,162)	(25,370)
Other – CLN interest expense (reclaimed)	7	-	553,658
Interest payable and similar costs	7	(1,371,346)	(118,561)
Total finance expense		**(3,622,508)**	409,727
Loss on ordinary activities before taxation attributable to owners of the parent		(10,851,177)	(1,959,802)
Tax charge for the year	8	–	–
Net loss for the year and total comprehensive loss for the year attributable to owners of the parent		**(10,851,177)**	(1,959,802)
Earnings per ordinary share Basic and diluted	11	**(0.13)**	(0.05)

All operations are continuing.

The accompanying notes on pages 49 – 74 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets	Notes	**31 December 2019**	**31 December 2018**
		£	**£**
Non-current assets			
Property, plant & equipment		7,602	12,937
Exploration and evaluation assets	12	46,527,633	5,706,646
Total non-current		**46,535,235**	5,719,583
Current assets			
Cash at bank and in hand		19,069,541	598,039
Trade and other receivables	14	305,438	159,068
Total current assets		**19,374,979**	757,107
Current liabilities			
Trade and other payables	15	(18,204,752)	(1,229,903)
Convertible loan notes payable	16	-	(591,562)
Total current liabilities		**(18,204,752)**	(1,821,465)
Net current assets		**1,170,227**	(1,064,358)
Non-current liabilities			
Non-current accounts payable	15	(3,000,000)	-
Loan notes payable	17	(13,046,184)	-
Total non-current liabilities		**(16,046,184)**	-
Total net assets		31,659,278	4,655,225
Net assets		**31,659,278**	4,655,225
Capital and reserves			
Called up share capital – ordinary shares	18	10,772	4,102
Called up share capital – deferred shares	18	50,000	50,000
Share premium	18	32,571,978	9,215,598
Share-based payment reserve	19	3,802,849	685,853
Warrants – LNs	17	11,375,184	-
Retained earnings		(16,151,505)	(5,300,328)
Shareholders' funds		**31,659,278**	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 6 August 2020.

Signed on behalf of the Board of Directors by:

Majid Shafiq

Majid Shafiq
Director

The accompanying notes on pages 49 – 74 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2019 £	31 December 2018 £
Assets			
Non-current assets			
Investment in subsidiary	13	145,700	145,700
Loans to subsidiary company	20	31,532,751	8,035,890
Total non-current		**31,678,451**	8,181,590
Current assets			
Cash at bank and in hand		10,332,262	500,838
Other receivables	14	15,514	6,062
Total current assets		**10,347,776**	506,900
Current liabilities			
Trade and other payables	15	(187,581)	(265,684)
Convertible loan notes payable	16	-	(591,562)
Total current liabilities		**(187,581)**	(857,246)
Net current assets / (liabilities)		10,160,195	(350,346)
Total assets less current liabilities		**41,838,646**	7,831,244
Net assets		**41,838,646**	7,831,244
Capital and reserves			
Called up share capital – ordinary shares	18	10,772	4,102
Called up share capital – deferred shares	18	50,000	50,000
Share premium	18	32,571,978	9,215,598
Share-based payment reserve	19	3,799,392	682,397
Warrants – LNs	17	11,375,184	-
Retained earnings		(5,968,680)	(2,120,853)
Shareholders' funds		**41,838,646**	7,831,244

Company number 10699593

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 from presenting the Parent Company Statement of Comprehensive Income. The loss for the Parent Company for the year was £3,847,827 (2018 - £920,728).

Signed on behalf of the Board of Directors by:

Majid Shafiq

Majid Shafiq
Director
6 August 2020

The accompanying notes on pages 49 – 74 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Called up share capital	Share premium	Deferred shares	Share-based payment reserve	Warrants - LNs	Retained earnings	Total
		£	£	£	£	£	£	£
Balance at 31 December 2017		2,569	3,517,417	50,000	145,230	-	(3,340,526)	374,690
Loss for the year and total comprehensive income		–	–	–	–	-	(1,959,802)	(1,959,802)
Transactions with owners:								
Issue of share capital	18	1,533	5,698,181	–	–	-	–	5,699,714
Share-based payment expense	19	–	–	–	540,623	-	–	540,623
Balance at 31 December 2018		**4,102**	**9,215,598**	**50,000**	**685,853**	**-**	**(5,300,328)**	**4,655,225**
Balance at 31 December 2018		4,102	9,215,598	50,000	685,853	-	(5,300,328)	4,655,225
Loss for the year and total comprehensive income		–	–	–	–	-	(10,851,177)	(10,851,177)
Transactions with owners:								
Issue of share capital	18	6,670	23,356,380	–	–	-	–	23,363,050
Warrants – LNs		-	-	-	-	11,375,184	-	11,375,184
Share-based payment expense	19	–	–	–	3,116,996	-	–	3,116,996
Balance at 31 December 2019		**10,772**	**32,571,978**	**50,000**	**3,802,849**	**11,375,184**	**(16,151,505)**	**31,659,278**

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 consolidated nominal value exceeds the required minimum issued capital of £50,000.

The accompanying notes on pages 49 – 74 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

		Called up share capital	Share premium	Deferred shares	Share-based payment reserve	Warrants - LNs	Retained earnings	Total
		£	£	£	£	£	£	£
Balance at 31 December 2017		2,569	3,517,417	50,000	141,774	-	(1,200,125)	2,511,635
Loss for the year and total comprehensive income		–	–	–	–	-	(920,728)	(920,728)
Issue of share capital	18	1,533	5,698,181		-	-	–	5,699,714
Share-based payment expense	19	–	–	–	540,623	-	–	540,623
Balance at 31 December 2018		**4,102**	**9,215,598**	**50,000**	**682,397**	**-**	**(2,120,853)**	**7,831,244**
Balance at 31 December 2018		4,102	9,215,598	50,000	682,397	-	(2,120,853)	7,831,244
Loss for the year and total comprehensive income		–	–	–	–	-	(3,847,827)	(3,847,827)
Issue of share capital	18	6,670	23,356,380	–	–	-	–	23,363,050
Warrants – LNs		-	-	-	-	11,375,184	-	11,375,184
Share-based payment expense	19	–	–	–	3,116,995	-	–	3,116,995
Balance at 31 December 2019		**10,772**	**32,571,978**	**50,000**	**3,799,392**	**11,375,184**	**(5,968,680)**	**41,838,646**

The accompanying notes on pages 49 – 74 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	Year ended 31 December 2019 £	Year ended 31 December 2018 £
OPERATING ACTIVITIES			
Loss for the year		(10,851,177)	(1,959,802)
Adjustments for:			
Unrealized FX (Gain)		(27,880)	(10,161)
Share-based payment expense	19	3,116,995	540,623
Depletion, depreciation and amortization		8,742	7,528
Loan note – accretion		1,226,637	-
Interest expense – settled with warrants		1,194,731	-
Operating cash flows before movements in working capital:			
(Increase) in receivables / prepaid expenses		(146,371)	(7,427)
Increase / (Decrease) in current liabilities		294,985	(91,187)
Net cash used in operating activities		**(5,183,338)**	(1,520,426)
INVESTING ACTIVITIES			
Property, plant & equipment		(3,407)	(1,278)
Expenditure on exploration and evaluation assets		(21,031,852)	(2,220,304)
Net cash used in investing activities		**(21,035,259)**	(2,221,582)
FINANCING ACTIVITIES			
Proceeds on issue of ordinary shares, net of issue costs	18	23,363,050	3,866,133
Proceeds on issuance of LNs	17	22,000,000	-
Repayment CLNs	16	(433,153)	(112,782)
Outflow from employee loans		-	(44,555)
Net cash from financing activities		**44,929,897**	3,708,796
Effect of exchange rate changes on cash		**(239,798)**	2,862
Net (Decrease) / Increase in cash and cash equivalents		**18,471,502**	(30,350)
Cash and cash equivalents, beginning of year		**598,039**	628,389
CASH AND CASH EQUIVALENTS, END OF YEAR		**19,069,541**	598,039

Net debt reconciliation is shown on page 63

The accompanying notes on pages 49 – 74 are an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOW

	Notes	Year ended 31 December 2019 £	Year ended 31 December 2018 £
OPERATING ACTIVITIES			
Loss for the year		(3,847,827)	(920,728)
Adjustments for:			
Unrealized FX (Gain)		(5,833)	-
Share-based payment expense	19	3,116,995	540,623
Operating cash flows before movements in working capital:			
(Increase) in prepaid expenses		(9,452)	(6,062)
(Decrease) / Increase in current liabilities		(233,531)	60,802
Net cash from / (used in) operating activities		**(979,648)**	(325,365)
INVESTING ACTIVITIES			
Investment in subsidiary		-	-
Loans to subsidiary company	20	(23,496,861)	(2,919,850)
Net cash used in investing activities		**(23,496,861)**	(2,919,850)
FINANCING ACTIVITIES			
Proceeds on issue of ordinary shares, net of issue costs	18	23,363,050	3,866,133
Repayment loan notes	16	(433,153)	(112,782)
Warrants - LNs	17	11,375,184	
Net cash from financing activities		**34,305,081**	3,753,351
Effect of exchange rate changes on cash		**2,852**	(7,298)
Net increase in cash and cash equivalents		**9,831,424**	500,838
Cash and cash equivalents, beginning of year		**500,838**	-
CASH AND CASH EQUIVALENTS, END OF YEAR		**10,332,262**	500,838

The accompanying notes on pages 49 – 74 form 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 a Public Company, limited by shares, 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.

Changes in accounting standards

The standards which applied for the first time this year have been adopted and have not had a material impact.

IFRS 16 'Leases'

IFRS 16 Leases became applicable to the current reporting period, replacing IAS 17 Leases. The key change under IFRS 16 is that most leases designated as "operating leases" under IAS 17 now qualify for balance sheet recognition, subject to certain exceptions. The Group reviewed all its leasing arrangements and identified one contract previously classified as operating leases which would require recognition as lease liabilities in the 1 January 2019 balance sheet.

The Group has concluded that the effect of the impact on implementation of IFRS 16 is not material to the financial statements and therefore no adjustment has been processed.

IAS 19 'Employee Benefits'

The standard is effective on or after 1 January 2019. Under the provisions of the amendment, when a change to the defined benefit plan – an amendment, curtailment or settlement occurs, IAS 19 now requires that the current service cost and the net interest for the period after remeasurement are determined using the updated assumptions used for the remeasurement. The change in the effect of the asset ceiling that may result from the plan amendment, curtailment or settlement is recognized in other comprehensive income. The company continues to monitor the potential impact to group's financial statements but does not expect material impact in the current year.

IFRS 3 'Business Combination' and IFRS 11 'Joint Operations'

The standard is effective on or after 1 January 2020. Both the amendments to IFRS 3 and IFRS 11 are related to changes in group composition. If a joint operation becomes a subsidiary during the year, the previously held interest in the joint operation should be remeasured at fair value. However, no such remeasurement is required in the joint operation if the entity obtains joint control of another entity that is a joint operation. The company

1 Summary of significant accounting policies - continued

continues to monitor the potential impact to group's financial statements but does not expect material impact in the current year.

IAS 12 'Income Taxes'

The standard is effective on or after 1 January 2019 with earlier application permitted and disclosed. The Company must recognize all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend. The Company does not expect material impact to the group's financial statements as a result of this amendment.

IAS 23 'Borrowing Costs'

The standard is effective on or after 1 January 2019 with earlier application permitted and disclosed. Under the amendment, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to the qualifying asset is outstanding, that borrowing should be included to calculate capitalization rate on general borrowings. The Company has determined that this amendment is not applicable for the financial year 2019.

IASB New and Revised Standards

The International Accounting Standards Board (IASB) has issued the following new and revised standards, amendments and interpretations to existing standards that are not effective for the financial year ending 31 December 2019 and have not been adopted early. The Group is currently assessing the impact of these standards and based on the Group's current operations do not expect them to have a material impact on the financial statements.

New Standards	**Effective Date**
Amendment in IFRS 3 Business Combinations	01-Jan-20
Amendments to IAS 1 and IAS 8	01-Jan-20

IFRS 3 'Business Combination'

The standard is effective for periods beginning on or after 1 January 2020 and will be applied prospectively. The amendments narrowed and clarified the definition of business include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition, if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If an election to use a concentration test is not made, or the test failed, then the assessment focuses on the existence of a substantive process.

2 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) as adopted by the European Union.

2 Basis of preparation - continued

The financial information is presented in Pounds Sterling (£) to the nearest £ unless otherwise stated.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated. The Company has elected not to present individual financial statements as it is not required to do so.

Basis of Consolidation

The consolidated financial statements consolidate the audited financial statements of i3 Energy plc and the financial statements of its subsidiary undertakings made up to 31 December 2019.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Going concern

The financial statements have been prepared on a going concern basis. The Group's assets are not generating revenues, an operating loss has been reported and an operating loss in the UK is expected in the 12 months subsequent to the date of these financial statements and as a result the Company will need to raise funding to provide additional working capital to finance their ongoing activities and non-discretionary expenditures. The Board has previously successfully raised monies and consider that they would be supported in any further raise.

The net proceeds of any placing would be used towards potential acquisitions, exploration, development 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 and that the necessary funds will be raised, 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 annual financial statements for the year ended 31 December 2019.

These conditions indicate the existence of material uncertainties that may cast significant doubt regarding the applicability of the going concern assumption and the auditors have made reference to this in their audit report.

Should the Group be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for further liabilities which might arise and to classify fixed assets as current.

3 Significant accounting policies

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

Financial instruments

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables are initially recognised at fair value when related amounts are invoiced then carried at this amount less any impairment of these receivables.

Trade and other payables

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

Loan Notes

These financial liabilities are all non-interest bearing and are initially recognised at amortised costs and include the transaction costs directly related to the issuance. The transaction costs are amortised using the effective interest rate method over the life of the Loan Notes.

Impairment of financial assets

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

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

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

A financial liability is classified as held for trading if:

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

3 Significant accounting policies - continued

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

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

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

Embedded derivatives

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

Equity

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

Foreign currency

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

For the purpose of the financial statements, the results and financial position are expressed in GBP, being the functional and presentational currency of all entities within the Group.

Taxation

Tax is recognised in the consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the

3 Significant accounting policies - continued

computation of taxable profit. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax assets and liabilities are not discounted.

Intangible assets

Exploration and evaluation expenditures (E&E):

a Development expenditure

Expenditure on the construction, installation and completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including service, is capitalized initially within intangible fixed assets and when the well has formally commenced commercial production, then it is transferred to property, plant and equipment and is depreciated from the commencement of production as described in the accounting policy for property, plant and equipment

b Drilling costs and intangible licenses

The Group applies the successful efforts method of accounting for oil and gas assets, having regard to the requirements of IFRS 6 ‘Exploration for and Evaluation of Mineral Resources’. Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Statement of Comprehensive Income.

Expenditure incurred on the acquisition of a licence interest is initially capitalised within intangible assets on a licence by licence basis. Costs are held, unamortised, within Petroleum mineral leases until such time as the exploration phase of the licence area is complete or commercial reserves have been discovered. The cost of the licence is subsequently transferred into “Producing Properties” within property, plant and equipment and depreciated over its estimated useful economic life.

3 Significant accounting policies - continued

Exploration expenditure incurred in the process of determining exploration targets is capitalised initially within intangible assets as drilling costs. Drilling costs are initially capitalised on a well by well basis until the success or otherwise has been established. Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercially viable. Drilling costs are subsequently transferred into 'Drilling expenditure' within property, plant and equipment and depreciated over their estimated useful economic life. All such costs are subject to regular technical, commercial and management review on at least an annual basis to confirm the continued intent to develop or otherwise extract value from the discovery. Where this is no longer the case, the costs are immediately expensed to the Statement of Comprehensive Income.

Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. This includes consideration of the IFRS 6 impairment indicators for any intangible exploration and evaluation assets capitalised as intangible costs. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, it is considered impaired and is written down to its recoverable amount. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset, unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease). An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Comprehensive Income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Finance income

Finance income consists of bank interest on cash and cash equivalents which is recognised as accruing on a straight-line basis, over the period of the deposit.

3 Significant accounting policies - continued

Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment in value, prior to their elimination on consolidation.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all property, plant and equipment to write off the cost less estimated residual value of each asset over its expected useful economic life on a straight-line basis at the following annual rates:

- Office equipment 20% or straight line over the life of the equipment – whichever is the lesser;
- Field equipment – between 5% and 25%.

All assets are subject to annual impairment reviews.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred. The asset's residual value and useful economic lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying value is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of Comprehensive Income.

Share-based payments

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

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

Earnings per share

Basic Earnings per share is calculated as profit attributable to equity holders of the parent for the period, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

3 Significant accounting policies - continued

Significant accounting judgements, estimates and assumptions

Critical Accounting Estimates and Judgements

The preparation of financial statements using accounting policies consistent with IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of income and expenses. The preparation of financial statements also requires the Directors to exercise judgement in the process of applying the accounting policies. Changes in estimates, assumptions and judgements can have a significant impact on the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively from the period in which the estimates are revised.

There are no critical judgements identified, apart from those involving estimations (which are dealt with separately below) that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Carrying value of exploration and evaluation assets

At 31 December 2019, the Group held oil and gas exploration and evaluation assets of £46.53m (2018: £5.71m), note 12. Management assesses whether there are indicators of impairment in accordance with the accounting policies. In making the assessment Management considers the results of drilling activities, management's intentions to develop the asset, the remaining period of exploration available and changes in the general economic environment which would indicate that the carrying amount is unlikely to be recovered.

These estimates and assumptions are subject to risk and uncertainty and therefore a possibility that changes in circumstances will impact the assessment of impairment indicators.

Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes, see note 21. The Board of Directors of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in notes 19 and 21.

4 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.

5 Administrative expenses

	2019	2018
	£	£
Directors' fees	159,021	156,210
Wages and salaries	1,520,288	919,746
Travel and subsistence expenses	131,711	135,205
Professional fees – legal, consulting, exploration	1,869,516	132,699
Auditor's remuneration – audit	36,851	22,625
Exploration expenditures	6,402	12,037
Stock-based compensation expense – employee share options	1,205,722	540,623
Stock-based compensation expense - warrants	1,911,273	-
Insurance expense	108,489	44,451
Office, marketing and nomad expense	392,736	308,877
Corporate communications expense	85,256	73,867
Other expenses	41,204	15,032
Realised FX (gain) / loss	(267,680)	5,295
Unrealised FX loss	27,880	2,862
Total operating expenses	**7,228,669**	2,369,529

5 (a) Auditor remuneration

During the year, the Group obtained the following services from the Company's auditor:

	2019	2018
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Parent Company and consolidated financial statements	36,851	22,625
	36,851	22,625

6 Employee information

Group staff costs comprised:	**2019**	2018
	£	£
Wages, salaries and benefits	2,871,015	1,460,119
Share-based payments expense	1,205,722	540,623
Less: capitalised exploration expenditure	(1,350,727)	(540,373)
Charge to the profit or loss	**2,726,010**	1,460,369

6 Employment information - continued

i3 Energy plc had no staff during the year ended 31 December 2019 (2018 - Nil) and therefore no payments were made. Director remuneration is disclosed in note 10.

The average number of persons employed by the Company, including Executive Directors, was:

Average number of persons employed	**2019 Number**	2018 Number
Operations	8	7
Administration	4	3
	12	10

7 Interest payable and similar costs

	Year ended 31 December 2019 £	Year ended 31 December 2018 £
Commission payable on loan notes	(2,251,162)	(25,370)
Other – CLNs interest expense – reclaim after conversion of CLNs	-	553,658
Interest payable on loan notes	(1,371,346)	(118,561)
Total interest payable and similar costs	**(3,622,508)**	409,727

8 Taxation

Taxation reconciliation

The below table reconciles the tax charge for the year to the expected tax charge based on the result for the year and the corporation tax rate.

	2019 £	2018 £
Loss before income tax	(10,851,177)	(1,959,802)
Rate of Corporate Tax	40%	40%
Expected tax recovery	(4,340,471)	(783,921)
Interest and other not deductible for SCT	362,861	(23,816)
Effects of:		
Permanent differences	1,372,231	315,984
Non-taxable income/Non-deductible expenses for tax purposes	-	-
Derecognition of deferred tax asset	2,570,643	492,926
Other	34,736	(1,173)
Total income tax expense	**–**	–

As at 31 Dec 2019 the Group had taxable losses of £14,942,652 (31 Dec 2018 – £1,950,442) and mineral extraction allowances of £46,527,633 (31 Dec 2018 – £5,706,646) . The taxable losses do not expire.

8 Taxation - continued

	31-Dec-18	Recognized in net income	31-Dec-19
	£	£	£
	000s	000s	000s
Tax loss carry forwards	(4,568)	(18,899)	(23,467)
Property and equipment	2,296	16,325	18,621
Decommissioning Provision	-	-	-
Unrecognised DTA	2,272	2,574	4,846
Total income tax expense	**-**	**-**	**-**

The unrecognised deferred tax asset is due to uncertainty over the availability of future taxable profits to offset these losses against so a deferred tax asset has not been recognised in accordance with IAS 12.

9 Dividends

No dividends were proposed. (2018 - Nil).

10 Directors' remuneration

	Salary / Fees	Bonus	Share based payments	Total
	£	£	£	£
2019				
Executive Directors				
Majid Shafiq	270,833	-	319,333	590,166
Graham Heath	200,835	162,750	146,188	509,773
Neill Carson	-	110,000	-	110,000
Non-Executive Directors				
David Knox	60,000	–	-	60,000
Neill Carson	35,000	–	29,667	64,667
Richard Ames	45,000	-	29,667	74,667
Linda Beal	14,946	–	-	14,946
	626,614	**272,750**	**524,855**	**1,424,219**
2018	**Salary / Fees**	**Bonus**	**Share based payments**	**Total**
Executive Directors				
Neill Carson	311,989	-	-	311,989
Majid Shafiq	57,796	-	185,333	243,129
Graham Heath	135,000	-	33,213	168,213
Non-Executive Directors				
David Knox	60,000	–	-	60,000
Majid Shafiq	34,644	–	-	34,644
Neill Carson	10,356		18,533	28,889
Richard Ames	45,000	–	18,533	63,533
	654,785	-	255,612	910,397

10 Directors' remuneration - continued

No pension benefits are provided for any Directors (2018 - Nil).

The total amount of Directors' fees to the Non-Executive Directors, in 2019, in the amount of £116,216 (2018 - £150,000) had been accrued. The accrued Non-Executive Directors' fees were paid 1 April 2020.

11 Earnings per share

From continuing operations

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

	Year Ended 31 December 2019	Year Ended 31 December 2018
Earnings		
Earnings for the purposes of basic earnings per share being net loss attributable to owners of i3 Energy (£)	(10,851,177)	(1,959,802)
Weighted average number of Ordinary Shares	80,869,438	37,800,091
Loss for the purposes of diluted earnings per share (£)	**(0.13)**	(0.05)

The 31 December 2019 and 31 December 2018 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, they are not included in the above calculation of diluted earnings per Ordinary Share.

12 Exploration and evaluation assets (Intangible)

	Exploration and evaluation assets	**Total**
	£	**£**
As at 31 December 2017	3,879,859	3,879,859
Additions	1,826,787	1,826,787
As at 31 December 2018	5,706,646	5,706,646
Additions	40,820,987	40,820,987
As at 31 December 2019	46,527,633	**46,527,633**

13 Investment in subsidiaries

At 31 December 2019 the Company held 100% of the share capital of the following wholly owned subsidiary:

Company	Place of Business	Registered Office	% Ownership held	Nature of business
I3 Energy North Sea Limited*	England and Wales	New Kings Court Tollgate Chandler's Ford Eastleigh, Hampshire SO53 3LG	100	Exploration & Production

*Wholly owned subsidiary of i3 Energy plc.

13 Investment in subsidiaries - continued

	Investment in subsidiaries	Total
	£	£
As at 31 December 2018	145,700	**145,700**
Additions	–	**–**
As at 31 December 2019	**145,700**	**145,700**

14 Trade and other receivables

	As at 31 December 2019	As at 31 December 2018	**Parent Company As at 31 December 2019**	Parent Company As at 31 December 2018
	£	£	£	£
VAT receivable	289,573	148,862	9,148	–
Prepayments & other receivables	15,865	10,206	6,366	6,062
Total trade and other receivables	**305,438**	159,068	**15,514**	6,062

Other receivables are all due within one year.

Loans advanced from or to the subsidiary are unsecured, interest free and have no fixed repayment date, see note 20.

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.

15 Trade and other payables

	As at 31 December 2019	As at 31 December 2018	**Parent Company As at 31 December 2019**	Parent Company As at 31 December 2018
	£	£	£	£
Trade creditors	12,023,845	350,698	24,421	–
Accruals	6,180,907	682,270	163,160	265,684
Provision – Payment in Lieu (Leavers)	-	196,935	-	-
Total trade and other payables falling due within one year	**18,204,752**	1,229,903	**187,581**	265,684

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.

15 Trade and other payables - continued

On 2 July, 2019 the Company agreed with a supplier that £3,000,000 of oilfield service and oilfield equipment contract payments will not become payable until such time as i3 has received its first sales revenues from Liberator Phase I. This payable has been recorded as a non-current accounts payable.

16 Convertible loan notes

	£
Liability component at 31 December 2017	2,995,914
Issuance of convertible loan notes	-
CLNs Converted	(1,833,580)
CLNs Redeemed	(83,542)
CLN Interest Paid on Redemption	(29,240)
Interest charged	(450,692)
Foreign exchange	(7,298)
Liability component at 31 December 2018	591,562
CLNs Converted as part of Placement	(65,163)
Repayment convertible loan notes	(367,990)
Interest charged	(151,869)
Foreign exchange	(6,540)
Liability component at 31 December 2019	**-**

Net debt reconciliation

	Convertible loans £
Net debt as at 1 January 2018	**2,995,914**
(Decrease) through conversion and financing cash flows	(1,917,122)
(Decrease) through reversal/recognition of interest	(479,932)
Foreign exchange adjustments	(7,298)
Net debt as at 31 December 2018	**591,562**
(Decrease) through conversion and financing cash flows	(65,163)
(Decrease) through repayment and financing cash flows	(367,990)
(Decrease) through reversal/recognition of interest	(151,869)
Foreign exchange adjustments	(6,540)
Non-current accounts payable – Baker Hughes	3,000,000
Loan notes	13,046,184
Net debt as at 31 December 2019	**16,046,184**

17 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

17 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 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 on issuance 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. The fair value of the repayment option is nil at 31 December 2019.

17 H1 2019 Loan Note Facility - continued

Interest expense and accretion expense to 31 December 2019 was £1,226,637 and £1,194,731 respectively.

18 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 2016		**7,010,000**	**-**	**0.0001**	**-**	**701**	**-**	**-**
Issue of ordinary shares	30 Mar 17	1	-	0.0001	-	-	-	-
Issue of ordinary shares	17 Jul 17	9,489,999	-	0.0001	-	949	94,050	94,050
Issue of deferred shares	17 Jul 17	-	5,000	10.00	-	50,000	-	-
Issue of ordinary shares	18 Jul 17	9,190,892	-	0.0001	-	919	3,423,367	3,423,367
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
Issuance of ordinary shares	6 Dec 19	14,285,715	-	0.0001	-	1,429	4,998,571	4,998,571
As at 31 December 2019		**107,719,400**	**5,000**	**-**	**1,392,549**	**60,772**	**33,964,527**	**32,571,978**

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.

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

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.

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.

On 6 December 2019, 14,285,715 ordinary shares with a nominal of £1,429 were issued at a price of £0.35 per share as part of an equity issuance managed by Bybrook Capital LLP.

19 Share based payments

During the year the Company had share based payment expense of £3,116,995 (2018 - £540,623).

Share Options

During the year the Company had share based payment expense relating to the issuance of share options of £1,205,722 (2018 - £540,623).

The following share options were issued during the year and £670,933 (2018 - £540,623) of share-based payment expense relates to the 20 March 2019 vested share options which was calculated using the Black Scholes method:

	Weighted Avg Price (pence)	Number	Exercise Price (pence)	Vested Share Options	Share price at grant (pence)	Weighted Avg Term (years)	Value
20 Mar 2019	0.395	5,920,000	0.395	1,973,331	0.385	10	0.556
11 Oct 2019	0.395	100,000	0.395	-	0.215	10	0.183
8 Nov 2019	0.350	2,142,859	0.35	-	0.345	10	0.556
TOTAL		8,162,859		1,973,331			

In the Black Scholes model the inputs were stock price of £0.385 (2018 – £0.635), exercise price of £0.395 (2018 – £0.635), time to maturity of 10 years

19 Share-based payments - continued

(2018 - 10 years), Volatility as 98% (2018 – 94.62%), and the Risk-Free Interest Rate as 1.177% (2018 – 1.665%).

On 12 October 2019, 912,609 share options, issued on 12 October 2018, vested and the cost of £534,789 was calculated using the Black Scholes method. In the Black Scholes model the inputs were stock price of £0.215, exercise price of £0.395, time to maturity of 9 years, Volatility as 98%, and the Risk-Free Interest Rate as 1.177%.

Other Share Based Payments

During the year the Company had share based payment expense relating to the issuance of warrants of £1,911,273 (2018 - Nil).

	Weighted Avg Price (pence)	Number	Exercise Price (pence)	Vested Warrants	Share price at grant (pence)	Weighted Avg Term (years)	Value
18 Sept 2019	0.275	5,021,313	0.5685	5,021,313	0.275	2	0.090
08 Nov 2019	0.385	8,000,000	0.4000	8,000,000	0.385	2	0.171
06 Dec 2019	0.190	1,503,798	0.4000	1,503,798	0.190	2	0.062
TOTAL		14,525,111		14,525,111			

GE Oil & Gas UK Limited

On 18th September 2019, as part of an agreement announced 2nd July 2019, the Company issued 5,021,313 warrants to subscribe for Ordinary Shares in the Company at an exercise price of £0.5685 per ordinary share to GE Oil and Gas UK Limited. The warrants relate to deferred payments for Oilfield Service contracts entered into between i3 and Baker Hughes.

In the Black Scholes model the inputs were stock price of £0.275 (2018 - Nil), exercise price of £0.5685 (2018 - Nil), time to maturity of 2 years (2018 - Nil), Volatility as 96% (2018 – Nil) and the Risk-Free Interest Rate as 0.4635% (2018 – Nil) for a share based payment expense of £452,420.

Bybrook Work Fee

The Company announced on 29 October 2019 that it was obligated to enter a reserve-based lending facility by no later than December 2019 to remain in compliance with the terms of its Loan Notes. The Majority Noteholders agreed to extend the date by which the Company must enter an RBL or find an alternative means of funding to achieve first oil from its assets to 30 April 2020. For their previous and ongoing work and allocation of resources to structure and support the Company's funding requirements as it undertook a large-scale drilling programme, the loan note holders were issued 8,000,000 warrants on 8 November 2019 and 1,503,798 warrants on 6 December 2019 to subscribe for ordinary shares in the Company at an exercise price of £0.40 per ordinary share.

19 Share-based payments - continued

In the Black Scholes model, for the warrants issued on 8 November 2019, the inputs were stock price of £0.385 (2018 - Nil), exercise price of £0.40 (2018 - Nil), time to maturity of 2 years (2018 - Nil), Volatility as 102% (2018 – Nil) , and the Risk-Free Interest Rate as 0.5271% (2018 – Nil) for a share based payment expense of £1,366,353.

In the Black Scholes model, for the warrants issued on 6 December 2019, the inputs were stock price of £0.19 (2018 - Nil), exercise price of £0.40 (2018 - Nil), time to maturity of 2 years (2018 - Nil), Volatility as 119% (2018 – Nil) , and the Risk-Free Interest Rate as 0.5449% (2018 – Nil) for a share based payment expense of £92,500.

EMI Options

The Company operates an Employee Management Incentive (EMI) share option scheme. Grants were made as set out below on 14th April 2016 and 6th December 2016. The scheme is based on eligible employees being granted EMI options. The right to exercise the option is at the employee's discretion for a ten-year period from the date of issuance. 500,000 options are exercisable at a price equal to £0.11 per share respectively. As the Options may be exercised at any time, the vesting period is deemed to be immediate. If the options remain unexercised after a period of ten years from the date of grant the options expire. Employees who leave i3 Energy have 60 days to exercise the Options prior to them being forfeited.

	Number of share options	Weighted average exercise price (in £)
As at 31 Dec 2018	500,000	0.11
Granted during the year	–	–
Forfeited during the year	–	–
Exercised during the year	–	–
Expired during the year	–	–
Outstanding at the end of the year	**500,000**	0.11
Exercisable at the end of the year	**500,000**	0.11

The options outstanding at 31 December 2019 had a weighted average exercise price of £0.11 (Dec 18 - £0.11), and a weighted average remaining contractual life of 6.92 years.

20 Related party transactions

The Company had the following related party transactions:

a During the year ended 31 December 2019, two Non-Executive Directors, Neill Carson (served as Executive Director until 7 October 2018 and a Non-Executive Director thereafter) and Richard Ames, held convertible loan notes in the amounts of £112,782 (2018 - £112,782) and £150,780 (2018 - £156,620) respectively. The loan notes were settled on 4 April 2019 and 8 April 2019, respectively.

b During the year the Company provided funds amounting to £24,592,137 for total funds provided to date of £33,876,085 (2018 - £9,283,948) to its subsidiary and received funds in the amount of £1,095,276 (2018 - £1,248,058) during the year for total funds received to date of £2,343,334 from its subsidiary. The total net receivable during the year from its subsidiary was £23,496,861 with total funds receivable at 31 December 2019 of £31,532,751 (2018 - £8,035,890).

20 Related party transactions - continued

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

Remuneration of Key Management Personnel

Directors of the Company are considered to be Key Management Personnel. The remuneration of the Directors is set out in note 10.

21 Financial instruments and capital risk management

Financial Risk Management

Financial Risk Factors

The Group's activities expose it to a variety of financial risks; market risk (including foreign currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Board of Directors under policies approved at Board meetings. The Board frequently discusses principles for overall risk management including policies for specific areas such as foreign exchange.

a Market Risk

i Foreign Exchange Risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UK pound sterling and the US dollar. Foreign exchange risk arises from recognised monetary assets and liabilities (USD bank account) where they may be denominated in a currency that is not the Group's functional currency.

The exposure to this risk is not considered material to the Group's operations and thus the Directors consider that, for the time being, no hedging or other arrangements are necessary to mitigate this risk.

On the assumption that all other variables were held constant, and in respect of the Group and the Company's expenses the potential impact of a 1% increase / decrease in the UK Sterling: US Dollar Foreign exchange rate on the Group's loss for the year and on equity is not material and therefore has not been shown.

b Credit Risk

Credit risk arises from cash and cash equivalents.

The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk. The Group will only keep its holdings of cash with institutions which have a minimum credit rating of 'A'.

The Group considers that it is not exposed to major concentrations of credit risk.

The Group holds cash as a liquid resource to fund its obligations. The Group's cash balances are held in Sterling and US Dollar. The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's

21 Financial instruments and capital risk management - continued

expenditure. This is achieved by regular monitoring of interest rates and monthly review of expenditure forecasts.

c Liquidity Risk

To date the Group has relied upon equity funding to finance operations. The Directors are confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

The Group ensures that its liquidity is maintained by a management process which includes projecting cash flows and considering the level of liquid assets in relation thereto, monitoring Balance Sheet liquidity and maintaining funding sources and back-up facilities.

Fair Value Estimation

The following table presents the Group's financial asset and financial liabilities that are measured at fair value at 31 December 2019.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Fair value measurements

To estimate fair value of the risk management contracts, the Company uses quoted market prices when available, or industry accepted third-party models and valuation methodologies that utilise observable market data. In addition to market information, the Company incorporates transaction specific details that market participants would utilise in a fair value measurement, including the impact of non-performance risk. The Company characterises inputs used in determining fair value using a hierarchy that prioritises inputs depending on the degree to which they are observable. However, these fair value estimates may not necessarily be indicative of the amounts that could be realised or settled in a current market transaction.

The three levels of the fair value hierarchy are as follows:

- Level 1 – inputs represent quoted prices in active markets for identical assets or liabilities (for example, exchange-traded commodity derivatives). Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly, as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, market interest rates, and volatility factors, which can be observed or corroborated in the marketplace.
- Level 3 – inputs that are less observable, unavailable or where the observable data does not support the majority of the instruments fair value.

In forming estimates, the Company utilises the most observable inputs available for valuation purposes. If a fair value measurement reflects inputs of different levels within the hierarchy,

21 Financial instruments and capital risk management - continued

the measurement is categorised based upon the lowest level of input that is significant to the fair value measurement.

All financial assets are classified as loans and receivables and are accounted for on an amortised cost basis. All financial liabilities are classified as other liabilities. The carrying amount of the other financial assets and liabilities approximates the fair value due to its short maturities.

Fair value measurements recognised in the statement of financial position

	Level 1	Level 2	Level 3	2019 Total
	£	**£**	**£**	**£**
Financial liabilities at FVTPL				
Financial liabilities designated at FVTPL	–	13,046,184	-	13,046,184
Total	–	13,046,184	-	13,046,184

There were no transfers between Level 1 and 2 during the current or prior year. Trade and other receivables and trade and other payables are held at approximate fair value therefore the financial instruments noted above do not require fair value disclosure.

The Company's convertible Loan Notes were issued in both GBP and USD. The Loan Notes issued in USD are subject to the FX fluctuation between the USD and GBP rates and can impact the fair value reported in GBP. All convertible Loan Notes were paid in full in April 2019.

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to position as a going concern and to continue its exploration and production activities. The Group has debt of £34,250,936 as at 31 December 2019 (2018 - £1,821,465) and has capital, defined as the total equity and reserves of the Group of £31,659,278 (2018 - £4,655,225).

The group monitors its level of cash resources available against future planned exploration and evaluation activities and may issue new shares in order to raise further funds from time to time.

22 Commitments

	2019	2018
Future aggregate minimum lease payments	**£**	£
Not less than one year	45,000	45,000
Later than one year but not later than five years	56,250	101,250
Total lease commitment	**101,250**	**146,250**

On 1 April 2017, I3 Energy North Sea Limited, at that time i3 Energy Limited, entered into a 5-year lease agreement to rent space. The lease expires in April 2022.

22 Capital commitments - continued

As at 31 December 2019, the Company had cancellation exposure to certain long-lead items for its Liberator development totalling £3,959,781 (2018 - £5,817,612). As at 30 June 2020 the Company's cancellation exposure for long-lead items was £3,959,781 (2018 - £6,593,284).

23 Ultimate controlling party

There is no ultimate controlling party of i3 Energy plc.

24 Events after the reporting period

On 2nd January 2020, the Company announced a corporate and funding update.

Well and fluid data from the Serenity 13/23c-10 discovery well encountered sweet, 31.5° API crude in 11 feet of upper Captain oil-bearing sands confirming the strong commercial potential of the Serenity area. Though Liberator wells 13/23c-9 and 13/23c-11 did not meet the Company's expectations, post-drill mapping of the entire Liberator structure still shows significant in place resources in the Liberator West and Minos High areas. With the highly successful Serenity discovery and remaining potential at Liberator, the Company is planning a multi-well appraisal programme and conducting a farm down process of its licences to potentially fund that drilling campaign.

The Company issued 2,816,739 warrants to subscribe for Ordinary Shares at an exercise price of 56.85 pence per Ordinary Share to GE Oil & Gas UK Limited ("GE UK"), in addition to the 2,204,574 issued to GE UK in October 2019. These warrants relate to deferred payments for Oilfield Service ("OFS") contracts entered into between the Company and Baker Hughes. To 30 November 2019, Baker Hughes had performed and invoiced the Company for £3,000,000 worth of oilfield services. GE UK can exercise the warrants via cash settlement or in exchange for payments due to Baker Hughes under OFS contracts with the Company.

On 7th February 2020, the Company provided a Board update where it announced that Linda Beal would become the interim Chairperson of the company, replacing David Knox. After nearly 3 years as the Chairperson of the Board, David stepped down to pursue another role in the renewable energy sector in Australia. The Company also announced plans to list its shares on a secondary exchange, for administrative reasons related to the Company's Loan Notes issued 31st May 2019.

On 19th March 2020, the Company entered into a drilling contract with Dolphin Drilling Limited ("Dolphin") to utilise either the Borgland Dolphin or Blackford Dolphin semi-submersible drilling rig for a minimum 82-day programme which was due to commence not later than 1st September 2020 or as otherwise agreed between the parties. The contract was conditional on the Company confirming availability of funds to satisfy its obligations under the contract, 90 days prior to drilling commencement. The Company also agreed that Dolphin could earn up to a 10% economic interest in Block 13/23c via a Net Revenue Sharing Agreement in exchange for Dolphin forgoing its drilling contract profit margin above its opex, up to a maximum amount of US$14.4 million (the "Dolphin Commitment"). Accordingly, the Dolphin Commitment would cover approximately 22% of the total expected gross drilling costs. Under the terms of the drilling contract, i3 was to notify Dolphin not later than 90 days prior to 1st September 2020 that it had sufficient financial capacity to fund the minimum 82-day drilling programme. i3 was not in a position to do so on 1st June 2020. The

24 Events after reporting period - continued

parties remain in discussion on the potential timing of future drilling at the Company's UK licences.

On 30th March 2020, the Company announced that it had entered into an Option agreement to acquire all the issued and outstanding common shares of Toscana Energy Income Corporation ("Toscana" or "TEIC"), a TSX listed oil and gas corporation with assets in the Western Canadian Sedimentary Basin ("WCSB") in Alberta and Saskatchewan, Canada (the "Option"). Upon the Company's exercise of the Option, Toscana shareholders will be offered up to 4,399,224 i3 shares for TEIC's entire share capital, representing dilution of approximately 4% to the Company's current shareholders and having a market value at March 27th of approximately C$0.55 million. The Company also announced that on March 27th it had purchased the rights and interests in Toscana's senior and junior debt facilities (which were in default). The Company acquired Toscana's C$24.8 million senior facility for C$3.0 million and its C$3.2 million junior facility for C$0.4 million, with cash consideration for each being paid 50% up front and 50% at year-end. The total aggregate consideration being paid by the Company for TEIC's debt and equity totals approximately C$3.95 million. Upon completion of the transaction with Toscana, the Company intends that its enlarged share capital would also be listed on the TSX, satisfying the Company's obligation under its existing Loan Notes to seek a secondary listing for its shares.

On 1st May 2020, the Company announced an update relating to the Development Funding Long-stop date of its Loan Note facility. On 8th November 2019, the majority noteholders had agreed to extend the date by which the Company was required to enter into a reserve-based lending facility or find an alternative means of funding to achieve first oil from the Liberator field, to 30th April 2020. i3 was not in a position to enter into such a facility by 30th April, but the Company remained in discussion with all noteholders to waive this condition.

On 23rd June 2020, the Company announced that the obligation to enter into a development facility for Liberator by a certain date (30th April 2020 – the Development Funding Long-stop Date) had been waived. A new Corporate Development Long-stop Date has been set for 30th September 2020 prior to which the Company has to achieve one of the following Corporate Development Long-stop Conditions:

- Secure firm irrevocable commitments for a minimum of £15 million 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 at 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.

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

As part of the above Loan Note restructuring, all warrants associated with the Loan Notes had their strike prices reset to the nominal value of i3 shares (£0.0001/share). The Loan Note Instrument amendments include the requirement that the currently outstanding i3 management options be cancelled and replacement options 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.

On 23rd June 2020, the Company announced that it had exercised the above-mentioned Option to acquire all of the issued and outstanding common shares of Toscana Energy

24 Events after reporting period - continued

Income Trust, a TSX-listed oil and gas company. Upon completion, i3 will also be listed on the Toronto Stock Exchange, thereby satisfying a requirement under the Company's Loan Notes to obtain a listing on an HMRC-recognized exchange, which AIM is not. Under the Loan Notes, i3 was to apply for this additional listing not later than 28th February 2020 and have admitted to that secondary exchange not later than 30 April 2020.

Also on 23rd June 2020, the Company announced that it had entered into a non-binding letter of intent to acquire a package of producing Canadian oil and gas assets (the "Proposed Assets"). In 2019, the Proposed Assets produced at over 10,000 boepd and generated over US$34 million in field netback from multiple, low-decline, long-life, light oil and gas fields. Upon completion, the proposed transaction would add 2019 year-end reserves of over 25 MMboe PDP and over 65 MMboe 2P to i3's portfolio. The total consideration to be paid for the Proposed Assets under the letter of intent is just under US$60 million, representing approximately 1.7x 2019 field netback and approximately 2x that forecasted for the next 12 months, ~US$5,500/boepd, and ~US$0.85/boe of 2P reserves. The proposed transaction would be a reverse take-over under the AIM Rules for Companies and, at i3's request, the Company's shares were suspended from trading on AIM until i3 either publishes a "Readmission Document" detailing the proposed acquisition or provides confirmation that discussions have ceased.

On 3rd 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 aforementioned Proposed Assets (the "Gain Assets"). In Q4 of 2019, the Gain Assets 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 Assets produced ~US$34 million in field EBITDA (revenues minus royalties, opex and transportation) 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 include 174k net developed acres and 186k net undeveloped acres of land.

Further specifics and updates regarding the Gain transaction and other matters will be released as part of i3's Readmission Document when published.

<u>COVID-19</u>
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.

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