Company registration number: 06409712

InfraStrata plc

Annual Report &
Financial Statements
2016

Table of Contents

Directors, secretary, advisors and shareholder information

Directors	Kenneth Maurice Ratcliff *(Non-executive Chairman)* Stewart McGarrity *(Joint Managing Director)* Anita Elizabeth Gardiner *(Joint Managing Director)* Andrew David Hindle *(Non-executive Director)* Maurice Edward Hazzard *(Non-executive Director)*
Company secretary	Walter Rookehurst Roberts
Registered office	Blackstable House Longridge Sheepscombe Stroud Gloucestershire, GL6 7QX
Auditor	Nexia Smith & Williamson Statutory Auditor 1 Bishops Wharf, Walnut Tree Close Guildford Surrey, GU1 4RA
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Registrars	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent, BR3 4TU
Nominated advisor and broker	Allenby Capital Limited 3 St Helen's Place London, EC3A 6AB
Solicitors	Fieldfisher LLP Riverbank House 2 Swan Lane London, EC4R 3TT
Bankers	Bank of Scotland plc 33 Old Broad Street London, EC2N 1HZ

Chairman's Statement

Following a strategic review in the second half of 2015, InfraStrata has now completed the disposal of almost all of its exploration assets and, whilst continuing to act in an administrative capacity until the transfer of responsibility to operate certain licences has been completed, we will make no further financial commitments in respect of exploration activities going into 2017. As previously announced, the entire focus of InfraStrata will be on delivery of value to shareholders through the realisation of our gas storage project at Islandmagee.

Our last significant exploration activity was the drilling of the Woodburn Forest-1 well on licence PL1/10 for which we completed the funding in January 2016. Drilling took place in May and June 2016, and whilst the drilling operations reached the intended objectives no significant hydrocarbons were encountered and the well was plugged and abandoned. InfraStrata was fully carried for the costs of the well and also secured very important contributions to our cash flow requirements for 2016. These included £300,000 from Corallian Energy Limited as proceeds for an interest in licence PL1/10, which was conditional on the well being funded, the recovery of £252,481 of costs already incurred on the well under the associated farmout agreements and the operator overheads recovered. It is unfortunate that the well was not a success for InfraStrata and its joint venture partners, but these funds were in any event crucial to the continuation of our programme of work on the Islandmagee gas storage project.

At Islandmagee, the feasibility phase of the project was completed via a salt core well programme in late 2015, and during 2016 we worked closely with our advisors to explore options for monetisation of our interest in the project. These options included direct investment into the project by third parties, risk sharing with contractors and the potential sale of the entire project to a third party. The outcome of this exercise was a decision by the Board that best value would be secured for our shareholders by taking the project through its next phase, the Front End Engineering and Design ("FEED"), whilst concurrently embarking upon a commercialisation process. The purpose of this approach would be to add sufficient certainty with regard to revenues, including contracted revenues where possible, in order to support the overall project financing requirements necessary to seek to achieve a Final Investment Decision (FID) prior to commencing full construction.

This decision was taken against a background where our long held views of the project's viability have recently been supported by positive changes in the fundamentals of the gas storage market as reflected in the Competent Person Report on the project and the market potential announced in October 2016 and available on the Company's website.

Approximately half of the required funding for the £6 million FEED and commercialisation programme, to be completed during 2017 subject to timely receipt of the necessary funding, was secured by a further EU grant towards the FEED itself and loans from the selected FEED contractors. The grant from the EU under the Connecting Europe Facility is for up to 50% of the cost of FEED and insitu downhole testing up to a maximum of €4.024 million. The loans from the selected FEED contractors, of in aggregate up to £1.1 million based on a total anticipated engineering budget of £4 million, will be secured on the assets of Islandmagee Storage Limited and will be repayable with interest when the FID decision is made, or on 31 December 2018, whichever is earlier. Both the EU grant and contractors loans are conditional upon securing the balance of funding required for the FEED.

Baron Oil plc has agreed to provide the Company with a secured working capital loan facility of up to £300,000, sufficient to meet InfraStrata's minimum level of corporate costs to the end of 2017 on a care and maintenance basis. Further details of this loan and its terms can be found in note 29 to the financial statements. As of the date of this report we are seeking the balance of the funding required, £3.0 million, to complete the FEED and commercialisation programme, as well as to repay the new Baron Oil loan. The directors anticipate that this additional funding can be secured through an equity fundraising in the first quarter of 2017. However the success of such fundraising cannot be guaranteed.

It is proposed that the Company's ordinary share capital be restructured to a par value of 0.01p at the forthcoming AGM (the "Share Capital Reorganisation") to facilitate access to the equity markets, given that the Company's ordinary shares are currently trading on AIM below the current par value of 1p. Further details of the Share Capital Reorganisation can be found in the letter from the Chairman with the Notice of Annual General Meeting which accompanies this Annual Report.

We have made significant progress towards restructuring our business in preparation for our work programme in 2017, including restructuring the interest of Mutual Energy Limited ("Mutual") in the project such that our own interest in the project has now increased from 65% to 90%. We are delighted that Mutual continues to be committed to this strategically important project. We are in the process of restructuring the teams at InfraStrata and Islandmagee Storage Limited over the coming months, to match the skill requirements for the next phase of the project, as well as to appoint necessary advisers and technical consultants. The Board of InfraStrata will be geared towards regulatory and corporate governance matters, with a focus on securing the funds to develop the project. As part of this focus and to further reduce corporate overheads, InfraStrata will re-locate to Belfast in January 2017, with all of its resources being dedicated to the project. Andrew Hindle has stepped down from his role as CEO of InfraStrata effective 1 January 2017, but remains a Non-Executive Director of the Company. Andrew, a Chartered Geologist, will continue to advise on the project in a technical capacity. Stewart McGarrity and Anita Gardiner became Joint Managing Directors effective 1 January 2017, bringing vital and complementary skills required for the execution of the next phase of the project.

Chairman's Statement

I would like to thank Andrew Hindle for his commitment and dedication to the development of InfraStrata's projects over many years and in very difficult market conditions. We look forward to Andrew's continued substantive involvement on the Islandmagee project and to the continued dedication of the other members of our management team as we renew our focus on securing best value from the Islandmagee gas storage project.

Ken Ratcliff
Non-executive Chairman, 5 January 2017

Strategic Report

STRATEGY AND BUSINESS MODEL

Strategic review and divestment of exploration assets

In the second half of 2015 we implemented a strategic review which resulted in the divestment of most of the Group's exploration and evaluation assets. This was in response to a very difficult market in which to secure new funding for our exploration activities, following the very significant fall in oil prices since the summer of 2014, and with upcoming commitments in 2016 the Board determined that a cash consideration and a retained interest in the assets represented the best outcome for shareholders.

In November 2015 we entered into Sale & Purchase Agreements ("S&P Agreements") to sell substantially all of the Group's oil and gas exploration interests, including its interest in its two associates, to two newly formed special purpose vehicles Corallian Energy Limited ("Corallian") and its subsidiary Osmington Holdings Limited ("Osmington"). The initial disposal, covering the Group's UK oil and gas exploration interests and the two associates, Brigantes Energy Limited ("Brigantes") and Corfe Energy Limited ("Corfe") resulted in an immediate cash inflow of £240,000. The Group also retained a Net Profits Interest ("NPI") in the licences and the former associates. Following this disposal, the Group now has no exposure to any future exploration costs, including cost overruns, in these assets, but, through the NPIs, will participate in any future profits. The second disposal of a 10% interest each in licences PL1/10 and P2123 was completed in February 2016 following the completion of the funding for the Woodburn Forest-1 Well on Licence PL1/10, generating a further cash inflow of £300,000.

InfraStrata's business going forward

The focus of InfraStrata's business is now the Islandmagee Gas Storage Facility (currently 90% owned) where we have completed the feasibility study phase for the project and now turn to readying the project for full development through progressing its Front End Engineering and Design ("FEED") and the necessary steps towards a full financing of the project.

We have a retained 10% interest in each of licences PL1/10 and P2123 but will not make any further commitments to incur costs on these licences and seek to transfer our interests and operatorship to other parties as soon as practicable. Our NPI instruments in licences P1918, P2222 and P2235 together with NPI interests in Brigantes and Corfe also provide upside in the underlying exploration activities in the event of successful exploration, but without a commitment to pay exploration costs on the assets disposed of.

KEY PERFORMANCE INDICATORS

Key performance indicators ("KPIs"), both financial and non-financial, are used by the Board to monitor progress against predetermined objectives and our strategy:

Objective	Definition	KPIs
We endeavour to develop projects in accordance with project schedules	Predetermined and agreed project development schedules adhered to including submission of planning applications	Delivery of projects to sensible time schedules. Submit and achieve planning permission approvals in a cost effective and timely manner
We aim to manage Group working capital prudently	Management and control of working capital ensuring liquidity as is necessary	Management of working capital to ensure liquidity to develop projects as planned in development schedules

The KPIs are reported at Board meetings. Measurement entails analysing variance between expected and actual progress, financial position and financial performance. Relevant performance measures since our last annual report include:

- Completed strategic re-positioning in light of challenges to funding exploration commitments – delivery of divestment of most of exploration assets for a cash consideration plus carried interests.
- Conclusion of formal grant agreement with European Commision for 50% of the cost of the Front End Engineering and Design for the Islandmagee gas storage project.
- Operated the drilling of the Woodburn Forest-1 exploration well on licence PL1/10.
- Implementation of further changes to company project management and administration to reflect a Group focussed on the Islandmagee gas storage project.

Strategic Report

OPERATIONAL REVIEW – ISLANDMAGEE GAS STORAGE PROJECT

Outline

Islandmagee Storage Limited ("IMSL") is a Northern Ireland registered company and is a joint venture between InfraStrata UK Limited ("IS-UK") a wholly-owned subsidiary of InfraStrata and Moyle Energy Investments Limited ("Moyle"), part of the Mutual Energy group of companies.

In September 2016 we announced that we had increased our interest in the project from 65% to 90% effected by the issue of new shares in IMSL which reduced Moyle's interest from 35% to 10%. The transaction will mean that at Final Investment Decision ("FID") Moyle will no longer have to advance IMSL approximately £2 million plus interest to enable IMSL to partially repay shareholders loans paid to date by IS-UK.

IMSL plans to create seven caverns, capable of storing up to a total of 420 million cubic metres of gas in Permian salt beds approximately 1,400 metres beneath Larne Lough. The project has a number of advantages, including being immediately adjacent to gas and electrical infrastructure, the salt being at an optimum depth for gas storage and close to a water source for solution mining of the salt to create the caverns. The project is also designed to access the extrinsic value of the gas storage market in the UK and Ireland by being able to respond to short-term volatility. We believe that no other location on the island of Ireland is as suitable for the development of salt cavern gas storage; Northern Ireland has a valuable geological asset, which, when developed for underground salt cavern gas storage should make a significant contribution towards security of gas supplies to the wider region, including the north and south of the island of Ireland and mainland Great Britain.

Ireland is dependent on gas for around 40% of its electricity generation, with the majority of the island's gas imported via a single pipeline from Scotland. The Islandmagee facility, when complete, is intended to store enough gas to satisfy Northern Ireland's current demand for around 50 days.

In October 2016 we announced the publication of a competent person report (the "CPR") on the gas storage market in the UK and a review of the revenue assumptions for InfraStrata's economic model of the Islandmagee gas storage project by The Energy Contract Company ("ECC"), a leading commercial consultancy in the global oil and gas industry. The full report titled "The gas storage market in the UK and review of revenue assumptions in economic model for the Islandmagee gas storage project" is available on the Company's website, www.infrastrata.co.uk, with a summary of its findings below.

The revenue model for the project was based on assumptions of volatility and summer-winter price spreads by Baringa Partners ("Baringa"), an independent business and technology consultancy, for InfraStrata. ECC concluded that the underlying assumptions in the Baringa model are reasonable.

This revenue model formed the basis for InfraStrata determining the project's cashflow over a 20 year period. InfraStrata's economic model assumes a capital expense and pre-operations operating expense of £308m in aggregate, utilising 65% debt. InfraStrata has estimated the net present value (NPV) of the project to be £67m at an 8% discount rate and £38m at a 10% discount rate. ECC did not review these NPV estimates.

The executive summary points in the CPR are as follows:

- Most gas sold in the UK is used for space heating, so demand has always varied significantly from day to day, due to temperature variations. In future these short term variations in demand should become significantly greater. UK Government energy policy now emphasises the need to replace power generation from fossil fuels with electricity generated from renewable sources, such as wind. As wind is not consistent, gas fired generation will have to make up any deficit. Short term gas demand levels will therefore vary increasingly, depending on whether the wind is blowing or not.

- Many traditional means of meeting peak gas demand such as swing from offshore fields and interruptible gas sales contracts have almost disappeared to be replaced by other sources of peak supply, such as pipeline gas imports from the rest of Europe and LNG imports. However, there are drawbacks to reliance on these sources in future. Historic data shows gas suppliers in the rest of Europe are reluctant to supply the UK in cold winter conditions, if it means that they might be risking their own supply requirements. There are also problems with LNG as a source of peak gas, as the long-time lags for the delivery of LNG cargoes mean it is difficult for LNG producers and traders to react to short term high prices in the UK market, which might have collapsed by the time a cargo arrives in the UK.

- In continental Europe the traditional means of supplementing gas supplied to meet peak demand was through the use of gas storage, which remains much less common in the UK. Gas storage levels in the UK are very low compared to the rest of Europe. Average UK storage capacity is only equivalent to 6.4% of annual demand in the UK compared to 25-35% in the other major European markets.

OPERATIONAL REVIEW – ISLANDMAGEE GAS STORAGE PROJECT (CONTINUED)

- The situation in the UK has been exacerbated by recent technical problems on the Rough storage facility, which has severely restricted injection this summer. There have also been problems on the Hornsea storage facility. Both Rough and Hornsea, which account for almost 75% of UK gas storage capacity, are now over 30 years old and their continuing availability in the longer term must be subject to some doubt.

- The cessation of injection at Rough this summer seems to have led to a surge in price volatility from late August onwards. From October 2013 to July 2016 the Short term Gas Volatility Index averaged 34%. However in the last month or so this has more than trebled to 126%. This surge in volatility has potentially great significance for the Islandmagee project. Salt cavern storage projects such as Islandmagee depend on short term volatility to enable the users to gain from injecting gas on low price days and producing later on when prices have risen. The greater the volatility the more profitable the project.

- Overall the conclusion is that as a result of increased use of renewable generation, gas demand will become even more variable on a short term basis in future. The existing means of meeting this variation in demand may well be inadequate in future, so price volatility is likely to increase, perhaps significantly.

The strategic importance of the Islandmagee gas storage facility is recognised by the project being awarded Project of Common Interest (“PCI”) status by the European Union. This status was first awarded in November 2013 and reconfirmed in November 2015 for a further two years. PCI status also means that the project benefits from accelerated permitting procedures and improved regulatory conditions making it more attractive to investors. In addition, a PCI can apply for significant financial support from the European Union’s Connecting Europe Facility (“CEF”) including grants for both studies and works. A budget of €5.35 billion has been allocated under CEF for 2014-20 for PCI projects. Assistance may be in the form of direct grant or other forms of financial backing from institutions such as the European Investment Bank. As detailed below, the project has already received grant assistance for the 2015 salt core well programme and for the forthcoming FEED programme to be undertaken in 2017.

To date over £11 million has been expended on the project, to acquire 3D seismic data, drill a well to acquire salt cores, undertake engineering design work, acquire rights on the full land assembly, and obtain planning permission and other consents required to construct the project.

<u>Salt Core Well programme</u>

During 2015 a data gathering well (Islandmagee-1) was successfully drilled to a total depth of 1,753 metres, obtaining wireline data and cores of the 185.8 metre Permian salt sequence encountered. Core samples were sent to Germany to undertake laboratory analyses and the test results on the salt cores and rock mechanics have now been incorporated into the subsurface and surface facility preliminary design and cost estimates for the project have been updated. This £3.8m programme of work was co-funded by a €2.5 million grant from the CEF. The overall results from the technical programme of work were positive and the objective to confirm the feasibility of the development of an underground gas storage facility in salt caverns in this location was met.

In May 2015 the Company concluded a Convertible Loan Facility Agreement with Baron Oil Plc (“Baron”) under which Baron provided a loan for €1.8 million (£1.4 million) to InfraStrata which was used as working capital to bridge the receipt of the CEF grant, 70% of which amounting to €1.75 million (£1.3 million) was due upon completion of the work and application for the balance. The balancing €1.75 million grant monies were received from the EU in May 2016 and placed into an escrow arrangement as security for the loan. In August 2016 the loan was repaid in full by release to Baron of the €1.75 million (£1,358,063) then held in escrow, a payment of €50,000 (£42,301) and a further payment of €160,904 (£136,134) for the interest on the loan at a fixed rate of 8% up to the effective repayment date of 1 August 2016.

Baron had an accompanying option to convert the entire balance of the loan into an equity participation of 15% of the share capital in IMSL. Under the terms of an amendment to the loan agreement in August 2016 Baron’s option could be exercised until 31 March 2017 for a payment of £1,536,498, equivalent to the capital and interest repaid on the loan. On 26 September 2016 we announced that the option has been further revised, so that Baron now has an option to acquire the number of ordinary shares of 1p in InfraStrata that represents 16.666% of the enlarged ordinary share capital of InfraStrata (from time to time) for a payment of £1,536,498, until 31 March 2017. Exercise of the option in full is conditional on InfraStrata having the requisite authorities under the Companies Act 2006 to issue new ordinary shares in the Company. This is part of an ongoing programme of re-structuring of the Company, as it seeks to focus entirely on the Islandmagee gas storage project.

Strategic Report

OPERATIONAL REVIEW – ISLANDMAGEE GAS STORAGE PROJECT (CONTINUED)

<u>2016 Monetisation process</u>

During 2016 the Company organised an extensive monetisation process through Centrus Advisors LLP and VSA Capital Ltd, both having been appointed in March 2016. A wide range of options were explored, from investment into the project alongside the EU grant, risk sharing with contractors, or the sale of the entire project to a third party.

As a result of the feedback from this process, together with the positive changes in the fundamentals of the gas storage market and the supportive CPR announced in October 2016, the Board decided to restructure the Company's business with the goal of attracting the remaining risk capital required to take the project through to FID. The restructuring has included increasing InfraStrata's equity position from 65% to 90% in IMSL and seeking to divest all the Company's other remaining business interests, as announced in September 2016.

As part of a commercialisation process to run alongside the FEED in 2017, InfraStrata will seek to secure contracts for storage capacity to support further project finance. During the monetisation process, the Company had a number of discussions regarding the project with interested parties. The feedback at that time with respect to investment in gas infrastructure was that it would be preferable for the FEED to be completed and for the project to have sufficient certainty with regards to revenues, including pre-contracted revenues where possible, in order to support the additional project finance that would be required.

<u>2017 FEED and commercialisation programme</u>

The next phase in the development of the project comprises the closely interrelated work streams associated with the FEED (including associated insitu downhole testing) and the commercialisation process running concurrently with the FEED to secure capacity contracts to support project finance.

In June 2016 we announced that we had concluded a further grant from the EU under the CEF for 50% of the cost of FEED and insitu downhole testing up to a maximum of €4.024 million. An advance payment of 40% of the maximum grant amounting to €1.6 million was received in July 2016 and has since been held in a Euro denominated bank account pending completion of the remaining 50% funding required to both match the grant for FEED and also to complete the commercialisation programme during 2017.

On 3 November 2016 we announced that following the completion of a tendering process, the Company had selected FEED contractors for the project's above-ground facilities and for the sub-surface elements. The FEED will include a detailed plant design specification for the project, a detailed project plan and cost estimate. Both the FEED contractors have an international reputation and have experienced working on many of the existing salt cavern storage projects in the UK.

Both FEED contractors will provide loans in aggregate of up to £1.1m based on a total anticipated engineering budget of £4m. These loans, which are subject to contracts being agreed and upon InfraStrata securing the remaining funding for the FEED, will be repayable at the Final Investment Decision ("FID"), when a decision will be made whether to proceed to construction, or on 31 December 2018, whichever is earlier. The loans will be secured on the assets of IMSL and attract interest at 10 per cent. per annum, which will be rolled up and paid on the loan repayment date. These will be repayable at the FID.

In addition to funding from the EU and the loans, further funding of approximately £3m is required to complete the FEED and commercialisation process during 2017, inclusive of corporate project management costs, overheads, external technical and commercial consultancy, working capital and bridging finance on the EU grant. The bridging finance, which could be in the form of debt, is required to cover the timing of receipt of funds from the European Commission grant which they pay in two stages: €1.6m of EU grant monies has already been received by the Company with the balance receivable once the FEED work has been completed, which is targeted for the end of 2017.

Strategic Report

OPERATIONAL REVIEW – OIL & GAS EXPLORATION

County Antrim – Onshore PL1/10, Offshore P2123

Licence ownership

In November 2015 we signed an agreement, alongside Brigantes, with Ermine Resources Limited (“Ermine”) whereby Ermine would acquire a 15% interest (paying 20% of the Woodburn Forest-1 well costs) in the PL1/10 licence, subject to the full well funding being completed. In January 2016 we announced that a series of Farmout Agreements (“FOAs”) had been entered into by InfraStrata and Brigantes, both together and separately, which together resulted in completion of the funding for Woodburn Forest-1 well. The additional new investors that entered into FOAs for the remaining 45% are Tudor Hall Energy Limited (10%), Baron Oil Plc (10%), Horizon Energy Partners Limited (formerly called Southwestern Resources Limited) (16%) and Petro River UK Limited (9%). All the parties except Tudor Hall Energy Limited acquired corresponding interests in licence P2123. The terms of the FOAs provided for reimbursement of costs already incurred on the Woodburn Forest-1 well and on licence P2123, resulting in cash payments to InfraStrata totalling £252,481.

In order to facilitate the FOAs, the Company also signed a Supplemental Sale and Purchase Agreement with Brigantes under which there was a transfer of a 5% interest in PL1/10 from Brigantes to InfraStrata, a 10% interest in P2123 from InfraStrata to Brigantes and a payment of £86,459 in cash from Brigantes to InfraStrata.

Under the sale and purchase agreements with Corallian Energy Limited (“Corallian”) announced in November 2015, on completion of the Woodburn Forest-1 well funding 10% of InfraStrata’s remaining 20% interest in PL1/10 and a 10% interest in P2123 was to be assigned to Corallian, subject to the respective approvals of the Department for Economy (“DfE”) and the Oil and Gas Authority (“OGA”), in return for a further payment to InfraStrata by Corallian of £300,000 in cash.

Woodburn Forest-1 well

Permitted Development rights for the Woodburn Forest-1 well were granted in December 2013 and in February 2015 a ‘Consent to Drill’ was granted by DfE. A separate consent issued by the Northern Ireland Environment Agency (Water Management Unit) under the Water (Northern Ireland) Order 1999, which regulates the well in terms of surface water and groundwater impacts, was also granted in February 2015.

Site construction commenced on 10 March 2016 and drilling commenced on 15 May 2016. The well was drilled to a depth of 2,000 metres and encountered two conventional sandstone reservoir intervals, the Triassic Sherwood and the Lower Permian Sandstones. Wireline log analysis has calculated porosities of over 20% in the upper parts of both the Sherwood and the Lower Permian Sandstones but both targets were water wet. Following completion of the drilling, the well was plugged and abandoned and the rig released on 21 June 2016. The site was restored in compliance with the Permitted Development.

Other exploration interests

Following the divestment of exploration assets to Corallian and its subsidiary Osmington Holdings Limited (Osmington) completed in November 2015, InfraStrata has the following retained interests in the disposed exploration assets:

- Net profits interest (“NPI”) instruments in each of P1918 (Dorset – Offshore), P2222 (East Shetland Basin – Offshore) and P2235 (Moray Firth – Offshore) of 0.5%, 0.5% and 1% respectively of the gross, representing 4% of Corallian’s anticipated interest in the licences at the time of drilling the first well on the licences; and
- a 4% share of any future profits derived by Osmington from the 40% shareholdings in former associates Brigantes and Corfe sold to Osmington, again in the form of NPI instruments. Corfe and Brigantes have interests in licence P1918 and Brigantes has interests in PL1/10 and P2123.

No value has been ascribed to any of the NPI instruments retained in the Group’s statement of financial position as at 31 July 2016, as it is not possible to determine a fair value for these instruments.

InfraStrata will remain as operator under the P1918 licence until the formal assignment of the licence interest to Corallian has been approved in due course by OGA. However InfraStrata has no commitment to pay exploration costs and is receiving a small income for services rendered during the interim period.

The licence administratorship on the P2222 and P2235 licences has been transferred to Corallian.

Strategic Report

OPERATIONAL REVIEW – FUNDING

Financing

Gross capital expenditure on the Islandmagee gas storage project during the year to 31 July 2016 was £608,760, most of which related to the completion of the salt core well programme.

In August 2015 the remaining £300,000 was drawn down on the Baron Convertible Loan Facility Agreement. The balancing €1.75 million (£1,358,063) grant monies were received from the EU in May 2016 and placed into an escrow arrangement as security for the loan and disclosed as restricted cash in the statement of financial position. Subsequent to the year end in August 2016 the loan of €1.80 million (£1,400,364) was repaid in full by release to Baron of the cash held in escrow, a payment of €50,000 (£42,301) and a further payment of €160,904 (£136,134) for the interest on the loan which had been accrued and capitalised to intangible gas storage development costs at 31 July 2016.

Our share of expenditure on our oil and gas exploration licences during the year to 31 July 2016 was £43,158, mostly related to farmout activities and our share of annual licence fees. We were fully carried through the drilling of the Woodburn Forest-1 well and therefore did not incur any costs on our own account. The book value of the Group's intangible Exploration and Evaluation assets which were disposed of in November 2015, including interests in P1918, P2222 and the Group's interests in associated companies Brigantes and Corfe, were impaired such that they equated to the immediate cash inflow of £240,000 from Corallian. The further receipt from Corallian of £300,000 upon successful funding of the Woodburn Forest-1 well together with reimbursement of costs already incurred of £252,481 under the terms of the Woodburn Forest-1 FOAs and a receipt of £86,459 from Brigantes in relation to a licence interest sale to facilitate the FOAs, resulted in the Group recording a profit on disposal of Exploration and Evaluation assets during the year to July 2016 totalling £453,945. The Company's remaining 10% interest in each of PL1/10 and P2123 is carried at a book value of £19,459 being the estimated proceeds from a future disposal of these interests.

On 18 December 2015 the Company announced a placing to raise £450,625 (£421,963 after expenses) through the issue of 36,050,000 new ordinary shares of 1p each in two tranches. The first tranche of 18,880,000 shares were issued on 23 December 2015 and the second tranche of 17,170,000 shares was issued on 26 January 2016 following approval of shareholders at the Company's annual general meeting on 26 January 2016 of resolutions to provide authority to the Directors to issue and allot further new ordinary shares with exemption rights dis-applied.

On 2 February 2016, the Group concluded an agreement for the sharing, interpretation and integration of data in respect of proprietary data in Northern Ireland acquired by InfraStrata for the Islandmagee gas storage project. The consideration for sharing this data was £500,000 in cash which is accounted for as revenue in the consolidated statement of comprehensive income. InfraStrata has recorded a profit for the year to 31 July 2016 of £66,955 (2015 – loss of £6,106,070 after impairments totalling £6,072,785).

Excluding cash held in escrow and classified as restricted cash, the Group's cash and cash equivalents at 31 July 2016 were £2,454,006 (2015 - £430,199) and net current assets were £542,336 (2015 - £42,122). Cash balances at 31 July 2016 included €1.6 million (£1.35 million) EU grant received in advance in July 2016 and held in a Euro denominated bank account pending completion of the remaining 50% funding required to match the grant and to complete the commercialisation programme during 2017.

As explained in note 2 to the financial statements the directors have prepared the accounts on the going concern basis which assumes that the Group will continue in operational existence without significant curtailment of its activities for the foreseeable future.

On 5 January 2017 the Company entered into a secured loan agreement with Baron for a facility up to £300,000 to provide working capital for the Group. The loan is for a term of 12 months from the date of the loan agreement. Baron is entitled, acting in its sole discretion, to extend the term of the loan agreement by an additional 12 months. The directors believe that the facility provides sufficient funding to meet InfraStrata's minimum level of management and administrative expenditure and to make the necessary payments in relation to the maintenance of the Islandmagee gas storage for a period of 12 months to the end of December 2017, but not to undertake the FEED and commercialisation programme.

The directors anticipate that the additional funding of £3.0m required to complete the FEED and commercialisation programme during 2017 and to repay the new Baron loan can be generated through an equity fundraising in the first quarter of 2017. However the success of such fundraising cannot be guaranteed.

Following the completion of the FEED and commercialisation programme the project will be ready to move into construction and delivery and at that time the Company will further evaluate the optimum way to structure the funding of the initiation and delivery of that programme for our shareholders and will evaluate the available sources of funding, including both debt and equity participation, to fund both the continuing operations of the company and the commencement of construction. The full project construction is expected to be delivered over a number of years at an aggregate cost of approximately £300 million and to be delivered on a phased basis.

OPERATIONAL REVIEW – FUNDING (CONTINUED)

The directors remain confident that the project is economically viable and that following the completion of the FEED and commercialisation programme, the project should be capable of attracting further new investment for the Company and the project. However the success of the Q1 2017 fundraising and a further fundraising following FID are both uncertain. Should the Group not be successful in obtaining future funding for the Islandmagee gas storage project or realising value for the project in excess of current book value, the Group's capitalised project development costs totalling £6,116,114 and amounts due to the Company from its subsidiaries amounting to £5,873,052 may become impaired in value. In addition the Company may be unable to continue as a going concern.

Project management and company administration costs

During 2016 every member of the management team was required to make an indispensable contribution to the effective delivery of our projects, the performance against our key performance indicators and the effective management of the risks and uncertainties our business faces. We have, however, continued to implement cost reductions. Total management and administrative expenditure is further analysed in note 5 to the financial statements, which shows that the cash cost of management and administrative costs in the year to 31 July 2016 was £853,850 (2015 - £1,065,161).

In October 2015 the Company implemented a Performance Incentive Scheme under which voluntary salary reductions were taken in return for participation in the scheme. The scheme expired on 30 September 2016 with no incentive payments being due.

Plans have been developed to restructure the teams at InfraStrata and IMSL in the coming months, to match the skill requirements for the next phase of the project, as well as to appoint necessary advisers and technical consultants.

The Board of InfraStrata will be geared towards regulatory and corporate governance matters, with a focus on securing the funds to develop the project. As part of this focus and to minimise corporate overheads, InfraStrata will re-locate to Belfast in January 2017, with all of its resources being dedicated to bringing the project to construction. Andrew Hindle has stepped down from his role as CEO of InfraStrata effective 1 January 2017, but will remain a Non-Executive Director of the Company. Andrew, a Chartered Geologist, will continue to advise on the project in a technical capacity. Stewart McGarrity and Anita Gardiner became Joint Managing Directors effective 1 January 2017, bringing vital and complementary skills required for the execution of the next phase of the Project.

Strategic Report

PRINCIPAL RISKS & UNCERTAINTIES

The directors are responsible for the effectiveness of the Group's risk management activities and internal control processes. As a participant in the gas storage development industry, the Group is exposed to a wide range of business risks in the conduct of its operations. The Group is exposed to financial, operational, strategic and external risks which are further described below. These risks are not exhaustive and additional risks or uncertainties may arise or become material in the future. Any of these risks, as well as other risks and uncertainties in this document, could have a material effect on the Group's business.

Financing – the risk of not obtaining sufficient financing

Access to adequate working capital is critical to our ability to pursue our existing and future projects and to continue as a going concern. We work closely with our advisors and brokers to identify the optimum approach and timing to secure new equity financing to provide working capital.

The Group seeks to manage risk for our shareholders by attracting investment through quality partners where possible thereby minimising our own commitments to pay project development costs. We do not make financial commitments unless such funding has been secured through joint venture partners or otherwise new investment in our projects or we have a high degree of confidence that it will be secured.

Strategic and external risks - failure to manage and grow the business while creating shareholder value

There is no assurance that the Group's gas storage development will be successful. The directors have sought to manage and mitigate the exploration risks by divesting substantially all of our exploration assets. We place a premium on recruitment and retention of suitably skilled personnel, compliance with applicable legislation and careful management of cash resources and requirements.

The successful progression of the Group's activities depends not only on technical success, but also on the ability of the Group to obtain appropriate financing through equity or debt financing or disposing of interests in projects or via other means.

A deterioration of the capital markets may reduce our ability to raise new equity funding. Group management works closely with our advisors and brokers to identify the optimum approach and timing to secure new equity financing to provide working capital and flexibility in the way we fund our projects.

We place great emphasis on regular communication with shareholders, including the release of announcements for the interim and annual results, and after significant developments. We seek to ensure that through such communication our shareholders are aware of our strategy and operations and that management has their continuing support. The Company's system of Corporate Governance is set out in the Report of the Directors on pages 14 to 18.

Operational risks - damage to shareholder value, environment, personnel or communities caused by operational failures

InfraStrata attracts and retains a high quality management team to manage the operational risks of our projects and ensure they are progressed in the shortest possible timescales in a cost effective manner. We have built up our core competencies in project development and have developed excellent relationships with government and public stakeholders in the geographical areas in which we operate.

Our management team works alongside strong and experienced joint venture partners in all projects and is supported by a highly effective network of carefully selected service delivery specialists such as environmental consultants and drilling engineering services. In this way we seek to mitigate the potential risk that we fail to be seen to be acting in a socially responsible manner and/or fail to maintain good local community relations.

On behalf of the Board

Andrew Hindle,
5 January 2017

Report of the Directors
for the year ended 31 July 2016

The directors have pleasure in presenting their report and audited financial statements for the year ended 31 July 2016.

General

InfraStrata plc is incorporated and domiciled in England and Wales.

Health, safety and environment

There were no reportable health, safety or environmental incidents during the financial year.

Share capital

At the date of this report 188,041,599 ordinary shares are issued and fully paid. Details of movements in share capital during the year are given in note 23 to the financial statements

RESULTS AND DIVIDENDS

Petroleum exploration and evaluation operations have been classified as discontinued. The Group recognised cash revenue from continuing operations of £500,000 (2015: £408,526). Administrative expenses totalled £932,635 (2015: £1,144,393) of which £677,735 (2015: £757,473) was attributable to continuing operations. The Group generated a profit of £66,955 (2015: loss of £6,106,070) including a profit of £244,569 (2015: loss of £5,758,228) from discontinued operations. The profit for the current year is stated after crediting a profit on the disposal of Exploration and Evaluation assets of £453,945. The loss in 2015 was after charging impairments of Exploration and Evaluation assets and interests in associates of £3,577,659 and £2,459,126 respectively. The profit when added to the cumulative losses of £26,828,048 brought forward leaves a retained loss of £26,761,093 to be carried forward.

The directors do not recommend the payment of a dividend (2015: £nil).

RISK MANAGEMENT

The financial risk management objectives and policies of the Company in relation to the use of financial instruments, and the exposure of the Company and its subsidiary undertakings to its main risks, credit risk and liquidity risk, are set out in note 22 to the financial statements. The principal risks and uncertainties relating to the Group's business and how we mitigate them are detailed in the Strategic Report on page 13.

DIRECTORS

The directors, who served during the year and subsequently, were as follows:

K M Ratcliff
S McGarrity
A E Gardiner

A D Hindle
M E Hazzard
A Booth (resigned 11 November 2015)

Report of the Directors
for the year ended 31 July 2016

DIRECTORS *(continued)*

All directors benefit from the provisions of individual directors' Personal Indemnity insurance policies. Premiums payable to third parties are as described in note 7 to the financial statements. The Company operates a share option scheme and the particulars of share options granted to directors at 31 July 2016 are detailed in note 7 to the financial statements.

Directors of the Company at the date of this Annual Report and their abridged CVs for their roles as at 31 July 2016 are as follows:

Ken Ratcliff (Non-Executive Chairman)
Ken Ratcliff, JP, BSc, FCA, is a Chartered Accountant with extensive finance and business experience. He was formerly the College Accountant at Epsom College and co-founder of Geokinetics Processing UK Limited, an oil and gas industry seismic contractor. He was an audit manager with Touche Ross & Co in London before moving into accountancy and finance positions within the oil and gas industry in 1978. Ken has previously held senior management positions with Ensign Geophysics Limited, Seismic Geocode Limited, Tenneco Corporation and Merlin Geophysical Limited. He joined the Board in 2007 and became Chairman in October 2007. Ken has been a non-executive director of Egdon Resources plc since 2001.

Stewart McGarrity (Joint Managing Director)
Stewart McGarrity, BCom, CA, has 30 years of UK and international experience in both senior finance and commercial roles. Following qualification as a Chartered Accountant, Stewart spent a number of years with Deloitte in Zimbabwe and Hong Kong in senior audit and technical roles. Stewart then held a senior financial position with the Airport Authority in Hong Kong during the construction and commercial development of Hong Kong International Airport. Since returning to the UK he has worked with property investor and developer MEPC plc, based in London as Group Financial Controller and with tie Limited, in Edinburgh, developing and maintaining the business case for Edinburgh Trams and other transport projects.

Anita Gardiner (Joint Managing Director)
Anita Gardiner, BA, MA, MCIPS graduated from Queens University, Belfast and started her career at the Prudential plc where she worked in a number of commercial roles in procurement and supply chain, real estate and operations. She moved to BP in 2005 and held various project and managerial positions in the UK and India, most recently as Business Development Manager for BP Gas Marketing where she had responsibility for asset development and origination activities across Europe.

Andrew Hindle (Non-Executive Director)
Andrew Hindle, BSc, MSc, PhD, FGS, CGeol, is a highly experienced geologist with over 30 years worldwide experience. He holds a degree in Geological Sciences gained in 1983 from Leeds University and, following a year with BP, gained a MSc. degree in Petroleum Geology in 1985 from Aberdeen University. In 1998 he completed a PhD (part-time) through the Open University. He received the J. C. "Cam" Sproule Memorial Award from the American Association of Petroleum Geologists in 1999. He worked for Texaco from 1985 until 1996 on UK and international petroleum exploration and development projects, working overseas from 1990 to 1994. Subsequently, he worked for Anadarko Algeria Corporation from 1996 to 1997. In 1997 he became a founding director of Egdon Resources plc and, following the demerger of Egdon and InfraStrata, remained a non-executive director of Egdon until February 2011. Andrew was the Chief Executive of the Group from the demerger in 2008 till 1 January 2017. Andrew is also a director of Geofocus Limited and Toffee Limited.

Maurice Hazzard (Non-Executive Director)
Maurice Hazzard, has extensive business experience in the oil and gas industry, particularly in large offshore projects. He has held senior positions with Phillips Petroleum, Hamilton Bros. Oil & Gas Limited and Halyard Offshore Limited. Between 1979 and 1989 Maurice was responsible for development of the Energy Division of the Tung Group of companies, based in Hong Kong, and during this period was Executive Chairman of Houlder Marine Drilling Limited. From 1989 to 1996 he was a consultant with Maritime Audit & Technical Services Limited, consulting to the international offshore oil and marine services industry. From 1996 to 1999 he was Chairman and CEO of PD Systems International Limited, a UK electronics manufacturer.

Report of the Directors
for the year ended 31 July 2016

DIRECTORS EMOLUMENTS

The directors' emoluments are disclosed in note 7 to the Financial Statements.

DIRECTORS AND SUBSTANTIAL SHAREHOLDINGS

The directors of the Company held the following beneficial shareholdings as at 30 November 2016:

Ordinary shares of 1p each	Number	%
Ken Ratcliff	154,000	0.08
Andrew Hindle	9,737,625	5.18
Stewart McGarrity	1,000,000	0.53
Anita Gardiner	-	-
Maurice Hazzard	69,326	0.04

The Company has also received notification of the following interests in 3% or more of the Company's issued share capital at 30 November 2016. The holdings and percentages presented are at the date of notification.

	Number	%
Ordinary shares of 1p each		
Legal & General Investment Management Ltd	17,975,000	9.56
AXA Investment Managers S.A.	12,500,000	6.65
Mark Abbott	5,739,545	3.78
Eugene Whyms	5,659,725	3.72
Peter V Wale	6,163,950	3.28

CORPORATE GOVERNANCE

The UK Corporate Governance Code

The directors recognise the value of the UK Corporate Governance Code ("the Code") and whilst under the AIM Rules compliance with the Code is not required the directors have regard to the recommendations of the Code in so far as is appropriate for a public company of its size.

The Board

At the financial year end the Board was comprised of three Executive Directors and two Non-executive directors whose background and experience are relevant to the Company's activities. The directors are of the opinion that the Board has a suitable balance. The Board, through the 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 about the Company. All directors have access to the advice and services of the company secretary who is responsible to the Board for ensuring that the Board procedures are followed and that the applicable rules and regulations are complied with. In addition, the company secretary will ensure that the directors receive appropriate training as necessary. The appointment and removal of the company secretary is a matter for the Board as a whole.

The table below contains details on the number of meetings held during the period and individual director attendance.

	Board	Audit Committee	Remuneration Committee
Number of meetings held during the 2016 financial year	16§	2	3
	No. of meetings attended	No. of meetings attended	No. of meetings attended
Executive Directors			
Andrew Hindle	16	-	-
Stewart McGarrity	16	-	-
Anita Gardiner	16	-	-
Non-executive Directors			
Ken Ratcliff	14	2	4
Maurice Hazzard	14	2	4
Alan Booth (resigned 11 November 2015)	3	-	-

§ Of which two were with limited attendance as they were to finalise business already approved by all directors.

Report of the Directors
for the year ended 31 July 2016

CORPORATE GOVERNANCE *(continued)*

Audit Committee
The Audit Committee met twice in the year to 31 July 2016. Its members currently are Ken Ratcliff (Chairman) and Maurice Hazzard. Members of the committee attended all meetings either in person or by telephone. Senior representatives of the external auditors attend these meetings if considered appropriate. The external auditor has unrestricted access to the Chairman of the committee.

The role of the Audit Committee includes:

- Consideration of the appointment of the external auditor and the audit fee.
- Reviewing the nature, scope and results of the external audit.
- Monitoring the integrity of the financial statements and interim report.
- Discussing with the Group's auditors problems and reservations arising from the interim and final results.
- Reviewing the external auditor's management letter and management's response.
- Reviewing on behalf of the Board the Group's system of internal control and making recommendations to the Board.

The Committee also keeps under review the necessity for establishing an internal audit function but considers that, given the size of the Group and the close involvement of senior management in day-to-day operations, there is currently no requirement for such a function. Notwithstanding the absence of an internal audit function, the Committee keeps under review the effectiveness of the Group's internal controls and risk management systems.

Remuneration Committee
The members of the Remuneration Committee are Maurice Hazzard (Chairman) and Ken Ratcliff. The committee met four times during the 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 recommends to the Board a framework for the remuneration of the Executive Directors and the senior management of the Group.

The principal objectives of the Committee include:

- Determining and recommending to the Board the remuneration policy for the Chief Executive and Executive Directors.
- Reviewing the design of share incentive plans for approval by the Board and determining the annual award policy to Executive Directors under existing plans.

On 1 October 2015 the Company implemented a Performance Incentive Scheme under which voluntary salary reductions were taken to preserve the Group's cash resources. The scheme ended on 30 September 2016 without the crystallisation of any incentive payments under the scheme.

The Committee remains acutely aware of the need to balance the financial performance of the Company with the need to maintain incentive and motivation for the executive team.

Relations with Shareholders
Communication with shareholders is given high priority and the Company therefore communicates regularly with shareholders including the release of announcements for the interim and annual results and after significant developments. The Annual General Meeting is normally attended by all directors. Shareholders, including private investors, are invited to ask questions on matters including the Group's operations and performance and to meet with the directors after the formal proceedings have ended.

The Company maintains a website (www.infraStrata.co.uk) for the purpose of improving information flow to shareholders as well as potential investors. The website contains all regulatory and press announcements and financial reports as well as extensive operational information about the Group's activities and enquiries from individual shareholders on matters relating to their shareholdings and the business of the Group are welcomed. The Board encourages shareholders to attend the Annual General Meeting, at which members of the Board are available to answer questions.

Allenby Capital Limited, the company's Nominated Advisor and broker, actively researches the Company and its business followed by research notes being issued.

Report of the Directors
for the year ended 31 July 2016

CORPORATE GOVERNANCE *(continued)*

Internal controls
The directors are responsible for the Group's system of internal controls, the setting of appropriate policies on those controls, and regular assurance that the system is functioning effectively and that it is effective in managing business risk. Internal control systems are designed to meet the particular needs of the Group and to manage rather than eliminate the risk of failure to meet business objectives. The internal controls cover financial, operational and compliance matters and are reviewed on an on-going basis.

The directors consider that the frequency of Board meetings and the information provided to the Board in relation to Group operations assists the identification, evaluation and management of significant risks relevant to its operations on a continuous basis.

The Group's internal controls can only provide reasonable and not absolute assurance against material misstatement or loss or the risk of failure to meet business objectives. Having thus monitored risk management and internal control processes in place, the Board considers that the Company's internal control systems operated appropriately during the year and up to the date of signing of the Annual Report and Financial Statements.

GOING CONCERN

The directors have prepared the financial statements on the going concern basis which assumes that the Group will continue in operational existence for the foreseeable future. The basis of this assumption is detailed in the Strategic Report and the accounting policies in note 2 to the financial statements.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

UK Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law the directors have elected (as required by the rules of the AIM market of the London Stock Exchange) to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006.

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law 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 Company and of the Group and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company 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 InfraStrata plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Directors
for the year ended 31 July 2016

DISCLOSURE OF INFORMATION TO THE AUDITOR

In the case of each person who was a director at the time this report was approved: - so far as the director was aware there was no relevant audit information of which the Company's auditor was unaware; and the director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor was aware of that information. This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITOR

A resolution to re-appoint the auditor, Nexia Smith & Williamson, will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

A Hindle
Director
5 January 2017

Independent auditor's report to the members of InfraStrata plc

Nexia Smith & Williamson

We have audited the financial statements of InfraStrata plc for the year ended 31 July 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flow, the Consolidated and Parent Company Statements of Changes in Equity, and the related notes 1 to 30. 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement on pages 18 and 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 July 2016 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; and
- 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.

Emphasis of matter – carrying value of the Group's development costs relating to the Islandmagee gas storage facility and the amounts due to the Company from its subsidiaries

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's development costs relating to the proposed Islandmagee gas storage facility with a carrying value of £6,116,114 and the balances of £5,873,052 due to the company from its subsidiaries.

As described in note 2, to continue to develop the Group's Islandmagee gas storage facility and to enable the Company to recover balances due to it from its subsidiaries, the Group is dependent upon securing further funds in 2017. The financial statements do not include the impairment of the Group's development costs relating the project or the impairment of the Company's balances due from its subsidiaries that would result if the Group were unable to raise such funds.

Independent auditor's report to the members of InfraStrata plc

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's and the Company's ability to continue as going concerns. Financial projections prepared by the directors show that future funding is required in 2017 for the Group and the Company to continue to develop the Islandmagee project and to continue as going concerns. If such funding is not available, the Group and Company would need to seek alternative sources of funding to enable them to meet their liabilities as they fall due for the foreseeable future.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group and Company's abilities to continue as going concerns. The financial statements do not include the adjustments that would result if the Group and / or Company were unable to continue as going concerns.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the directors' for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Guy Swarbreck
Senior Statutory Auditor,
for and on behalf of

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
Walnut Tree Close
1 Bishops Wharf
Walnut Tree Close
Guildford, GU1 4RA

5 January 2017

Consolidated statement of comprehensive income for the year ended 31 July 2016

	Notes	2016 £	2015 £
Continuing operations			
Revenue	4	500,000	408,526
Cost of sales		-	-
Gross profit		500,000	408,526
Management and administrative expenses	5	(677,735)	(757,473)
Operating loss		(177,735)	(348,947)
Finance income	10	121	1,105
Loss before taxation		(177,614)	(347,842)
Taxation	11	-	-
Loss for the year from continuing operations	3	(177,614)	(347,842)
Profit (loss) for the year from discontinued operations	3	244,569	(5,758,228)
Profit (loss) for the year attributable to the equity holders of the parent		66,955	(6,106,070)
Other comprehensive income		-	-
Total comprehensive profit (loss) for the year attributable to the equity holders of the parent		66,955	(6,106,070)
Basic and diluted earnings per share	12		
Continuing operations		(0.10)p	(0.28)p
Discontinued operations		0.14p	(4.72)p
Continuing and discontinued operations		0.04p	(5.00)p

Consolidated statement of financial position as at 31 July 2016

	Notes	2016 £	2015 £
Non-current assets			
Intangible fixed assets:			
Gas Storage Development	14	6,116,114	5,704,951
Exploration & Evaluation	15	19,459	429,139
Property, plant and equipment	16	440,744	440,453
Investments in associates	17	-	600
Total non-current assets		6,576,317	6,575,143
Current assets			
Trade and other receivables	18	1,182,572	300,408
Grant receivable	19	-	1,066,306
Restricted cash	19	1,358,063	-
Cash and cash equivalents	20	2,454,006	430,199
Total current assets		4,994,641	1,796,913
Current liabilities			
Trade and other payables	21	(1,693,055)	(754,791)
Grant received in advance	19	(1,358,886)	-
Short-term convertible borrowings	19	(1,400,364)	(1,000,000)
Total current liabilities		(4,452,305)	(1,754,791)
Net current assets		542,336	42,122
Net assets		7,118,653	6,617,265
Shareholders' funds			
Share capital	23	10,834,660	10,474,160
Share premium		13,440,878	13,379,415
Merger reserve	24	8,988,112	8,988,112
Share based payment reserve	25	616,096	603,626
Retained earnings		(26,761,093)	(26,828,048)
Total equity		7,118,653	6,617,265

Company registration number: 06409712
Approved and authorised for issue by the Board on 5 January 2017

A Hindle
Director

S McGarrity
Director

Company statement of financial position as at 31 July 2016

	Notes	2016 £	2015 £
Non-current assets			
Intangible exploration assets	15	19,459	280,877
Property, plant and equipment	16	644	353
Investments	17	-	600
Total non-current assets		20,103	281,830
Current assets			
Trade and other receivables	18	7,049,850	5,377,201
Grant receivable	19	-	1,066,306
Restricted cash	19	1,358,063	-
Cash and cash equivalents	20	2,442,818	256,192
Total current assets		10,850,731	6,699,699
Current liabilities			
Trade and other payables	21	(1,631,577)	(658,436)
Grant received in advance	19	(1,358,886)	-
Short-term convertible borrowings	19	(1,400,364)	(1,000,000)
Total current liabilities		(4,390,827)	(1,658,436)
Net current assets		6,459,904	5,041,263
Net assets		6,480,007	5,323,093
Shareholders' funds			
Share capital	23	10,834,660	10,474,160
Share premium		13,440,878	13,379,415
Merger reserve	24	8,466,827	8,466,827
Share based payment reserve	25	616,096	603,626
Retained earnings		(26,878,454)	(27,600,935)
Total equity		6,480,007	5,323,093

Company registration number: 06409712
Approved and authorised for issue by the Board on 5 January 2017

A Hindle
Director

S McGarrity
Director

Consolidated statement of changes in equity for the year ended 31 July 2016

	Share capital £	Share premium £	Merger reserve £	Share based payment reserve £	Retained earnings £	Total equity £
Balance at 31 July 2014	9,949,160	11,920,219	8,988,112	530,410	(20,721,978)	10,665,923
Loss for the year	-	-	-	-	(6,106,070)	(6,106,070)
Total comprehensive loss for the year	-	-	-	-	(6,106,070)	(6,106,070)
Shares issued	525,000	1,459,196	-	-	-	1,984,196
Share based payments	-	-	-	73,216	-	73,216
Balance at 31 July 2015	10,474,160	13,379,415	8,988,112	603,626	(26,828,048)	6,617,265
Profit for the year	-	-	-	-	66,955	66,955
Total comprehensive profit for the year	-	-	-	-	66,955	66,955
Shares issued	360,500	61,463	-	-	-	421,963
Share based payments	-	-	-	12,470	-	12,470
Balance at 31 July 2016	10,834,660	13,440,878	8,988,112	616,096	(26,761,093)	7,118,653

Company statement of changes in equity for the year ended 31 July 2016

	Share capital £	Share premium £	Merger reserve £	Share based payment reserve £	Retained earnings £	Total equity £
Balance at 31 July 2014	9,949,160	11,920,219	8,466,827	530,410	(26,467,225)	4,399,391
Loss for the year	-	-	-	-	(1,133,710)	(1,133,710)
Total comprehensive loss for the year	-	-	-	-	(1,133,710)	(1,133,710)
Shares issued	525,000	1,459,196	-	-	-	1,984,196
Share based payments	-	-	-	73,216	-	73,216
Balance at 31 July 2015	10,474,160	13,379,415	8,466,827	603,626	(27,600,935)	5,323,093
Profit for the year	-	-	-	-	722,481	722,481
Total comprehensive profit for the year	-	-	-	-	722,481	722,481
Shares issued	360,500	61,463	-	-	-	421,963
Share based payments	-	-	-	12,470	-	12,470
Balance at 31 July 2016	10,834,660	13,440,878	8,466,827	616,096	(26,878,454)	6,480,007

Consolidated statement of cash flows
for the year ended 31 July 2016

	Notes	2016 £	2015 £
Operating activities			
Operating loss for the year		(177,735)	(348,947)
Depreciation		167	71
Increase in trade and other receivables		(882,164)	(155,585)
Increase (Decrease) in trade and other payables		938,264	(81,496)
Share option expense		12,470	73,216
Exchange differences		33,301	-
Cash (used in) discontinued operations		(180,933)	(381,340)
Net cash (used in) continuing and discontinued operating activities		(256,630)	(894,081)
Investing activities			
Interest received		121	1,105
Purchase of intangible assets:			
Gas Storage Development		(608,760)	(3,663,514)
Exploration and Evaluation (discontinued)		(43,158)	(179,732)
Proceeds from Exploration and Evaluation assets (discontinued):			
Disposals		626,459	-
Receipt of back costs under farmout agreements		252,481	-
Grants received		2,689,852	533,694
Purchase of equipment		(458)	(424)
Net cash generated from (used in) investing activities		2,916,537	(3,308,871)
Financing activities			
Proceeds on issue of ordinary shares		421,963	1,984,196
Drawdown of short-term borrowings		300,000	1,000,000
Net cash generated from financing activities		721,963	2,984,196
Net increase (decrease) in cash and cash equivalents		3,381,870	(1,218,756)
Cash and cash equivalents at beginning of year		430,199	1,648,955
Cash and cash equivalents at end of year		3,812,069	430,199
Cash and cash equivalents consist of:			
Restricted cash	19	1,358,063	-
Cash at bank	20	2,454,006	430,199
		3,812,069	430,199

Significant non-cash transactions

As disclosed in note 19, at 31 July 2015 the Group had accrued £1,066,306 as the portion of the Grant from the European Commission in respect of the Islandmagee gas storage project attributable to work done at that date. This accrual is a non-cash item, as are the impairment charges of £28,443 (2015 – £6,072,785); therefore these items do not appear in the statement of cash flows.

Company statement of cash flows for the year ended 31 July 2016

	Notes	2016 £	2015 £
Operating activities			
Operating profit (loss) for the year		329,529	(753,475)
Impairment of intercompany receivables		-	523,650
Depreciation		167	71
Increase in trade and other receivables		(1,870,246)	(3,361,643)
Increase (Decrease) in trade and other payables		973,141	(122,029)
Share option expense		12,470	73,216
Exchange differences		33,301	-
Cash (used in) discontinued operations		(180,933)	(381,340)
Net cash (used in) continuing and discontinued operating activities		(702,571)	(4,021,550)
Investing activities			
Interest received		121	1,105
Purchase of exploration intangible assets (discontinued)		(43,158)	(179,732)
Proceeds from Exploration and Evaluation assets (discontinued):			
Disposals		626,459	-
Receipt of back costs under farmout agreements		252,481	-
Grants received		2,689,852	533,694
Purchase of equipment		(458)	(424)
Net cash generated from investing activities		3,525,297	354,643
Financing activities			
Proceeds on issue of ordinary shares		421,963	1,984,196
Drawdown of short-term borrowings		300,000	1,000,000
Net cash generated from financing activities		721,963	2,984,196
Net increase (decrease) in cash and cash equivalents		3,544,689	(682,711)
Cash and cash equivalents at beginning of year		256,192	938,903
Cash and cash equivalents at end of year		3,800,881	256,192
Cash and cash equivalents consist of:			
Restricted cash	19	1,358,063	-
Cash at bank	20	2,442,818	256,192
		3,800,881	256,192

Significant non-cash transactions

As disclosed in note 19, at 31 July 2015 the Group had accrued £1,066,306 as the portion of the Grant from the European Commission in respect of the Islandmagee gas storage project attributable to work done at that that date. This accrual is a non-cash item and therefore does not appear in the in the statement of cash flows.

Notes to the financial statements for the year ended 31 July 2016

1. General information

InfraStrata plc is a company incorporated in England & Wales under the Companies Acts 2006 and is domiciled in the United Kingdom and is listed on the AIM market of the London Stock Exchange.

2. Accounting policies

The financial statements are based on the accounting policies set out below which have been consistently applied.

Basis of preparation

InfraStrata plc adopted International Financial Reporting Standards (IFRS) as adopted by the European Union effective in July 2016, as the basis for preparation of its financial statements. The financial information has been prepared under the historical cost convention as modified by the revaluation of certain financial assets.

Going concern

All future exploration costs associated with retained licence interests will continue to be funded by joint venture partners.

The next phase of the development of the Islandmagee gas storage project is the completion of the FEED and commercialisation programme which will take to the end of December 2017 at a total estimated cost including all the Group's financial commitments during that period of £6 million. Of that total £3m is being met by a grant from the EU and loans from the selected FEED contractors leaving a further £3m additional funding requirement.

On 5 January 2017 the Company entered into a secured loan agreement with Baron Oil plc for a facility of up to £300,000 to provide working capital for the Group. This Loan is for a term of 12 months from the date of the loan agreement. Baron is entitled, acting in its sole discretion, to extend the term of the loan agreement by an additional 12 months. After preparing cash flow forecasts the directors have concluded that this facility would provide sufficient funding to meet the Company's minimum level of management and administrative expenditure and to make necessary payments in relation to the maintenance of the Islandmagee gas storage for a period of 12 months to the end of December 2017 but not to undertake the FEED and commercialisation programme.

The directors anticipate that the additional funding of £3.0m required to complete the FEED and commercialisation programme during 2017 and to repay the new Baron loan can be secured through an equity fundraising in the first quarter of 2017. However the timing and success of such fundraising cannot be guaranteed. After preparing cash flow forecasts, making enquiries and considering the loan facility from Baron Oil plc and the intention to raise the additional funding as described above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Following the completion of the FEED and commercialisation programme at the end of 2017 the project will be ready to move into construction and delivery and at that time the Company will further evaluate the optimum way to structure the funding of the initiation and delivery of that programme for our shareholders and will evaluate the available sources of funding, including both debt and equity participation, to fund both the continuing operations of the Company beyond December 2017 and the commencement of construction. The full project construction is expected to be delivered over a number of years at an aggregate cost of approximately £300 million and to be delivered on a phased basis.

The directors remain confident that the project is economically viable and that following the completion of the FEED and commercialisation programme, further new investment for the Company and the project will be secured. Having reviewed the value of gas storage assets in accordance with the principles set out below, and the value of balances due to the Company from its subsidiaries, the directors are of the opinion that these assets are not impaired in value.

However the success of the 2017 fundraising is uncertain. The directors have concluded that a material uncertainty exists that may cast significant doubt upon the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Were the Group no longer a going concern, the Group's capitalised project development costs totalling £6,116,114 and amounts due to the Company from its subsidiaries amounting to £5,873,052 may become impaired in value, provision would be required for the future liabilities arising as a consequence of the Group ceasing business and assets and liabilities currently classified as non-current would be reclassified as current.

2. Accounting policies (continued)

Adoption of new and revised standards

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been adopted by the EU and minor changes to other standards arising from annual improvements have been issued but are yet to be adopted. None of these standards are expected to have a material effect on the Group financial statements. IFRS 16 Leases has also been issued and may have an impact on the Group financial statements, as leases it may require future payments made under operating leases to be capitalised. The Group will assess the impact of the new standard in the Group in due course.

Basis of consolidation

The financial information incorporates the financial information of the Company and entities controlled by the Company. Control is achieved where the Company has power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Business combinations and goodwill

On acquisition, the assets and liabilities and contingent liabilities of subsidiaries are measured at their fair values at the date of acquisition. Any excess of cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit or loss in the period of acquisition. Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Oil and gas exploration joint operations

The Group is engaged in oil and gas exploration and development which may lead to production through unincorporated joint operations. The Group accounts for its share at cost of the results and net assets of these joint operations as jointly controlled assets based on its percentage ownership of these joint operations. In addition, where the Group acts as operator to the jointly controlled operation, the gross liabilities and receivables (including amounts due to and from non-operating partners) of the jointly controlled operation are included in the statement of financial position. Details of the Group's oil & gas exploration joint operations accounted for as jointly controlled assets are provided in note 28.

Farm-outs in the exploration and evaluation phase

The Group does not record any expenditure made by the farminee on its account. In entering into a farm-out arrangement any costs previously capitalised in relation to the whole interest are re-designated as relating to the partial interest retained. Any cash consideration received directly from the farminee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for as a gain on disposal.

Interests in associates

The Group has interests in associates, which are entities over which the Group has significant influence but not control and which are not joint ventures. The Group recognises its interest in associates using equity accounting. The financial statements of the associates are prepared for the same reporting year as the parent company, using consistent accounting policies.

Notes to the financial statements
for the year ended 31 July 2016

2. Accounting policies *(continued)*

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker as required by IFRS 8 "Operating Segments". The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of directors. The accounting policies of the reportable segments are consistent with the accounting policies of the Group as a whole. Segment profit or loss represents the profit or loss attributable to equity holders of the parent attributable to each segment. This is the measure of profit that is reported to the Board of directors for the purpose of resource allocation and the assessment of segment performance. When assessing segment performance and considering the allocation of resources, the Board of directors review information about segment assets and liabilities.

Property plant and equipment

Property plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss. The initial cost of an asset comprises its purchase price or construction cost and any costs directly attributable to bringing the asset into operation.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, once the asset has been brought into use, on the following basis:

Office equipment	20-33%
Freehold land	0%

The carrying values of property plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Capitalisation and impairment of intangible gas storage assets

Costs of development of gas storage facilities are capitalised as intangible assets once it is probable that future economic benefits that are attributable to the assets will flow to the Group and until consent to construct has been awarded, at which time the capitalised costs are transferred to plant and equipment provided there being reasonable certainty of construction proceeding. The nature of these costs includes all direct costs incurred in project development, including any directly attributable finance costs. No amortisation or depreciation is provided until the storage facility is available for use.

An impairment test is performed annually and whenever events or circumstances arising during the development phase indicate that the carrying value of a development asset may exceed its recoverable amount. The aggregate carrying value is compared against the expected recoverable amount of the cash generating unit, generally by reference to the present value of the future net cash flows expected to be derived from storage revenue. The present value of future cash flows is calculated on the basis of future storage prices and cost levels as forecast at the statement of financial position date.

The cash generating unit applied for impairment test purposes is generally an individual gas storage facility. Where the carrying value of the facility is greater than the present value of its future cash flows a provision is made. Any such provisions are charged to cost of sales.

Oil & gas exploration and evaluation expenditure and assets

The Group accounts for oil & gas expenditure under the full cost accounting method.

Pre-licence costs (other than payments to acquire rights to explore) are those costs incurred prior to acquiring the rights to explore and are charged directly to the statement of comprehensive income.

All costs incurred after the rights to explore an area have been obtained, such as geological, geophysical, data costs and other direct costs of exploration and appraisal are accumulated and capitalised as exploration and evaluation assets ("E&E").

E&E costs are not amortised prior to the conclusion of appraisal activities. If technical feasibility is demonstrated and commercial reserves are discovered, then following development sanction, the carrying value of the relevant E&E asset will be reclassified as a development and production asset, but only after the carrying value of the E&E asset has been assessed for impairment, and where appropriate, its carrying value adjusted. Development assets will be depreciated on the unit production method.

2. Accounting policies *(continued)*

Oil & gas exploration and evaluation expenditure and assets (continued)

If after completion of appraisal activities in an area, it is not possible to determine technical feasibility or commercial viability, then the costs of such unsuccessful exploration and evaluation are written off to the statement of comprehensive income as a component of costs of sales in the period the relevant events occur. The costs associated with any wells which are abandoned are fully amortised when the abandonment decision is taken.

Government grants

Government grants are recognised only when there is reasonable assurance that the Group will comply with the conditions attaching to the grant and that the grants will be received. Capital grants are recognised to match the related development expenditure and are deducted in arriving at the carrying value of the related assets.

Investments

Investments in subsidiaries are stated at cost less provision for impairments.

Taxation

Tax expense represents the sum of the tax currently payable and any deferred tax. The taxable result differs from the net result as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the statement of financial position date. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group 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.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current assets and liabilities on a net basis.

Foreign currency

Transactions in foreign currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date and gains or losses are taken to operating profit.

Leases

Leases are classified as finance leases or hire purchase lease contracts whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental costs under operating leases are charged on a straight-line basis over the lease term.

2. Accounting policies *(continued)*

Share based payment transactions

Employees (including senior executives) of the Group receive part of their remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity settled transactions).

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Retirement benefit costs

The Company has a defined contribution plan which requires contributions to be made into an independently administered fund. The amount charged to the statement of comprehensive income in respect of pension costs reflects the contributions payable in the year. Differences between contributions payable during the year and contributions actually paid are shown as either accrued liabilities or prepaid assets in the statement of financial position.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade, other receivables and cash and cash equivalents are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the statement of comprehensive income. Cash and cash equivalents comprise cash held by the Group, short-term bank deposits with an original maturity of three months or less, and cash held in escrow ("restricted cash"). Restricted cash relates to amounts held in escrow which may only be used to repay the Baron Oil loan.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Convertible financial instruments denominated in foreign currencies are not treated as compound financial instruments on initial recognition or subsequently, including when the repayment of the instrument is agreed at a specific sterling rate using funds held in escrow.

Interest bearing bank loans, overdrafts and other loans are recorded at the proceeds received, net of direct issue costs. Finance costs are accounted for on an accruals basis in the statement of comprehensive income using the effective interest method.

Revenue

Revenue is recognised as the fair value of the consideration received or receivable and represents the amounts receivable for services delivered during the normal course of business. Revenue is recognised as the services are delivered.

2. Accounting policies *(continued)*

Data licensing

Revenue from licensing of data to other parties is recognised in full upon the delivery of the data to the licensee.

Judgements in applying accounting policies and key sources of estimation uncertainty

Amounts included in the financial statements involve the use of judgement and/or estimation. These estimates and judgements are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements, and the key areas are summarised below.

Capitalisation of gas storage costs

The assessment of whether costs incurred on gas storage development should be capitalised or expensed involves judgement. Any expenditure where it is not probable that future economic benefits will flow to the Group are expensed. Management considers the nature of the costs incurred and the stage of project development and concludes whether it is appropriate to capitalise the costs. The key assumptions depend on whether it is probable that the expenditure will result future economic benefits that are attributable to the assets.

Review of gas storage project asset carrying values

The assessment of capitalised project costs for any indications of impairment involves judgement. When facts or circumstances suggest that impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds recoverable amount. Recoverable amount is determined to be the higher of fair value less costs to sell and value in use. The key assumptions are the net income expected to be generated from the facilities, the cost of construction and the date from which the facilities become operational. Management assigns values and dates to these inputs after taking into account market information, engineering design costing and the project programme. A discount rate of 8% is applied in determining gas storage project net present values. Salt cavern gas storage projects are long term investments and cash flows are therefore projected over periods greater than 5 years. Engineering design provides for a project life of 40 years. It is assumed that 100% of a project's capacity will be sold from the date that the capacity becomes operational.

Net profit interests

The Group holds net profit interests in certain assets. Judgement is needed to assess if a reliable estimate of value of the NPIs can be made. As the NPIs relate to companies which have yet to generate a profit or early stage exploration assets, the directors have determined that no reliable estimate can be made and therefore no value is attributed to the NPIs.

Notes to the financial statements for the year ended 31 July 2016

3. Segment information

The directors have determined the Group's operating segments by reference to the risk profile of the Group's activities, which are affected predominately by location of the Group's assets. The Group's head office is located in the United Kingdom with operations located in Dorset and Northern Ireland. The segmental businesses activities are the development and construction of gas storage and associated facilities, and petroleum exploration. In both years presented petroleum exploration activities have been classified as discontinued operations.

2016	**Discontinued operations – exploration**			**Continuing operations – gas storage**		
	Northern Ireland	**Southern England**	**Total**	**Northern Ireland**	**Central income and costs**	**Total**
	£	£	£	£	£	£
Revenue	61,150	12,817	73,967	500,000	-	500,000
Management & administrative expenses	(254,900)	-	(254,900)	(494,146)	(183,589)	(677,735)
Profit on disposal of Exploration & Evaluation assets	453,945	-	453,945	-	-	-
Impairment of Exploration & Evaluation assets	(28,443)	-	(28,443)	-	-	-
Finance income	-	-	-	-	121	121
Taxation	-	-	-	-	-	-
	231,752	12,817	244,569	5,854	(183,468)	(177,614)
Analysis of:						
Assets by segment	1,429,879	67,687	1,497,566	9,266,058	807,334	10,073,392
Liabilities by segment	(1,414,935)	(11,282)	(1,426,217)	(2,922,841)	(103,247)	(3,026,088)
	14,944	56,405	71,349	6,343,217	704,087	7,047,304

Cash flows from discontinued operations

Cash flows arising from discontinued operations comprise net cash used in discontinued operations £180,933 (2015: £381,340), and net cash received from investing activities £835,782 (2015: net cash used in investing activities £179,732)

2015	**Discontinued operations – exploration**			**Continuing operations – gas storage**		
	Northern Ireland	**Southern England**	**Total**	**Northern Ireland**	**Central income and costs**	**Total**
	£	£	£	£	£	£
Revenue	4,929	651	5,580	400,000	8,526	408,526
Management & administrative expenses	(331,646)	(55,274)	(386,920)	(506,193)	(251,280)	(757,473)
Impairment of Exploration & Evaluation assets	-	(3,577,659)	(3,577,659)	-	-	-
Share of loss of associates	(24,754)	(24,532)	(49,286)	-	-	-
Impairment of interest in associates	(1,234,006)	(1,261,120)	(2,495,126)	-	-	-
Finance income	-	-	-	-	1,105	1,105
Taxation	-	745,183	745,183	-	-	-
	(1,585,477)	(4,172,751)	(5,758,228)	(106,193)	(241,649)	(347,842)
Analysis of:						
Assets by segment	232,180	247,212	479,392	7,491,517	401,147	7,892,664
Liabilities by segment	(464,596)	(68,540)	(533,136)	(1,081,957)	(139,698)	(1,221,655)
	(232,416)	178,672	(53,744)	6,409,560	261,449	6,671,009

Notes to the financial statements for the year ended 31 July 2016

4. Revenue	**2016 £**	**2015 £**
Revenue comprises:		
Licensing of seismic data	500,000	400,000
Other income	-	8,526
	500,000	408,526

5. Profit or loss before taxation	**2016 £**	**2015 £**
Fees payable to the Group's auditor and its associates:		
- for the audit of the Company's annual financial statements	20,000	20,440
- for the audit of the Company's subsidiaries	10,000	20,300
- other services relating to taxation	23,660	21,300
- all other services	3,825	3,825
Depreciation	167	71
Net foreign exchange loss (gain)	23,180	(1,476)
Operating lease rentals – land and buildings	30,000	30,000

Project management & company administrative expenditure	**2016 £**	**2015 £**
Management & administrative expenditure paid in cash	853,850	1,065,161
Advisor costs relating to Islandmagee Storage	41,520	-
Non-cash items:		
Share options expense	12,470	73,216
Exchange differences	23,180	(1,476)
Depreciation	167	71
Pre-licence costs written off	1,448	7,421
	932,635	1,144,393
Attributable to:		
Continuing operations	677,735	757,473
Discontinued operations	254,900	386,920
	932,635	1,144,393

6. Employee information	**2016 Number**	**2015 Number**
Average number of Executive Directors and staff	5	5
Staff costs for the above persons and Non-executive Directors:	**£**	**£**
Wages and salaries	467,848	614,265
Social security costs	54,111	73,216
Defined contribution pension plan expenditure and other costs	10,412	33,177
Other staff costs	14,710	14,014
Share based payments	12,470	73,126
Staff costs before recoveries and capitalisation	559,551	807,798

7. Directors' and key management emoluments and compensation

Group and Company

2016	Salary & fees £	Benefits £	Pension £	Total 2016 £
Executive Directors				
Andrew Hindle	121,667	3,684	-	125,351
Stewart McGarrity	113,333	2,947	-	116,280
Anita Gardiner	112,748	834	1,587	115,169
Non-executive directors				
Ken Ratcliff	29,969	-	-	29,969
Maurice Hazzard	11,875	-	-	11,875
Alan Booth (resigned 11 November 2015)	4,167	-	-	4,167
	393,759	7,465	1,587	402,811
Share based payment				9,928
Employers national insurance contributions				48,235
				460,974

On 1 October 2015 the Company implemented a Performance Incentive Scheme under which voluntary salary reductions were taken to preserve the Group's cash resources. The scheme ended on 30 September 2016 without the crystallisation of any incentive payments under the scheme.

2015	Salary & fees £	Benefits £	Pension £	Total 2015 £
Executive Directors				
Andrew Hindle	185,000	3,612	-	188,612
Stewart McGarrity	142,860	2,893	3,000	148,753
Anita Gardiner (appointed 28 October 2014)	101,835	676	4,557	107,068
Non-executive directors				
Ken Ratcliff	37,590	-	1,719	39,309
Maurice Hazzard	15,000	-	-	15,000
Alan Booth (appointed 21 January 2015)	7,500	-	-	7,500
William Colvin (resigned 31 January 2015)	9,500	-	-	9,500
Walter Roberts (resigned 28 October 2014)*	4,269	-	-	4,269
	503,554	7,181	9,276	520,011
Share based payment				58,120
Employers national insurance contributions				70,923
				649,054

* During 2015 fees for legal services totalling £22,052 were paid to Pinnacle Energy Limited, a company in which Walter Roberts is both a director and shareholder.

7. Directors' and key management emoluments and compensation *(continued)*

Aggregate emoluments above include amounts for the value of options to acquire ordinary shares in the Company granted or held by directors. Details of Enterprise Management Incentive and other options held by directors at 31 July 2016 are as follows:

	Number	Exercise price £	Exercise from	Exercisable to
Granted 13 Oct 2014				
Anita Gardiner	508,000	0.10	13 Oct 2015	31 Dec 2023
Granted 18 Sep 2014				
Andrew Hindle	800,000	0.10	19 Sep 2015	31 Dec 2023
Stewart McGarrity	600,000	0.10	19 Sep 2015	31 Dec 2023
Ken Ratcliff	150,000	0.10	19 Sep 2015	31 Dec 2023
Maurice Hazzard	60,000	0.10	19 Sep 2015	31 Dec 2023
Granted 22 July 2013				
Stewart McGarrity	518,918	0.10	22 Jul 2014	22 Jul 2024
Granted 1 Jan 2013				
Andrew Hindle	956,022	0.1046	31 Dec 2013	31 Dec 2021
Ken Ratcliff	143,403	0.1046	31 Dec 2013	31 Dec 2021
Maurice Hazzard	57,361	0.1046	31 Dec 2013	31 Dec 2021
Granted 25 Jan 2008				
Andrew Hindle	43,859	2.28	1 Jan 2011	31 Dec 2017
Ken Ratcliff	21,929	2.28	1 Jan 2011	31 Dec 2017
Maurice Hazzard	21,929	2.28	1 Jan 2011	31 Dec 2017

No options were exercised by Directors in 2016 or 2015.

Key man insurance premiums of £Nil (2015: £798) were paid for Executive Directors and directors' indemnity insurance premiums of £15,624 (2014: £15,370) were paid in respect of all directors. Since October 2015 none of the directors have participated in the Group Stakeholder Pension Plan.

8. Share based payment plans

A share based payment plan was created in the year ended 31 July 2008. All directors and employees are entitled to a grant of options subject to the Board of directors' approval. The options do not have a cash settlement alternative. The options granted are Enterprise Management Incentive share options for qualifying employees. The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2016 Number	2016 WAEP £	2015 Number	2015 WAEP £
Outstanding at the beginning of the year	6,379,167	0.1807	3,637,167	0.2415
Granted during the year	-	-	2,742,000	0.1000
Forfeited during the year	-	-	-	-
Outstanding at the end of the year	6,379,167	0.1807	6379,167	0.1807
Exercisable at the end of the year	6,379,167	0.1807	3,637,167	0.2415

The weighted average remaining vesting period for the share options outstanding at 31 July 2016 is zero years (2015: 0.06 years). The range of exercise prices for options outstanding at the end of the year was £0.10 - £2.28. The weighted average remaining option life for the share options outstanding at 31 July 2016 is 5 years (2015: 6 years). The fair value of equity settled options granted is estimated as at the date of the grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

8. Share based payment plans (continued)

The following table lists the inputs to the model used to value the options issued in 2015:

Expected volatility (%)	35%
Risk free interest rate	0.5%
Weighted average contractual life of option (years)	8
Expected dividend yield	Nil
Exercise price of options (£)	0.10
Weighted average share price (£)	0.1061

The expected volatility reflected the assumption that the historical volatility of a sample of similar companies was indicative of future trends for InfraStrata plc, which may not necessarily be the actual outcome. The expected life of the options is based on directors' best estimate and may not necessarily be indicative of the patterns that may occur.

9. Retirement benefits

The Group operates a defined contribution retirement plan for all qualifying employees who wish to participate. The assets of the scheme are held separately from those of the Group in funds under the control of independent trustees. The total cost charged to expenses of £10,412 (2015: £33,177) represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme for the year. As at 31 July 2016, employer and employee contributions of £585 (2015: Nil) due in respect of the current period had not been paid over to the scheme.

10. Finance income	**2016** **£**	**2015** **£**
Interest on bank deposits	121	1,105

Notes to the financial statements
for the year ended 31 July 2016

11. Income tax

	2016 £	2015 £
The major components of income tax expense for the years ended 31 July 2016 and 2015 are:		
a) Income tax recognised in profit or loss		
Continuing operations	-	-
Current income tax charge/(credit)		
Adjustments in respect of current income tax of previous years	-	-
Total Current tax	-	-
Deferred tax charge/(credit)		
- origination and reversal of timing differences	-	-
Total deferred tax	-	-

Discontinued operations
The tax credit of £745,183 attributed to discontinued operations in the 2015 year (note 3) represented a deferred tax credit arising from the reversal of a timing differences in relation to an intangible exploration asset which was impaired to net selling price during the year.

b) A reconciliation between tax expense and the product of accounting loss from continuing operations for the years ended 31 July 2016 and 2015 is as follows:

	2016 £	2015 £
Accounting loss before tax from continuing operations	(177,614)	(347,842)
Loss on continuing activities multiplied by the standard rate of tax (20%; 2015: 20.67%)	(35,524)	(71,899)
Expenses not permitted for tax purposes and pre-trading expenditure	2,527	28,911
Tax losses carried forward	67,693	113,623
Items not subject to tax	(34,696)	(70,635)
	-	-

The profit on discontinued activities is not subject to tax (2015 – the difference between the tax credit and the loss on discontinued activities arises from items not subject to tax).

c) Factors that may affect the future tax charge

The Group has trading losses of £5,313,719 (2015: £4,322,290) which may reduce future tax charges. Trading losses carried forward include £783,523 in respect of expenses in relation to gas storage development which were previously classified as pre-trading expenses for reporting purposes but which were treated as trading expenses in the relevant company's tax return. Future tax charges may also be reduced by capital allowances on cumulative capital expenditure.

12. Earnings per share

	2016 £	2015 £
Profit (Loss)		
The profit (loss) for the purposes of basic and diluted loss per share being the net loss attributable to equity shareholders		
Continuing operations	(177,614)	(347,842)
Discontinued operations	244,569	(5,758,228)
Continuing and discontinued operations	66,955	(6,106,070)
Number of shares		
Weighted average number of ordinary shares for the purposes of:		
Basic earnings per share	172,318,503	122,217,627
Basic and diluted earnings per share		
Continuing operations	(0.10)p	(0.28)p
Discontinued operations	0.14p	(4.72)p
Continuing and discontinued operations	0.04p	(5.00)p

For 2015, the share options were not dilutive as a loss was incurred. For 2016 the share options were not dilutive as the exercise price on all options in issue was in excess of the average price of the Company's shares throughout the year.

13. Profit (Loss) attributable to InfraStrata plc

The profit for the period dealt with in the financial statements of InfraStrata plc was £722,481 (2015 loss: £1,133,710). As provided by s408 of the Companies Act 2006, no statement of comprehensive income is presented in respect of InfraStrata plc.

14. Intangible assets – Gas Storage Development

	Group £	Company £
Cost		
At 1 August 2014	3,641,437	-
Additions	3,663,514	-
Grant received (note 19)	(533,694)	-
Grant accrual during year (note 19)	(1,066,306)	-
At 31 July 2015	5,704,951	-
Additions	608,760	-
Grant accrual during year (note 19)	(197,597)	-
Net book value		
At 31 July 2016	6,116,114	-

Capitalised finance costs

Additions during the year to 31 July 2016 include capitalised finance costs totalling £135,843 (2015 - £14,145).

Capital and other commitments

In the event that the project does not proceed to development IMSL would have an obligation to reinstate the area of the well-pad which has already been constructed. This is an unrecognised contingent liability estimated at £100,000 (2015: £100,000). At 31 July 2016 the Group had capital commitments of £Nil (2015: £218,000) relating to the project.

15. Intangible assets – Exploration & Evaluation

	Group £	Company £
Cost		
At 1 August 2014	3,827,066	101,145
Additions	179,732	179,732
Disposals	-	-
Impairments (see footnote below)	(3,577,659)	-
At 31 July 2015	429,139	280,877
Additions	43,158	43,158
Disposals	(424,395)	(276,133)
Impairments (see footnote below)	(28,443)	(28,443)
Net book value		
At 31 July 2016	19,459	19,459

On 13 November 2015, the Company entered into agreements to dispose of its interests in exploration licences P1918, P2222 and P2235 for a cash consideration and a retained Net Profits Interest in each licence interest. The carrying value of the Group's interest in these licences at 31 July 2015 was impaired such that the net book value equated to the attributable net sales proceeds of £239,400 with the balance representing a 20% interest in each of licences PL1/10 and P2123. No value has been ascribed to the Net Profits Interests retained on each of the licence interests as it is not possible to determine a reliable fair value for these instruments. The agreements also contained conditions, principally the completion of the farm-out and drilling of the Woodburn Forest-1 well, under which a 10% interest in each of licences PL1/10 and P2123 would be disposed of for a further consideration of £300,000. The conditions were met and the disposals completed.

After impairment the net book value at 31 July 2016 is equal to the estimated net sale proceeds that would arise from a disposal of the Company's remaining 10% interests in licences P2123 and PL1/10.

Notes to the financial statements
for the year ended 31 July 2016

16. Property, plant and equipment

Group	Freehold property £	Office equipment £	Total £
Cost			
At 1 August 2014	440,100	82,894	522,994
Additions	-	424	424
At 31 July 2015	440,100	83,318	523,418
Additions	-	458	458
At 31 July 2016	440,100	83,776	523,876
Depreciation			
At 1 August 2014	-	82,894	82,894
Charge for the year	-	71	71
At 31 July 2015	-	82,965	82,965
Charge for the year	-	167	167
At 31 July 2016	-	83,132	83,132
Net book value			
At 31 July 2016	440,100	644	440,744
At 31 July 2015	440,100	353	440,453

Company	Freehold property £	Office equipment £	Total £
Cost			
At 1 August 2014	-	17,748	17,748
Additions	-	424	424
At 31 July 2015	-	18,172	18,172
Additions	-	458	458
At 31 July 2016	-	18,630	18,630
Depreciation			
At 1 August 2014	-	17,748	17,748
Charge for the year	-	71	71
At 31 July 2015	-	17,819	17,819
Charge for the year	-	167	167
At 31 July 2016	-	17,986	17,986
Net book value			
At 31 July 2016	-	644	644
At 31 July 2015	-	353	353

Notes to the financial statements for the year ended 31 July 2016

17. Investments

Group

Investment in associates	**2016** £	**2015** £
At 1 August	600	2,545,012
Disposals	(600)	-
Share of losses	-	(49,286)
Impairments (see note below)	-	(2,495,126)
At 31 July	-	600
Total investments at the end of the year	-	600

Until November 2015 the Group held 40% interests in both of Corfe Energy Limited and Brigantes Energy Limited which are involved in hydrocarbon exploration. Both are private companies, incorporated in England and Wales and are not listed on any public exchanges.

In November 2015 the Company entered into agreements to dispose of its interests in both Corfe Energy Limited and Brigantes Energy Limited for a cash consideration and a retained Net Profits Interest in future profits derived from the disposed shareholding in each company. The carrying value of the Company's interest in these associates at 31 July 2015 was impaired such that it equated to the attributable net sales proceeds of £600 which were received in November 2015.

No value has been ascribed to the Net Profits Interests retained on each of the interests in these associates as it is not possible to determine a reliable fair value for these instruments.

Company

Investment in subsidiaries and associates

	2016 £	**2015** £
Cost		
Balance at 1 August 2015	15,247,611	15,247,611
Disposals	(600)	-
Balance at 31 July 2016	15,247,011	15,247,611
Impairment		
Balance at 1 August 2015 and 31 July 2016	(15,247,011)	(15,247,011)
Net book value		
Balance at 31 July	-	600

Investment in subsidiaries

The Company's subsidiary undertakings at 31 July 2016, all of which are wholly owned unless indicated otherwise, are as follows:

InfraStrata UK Limited	Holding and corporate	England
InfraStrata UK Limited owns the following subsidiary undertakings:		
Islandmagee Storage Limited (65% owned*)	Sub surface gas storage developer	Northern Ireland
Portland Gas Limited	Holding company	England
Portland Gas Storage Limited	Sub surface gas storage developer	England
Portland Gas Transportation Limited**	Gas storage pipeline developer	England

Notes to the financial statements for the year ended 31 July 2016

17. Investments (continued)

Under the terms of a preliminary shareholder agreement entered into by InfraStrata UK Limited and Moyle in January 2010, Moyle acquired a 35% interest in Islandmagee Storage Limited but InfraStrata UK Limited continues to assume one hundred percent of the risks and rewards of ownership of Islandmagee Storage Limited (including voting rights) until such time as Moyle settles its share of the intercompany loan to Islandmagee Storage Limited when the construction and operation of the facility is certain or when the current shareholders' interests in the project are monetised. Therefore InfraStrata plc includes 100% of the results, assets and liabilities of Islandmagee Storage Limited in its financial statements.

* Subsequent to the end of the reporting period in September 2016 InfraStrata UK Limited increased its interest in Islandmagee Storage Limited from 65% to 90% effected by the issue of new shares in Islandmagee Storage Limited which reduced Moyle's interest from 35% to 10%. The transaction will mean that when the construction and operation of the facility is certain or when the current shareholders' interests in the project are monetised Moyle will no longer have to advance IMSL approximately £2 million plus interest to enable IMSL to partially repay shareholders loans paid to date by InfraStrata UK Limited.

** Subsequent to the end of the reporting period on 20 September 2016, Portland Gas Transportation Limited was dissolved. The company had no assets or liabilities.

The Company has impaired its investment in InfraStrata UK Limited and loan receivable from InfraStrata UK Limited as required. The impairments in 2012 followed the impairment of the Portland Gas Limited project.

Investment in associates

As disclosed above, in November 2015 the Company's 40% interests in both of Corfe Energy Limited and Brigantes Energy Limited were disposed of for a cash consideration of £600 which equated to the carrying value of these investments at cost. The results of the associates for the period August 2015 to November 2015 were insignificant individually and in aggregate and are not recognised in the consolidated income statement.

No value has been ascribed to the Net Profits Interests retained on each of the interests in these associates as it is not possible to determine a reliable fair value for these instruments.

18. Trade and other receivables	**Group 2016 £**	**Group 2015 £**	**Company 2016 £**	**Company 2015 £**
Amounts due from Group undertakings	-	-	5,873,052	5,085,527
Trade receivables	1,104,115	-	1,104,115	-
Other receivables	37,587	220,043	37,462	216,921
Prepayments	40,870	80,365	35,221	74,753
	1,182,572	300,408	7,049,850	5,377,201

An element of the Company and Group's credit risk is attributable to its trade and other receivables. Based on prior experience and an assessment of the current economic environment, the directors did not consider any provision for irrecoverable amounts was required and consider that the carrying amounts of these assets approximates to their fair value.

19. Grants and short-term borrowings

Grant receivable / restricted cash

The Grant receivable balance of £1,066,306 at 31 July 2015 represented an accrual of a grant receivable from the European Commission's Connecting Europe Facility in relation to the Islandmagee gas storage project. During 2015 the associated work programme was complete successfully at an aggregate cost of approximately £3.8 million. 30% of the maximum grant amounting to €750,000 (£533,694) was received in May 2015 and the remaining €1.75 million, the maximum available, (£1,358,063) was received in May 2016 and placed into an escrow arrangement as security for most of the €1,800,000 short-term convertible borrowings from Baron Oil plc. The amount placed in escrow is disclosed as restricted cash on the Group and Company statements of financial position.

19. Grants and short-term borrowings (continued)

Grant received in advance

In May 2016 the Company signed a further grant agreement with the European Commission's Connecting Europe Facility in relation to the Islandmagee gas storage project for a maximum of €4.024 million or up to 50% of the costs of Front End Engineering and Design ("FEED") for the project. 40% of the maximum grant amounting to €1.6 million (£1,331,886) was received on 1 July 2016. At 31 July 2016 the €1.6 million (£1,358,886) was held in a Euro denominated bank account pending completion of the remaining 50% funding required to match the grant.

Short-term convertible borrowings

On 30 April 2015, the Company concluded a €1.8 million Convertible Loan Facility Agreement with Baron Oil Plc ("Baron") for the purposes of providing bridge finance until receipt of the €1.75 million balancing grant for the data gathering well to obtain salt cores and subsequently undertake testing and engineering design work from the European Commission. The loan was drawn-down as Sterling fixed at £1.3 million and was subject to an interest rate of 8%.

In August 2016 the loan of €1.8 million (£1,400,364) was repaid in full by release to Baron of the €1.75 million (£1,358,063) then held in escrow, a payment of €50,000 (£42,301) and a further payment of €160,904 (£136,134) for the interest on the loan at a fixed rate of 8% up to the effective repayment date of 1 August 2016.

Baron had an accompanying option to convert the entire balance of the loan into an equity participation of 15% of the share capital in IMSL. Subsequent to the end of the reporting period in August 2016, the terms were amended such that Baron's option could be exercised until 31 March 2017 for a payment of £1,536,498, equivalent to the capital and interest repaid on the loan. On 26 September 2016 the option was further revised, so that Baron now has an option to acquire the number of ordinary shares of 1p in InfraStrata that represents 16.666% of the enlarged ordinary share capital of InfraStrata (from time to time) for a payment of £1,536,498, until 31 March 2017.

The borrowings were initially secured by a debenture over the assets of InfraStrata UK Limited which included the Group's interest in the share capital of IMSL but this security was released when the balancing €1.75 million grant was received and placed in escrow.

20. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Restricted cash	1,358,063	-	1,358,063	-
Cash at bank	2,454,006	430,199	2,442,818	256,192
	3,812,069	430,199	3,800,881	256,192

The directors consider that the carrying amount of these assets approximates their fair value. The credit risk on liquid funds is limited because the counter-parties are banks with high credit ratings.

21. Trade and other payables

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade creditors	550,253	596,481	548,403	582,075
Preference shares (note 24)	12,500	12,500	12,500	12,500
Other taxation and social security	707,331	23,928	707,643	23,928
Accruals	422,971	121,882	363,031	39,933
	1,693,055	754,791	1,631,577	658,436

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

22. Financial assets and liabilities

The Group and Company's financial instruments comprise cash and cash equivalents, short-term borrowings and items such as trade and other receivables and trade and other payables which arise directly from the Group's operations. The Group's operations expose it to a variety of financial risks including credit risk, interest rate risk, foreign currency exchange risk and liquidity risk. Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a subcommittee of the Board. The objectives of the financial instrument policies are to reduce the Group and Company's exposure to financial risk. The policies set by the Board of directors are implemented by the Company's finance department. To November 2015, the Group was also indirectly exposed to risks arising from its interests in its associates; the Group is not required to give detailed information relating to these risks.

Credit risk

The credit risk on liquid funds is limited because the Group and Company policy is to only deal with counter parties with high credit ratings. With the exception of the funds held in an escrow account and classified as restricted cash at 31 July 2016, the Group has held all funds in Bank of Scotland during the last two years. In the directors' view there is a low risk of the bank holding the Group's funds at year end failing in the foreseeable future.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group 2016 £	**Group 2015 £**	**Company 2016 £**	**Company 2015 £**
Trade and other receivables	1,141,702	61,075	1,141,577	60,949
Due from subsidiary undertakings	-	-	5,873,052	5,085,527
Restricted cash	1,358,063	-	1,358,063	-
Cash and cash equivalents	2,454,006	430,199	2,442,818	256,192

The reconciling items between the trade and other receivables presented above and that presented in note 18 are VAT receivable and prepayments. No receivables are past due but not impaired.

Interest rate risk

The Company and Group are exposed to interest rate risk as a result of positive cash balances, denominated in sterling and in euros, which earn interest at variable rates. Any surplus cash is held on deposit with Bank of Scotland. An effective interest rate increase or decrease by 1% on the cash and cash equivalents balance at year end would result in a before tax financial effect of an increase or decrease of £24,540 (2015: £4,302).

As disclosed in note 19, the Group and Company's short-term borrowings at 31 July 2016 bore interest at a fixed rate of 8% and subsequent to the year-end were repaid in full with interest.

Foreign currency risk

The Group is exposed to foreign currency rate risk as a result of Euro denominated bank balances, the grant receivable during 2015, part of the Baron loan and, to the extent that the it is repayable, the grant received in advance in 2016.

As disclosed in note 19, the Group and Company's short term borrowings (with a nominal value of €1.8 million) at the year-end were repaid from a €1.75 million European Commission grant receipt lodged in escrow (and converted to sterling on receipt) and disclosed as restricted cash on the Group and Company statements of financial position, and by a payment of €50,000, plus accrued interest. The directors did not consider the foreign exchange exposure on the €50,000 payment plus accrued interest to be significant.

At 31 July 2016, €1.6 million (£1,358,886) received in advance in respect of a grant for the FEED study on Islandmagee gas storage project was held in a Euro denominated bank account pending completion of the remaining 50% funding required to match the grant. The value of the amount received will be converted into sterling when the match funding has been secured to pay for suppliers on the FEED study in sterling.

22. Financial assets and liabilities (continued)

The currency risk disclosures are as follows:

	Group 2016	Group 2015
	USD	**USD**
Cash and cash equivalents	£1,046	£885
	Euros	**Euros**
Grant Receivable	-	£1,066,306
Cash and cash equivalents	£1,350,781	-
Grant received in advance	(£1,358,886)	-
Short term convertible borrowings and accrued interest	(£178,435)	(£1,014,145)

The book value of financial assets and liabilities disclosed is considered to be equal to fair value.

Liquidity risk

The total carrying value of Group and Company financial liabilities is disclosed in note 21 (trade and other payables) and in note 19 (short-term borrowings). The Company seeks to issue share capital or dispose of assets when external funds are required. The reconciling items between the contractual maturities presented below and that presented in notes 21 and 19 are taxes and accruals. The following table shows the contractual maturities of the Group's and Company's financial liabilities, all of which are measured at amortised cost.

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade & other payables				
Within one month	550,253	63,344	548,403	49,568
More than one month less than one year	-	533,137	-	533,137
Short term Borrowings				
Within one month	1,400,364	-	1,300,364	-
More than one month less than one year	-	1,000,000	-	1,000,000

23. Share capital and redeemable preference shares

	Allotted, called and fully paid						
	10p Ordinary Shares		1p Ordinary Shares		1p Deferred Shares		Total
	Number	£	Number	£	Number	£	£
At 31 July 2014	99,491,599	9,949,160	-	-	-	-	9,949,160
Share subdivision	(99,491,599)	(9,949,160)	99,491,599	994,916	895,424,391	8,954,244	-
Issue of £0.01 ordinary shares	-	-	52,500,000	525,000	-	-	525,000
At 31 July 2015	-	-	151,991,599	1,519,916	895,424,391	8,954,244	10,474,160
Issue of £0.01 Ordinary shares	-	-	36,050,000	360,500	-	-	360,500
At 31 July 2016	-	-	188,041,599	1,880,416	895,424,391	8,954,244	10,834,660

23. Share capital and redeemable preference shares (continued)

Redeemable preference shares of £1 each (classified as liabilities)	Allotted called up and part paid	
	Number	**£**
At 31 July 2016, 2015 and 2014	50,000	12,500

On 21 January 2015, following approval at the Company's AGM, the existing ordinary shares of 10 pence each were subdivided into 1 New Ordinary Share of 1 penny and 9 Deferred Shares of 1 penny each. The Deferred Shares do not carry any rights to vote or any dividend rights. The Deferred Shares will not be admitted to AIM and holders will only be entitled to a payment on return of capital or winding up of the Company after each of the holders of the Ordinary Shares has received a payment of £10,000,000 on each such share.

On 23 February 2015, following approval at a General Meeting of the Company, the Company issued 52,500,000 new Ordinary Shares of 1 penny each at 4 pence per share to raise £2,100,000, before expenses, to institutional and other shareholders. The expenses of the issue totalled £115,804.

On 18 December 2015 the Company announced a placing to raise £450,625 through the issue of 36,050,000 new ordinary shares of 1p each in two tranches. The first tranche of 18,880,000 shares were issued on 23 December 2015 and the second tranche of 17,170,000 shares was issued on 26 January 2016 following approval of shareholders at the Company's annual general meeting on 26 January 2016 of resolutions to provide authority to the Directors to issue and allot further new ordinary shares with exemption rights dis-applied. The expenses of the issue totalled £28,662.

Preference shares

The preference shares carry the right to an annual dividend out of distributable profits of 0.00001% per annum on the amount for the time being paid up on each such share and do not carry any voting rights. The Company may redeem the shares at any time by giving preference shareholders one week's notice. Preference shareholders may require the Company to redeem their shares at any time by giving six months' notice. In each case, any redemption is at par and is subject to the provisions of the Companies Act. The preference shares are treated as short-term liabilities and included within trade payables.

Authorised share capital

The Company's articles do not specify an authorised share capital.

Objectives, policies and processes for managing capital

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to achieve its operational objectives.

The Group defines capital as being share capital plus reserves. The Board of directors monitors the level of capital as compared to the Group's forecast cash flows and long term commitments and when necessary issues new shares. Dilution of existing shareholder value is considered during all processes which may result in an alteration of share capital in issue.

Ordinary share capital in issue is managed as capital and the redeemable preference shares in issue are managed as current liabilities.

The Group is not subject to any externally imposed capital requirements.

24. Merger reserve

Company

The merger reserve arose on the demerger of the Portland Gas Group of companies from Egdon Resources Plc when the Company issued shares at a premium to their nominal value on acquisition of InfraStrata UK Limited. The reserve is not distributable.

Group

The merger reserve represents the difference between the nominal value of the shares issued on the demerger and the combined share capital and share premium of InfraStrata UK Limited at the date of the demerger.

25. Share based payment reserve

The reserve for share based payments is used to record the value of equity settled share based payments awarded to employees and transfers out of this reserve are made upon the exercise or expiration of the share awards.

The transfer in of £12,470 (2015: £73,216) relates to the share option expense for the year. There were no options forfeited or exercised during the year (2015: £nil). For further information on the share based payment scheme see note 8.

26. Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases as at 31 July are as follows:

	Land and buildings 2016 £	Land and buildings 2015 £
Amounts due:		
Within one year	15,000	15,000

Operating lease payments represent rentals payable by the Group for office premises. The office premises lease rentals are fixed for 5 years and the escalation clause is linked to market rates agreed between the landlord and tenant. The lease provides for a break clause at the fifth anniversary of the lease which was on 30 October 2012, exercisable at the Company's option. The landlord and the Company agreed on 16 May 2012 that there will be no rent review and that either party may terminate the lease at any time on or after 30 October 2012 by serving six months written notice. Subsequent to the end of the reporting period the Company served notice under the lease which will terminate in January 2017.

27. Related party transactions

Group and Company

InfraStrata plc leases the Group's head office from Toffee Limited, a company of which Andrew Hindle is a director and shareholder. The rent and service charges paid during the period were £32,500 (2015: £45,000). The balance outstanding at 31 July 2016 was £nil (2015: £nil).

Company

The Company has related party relationships with its subsidiaries and associates in the course of normal operations. InfraStrata plc recovered overhead, technical and project management costs from Islandmagee Storage Limited of £468,539 (2015: £552,744). Gross balances due to/from subsidiaries were £207,732 (2015: £182,465) / £14,499,107 (2015: £13,683,316). The amounts due from Group undertakings, which are unsecured, are stated net of an impairment provision of £8,418,323 (2015: £8,418,323).

28. Jointly controlled oil & gas exploration activities

At 31 July 2016 the Group and Company held in interests in the following exploration licences:

Country	*Licence*	*Field name*	*Operator*
Northern Ireland	PL1/10	Larne-Lough Neagh Basin	InfraStrata
Northern Ireland	P2123	Larne-Lough Neagh Basin	InfraStrata

The Company has entered into agreements with partners whereby the Company's share of initial exploration costs are wholly or partly covered by the partners.

29. Events after the reporting period

In August 2016 the Baron loan of €1.8 million was repaid in full by release to Baron of the €1.75 million (£1,358,063) then held in escrow, a payment of €50,000 (£42,301) and a further payment of €160,904 (£136,134) for the interest on the loan at a fixed rate of 8% up to the effective repayment date of 1 August 2016. Baron had an accompanying option to convert the entire balance of the loan into an equity participation of 15% of the share capital in IMSL. The terms were amended such Baron's option could be exercised until 31 March 2017 for a payment of £1,536,498, equivalent to the capital and interest repaid on the loan. On 26 September 2016 we announced that the option has been further revised, so that Baron now has an option to acquire the number of ordinary shares of 1p in InfraStrata that represents 16.666% of the enlarged ordinary share capital of InfraStrata (from time to time) for a payment of £1,536,498, until 31 March 2017.

In September 2016 InfraStrata UK Limited increased its interest in Islandmagee Storage Limited from 65% to 90% effected by the issue of new shares in Islandmagee Storage Limited which reduced Moyle's interest from 35% to 10%. The transaction will mean that when the construction and operation of the facility is certain or when the current shareholders' interests in the project are monetised Moyle will no longer have to advance IMSL approximately £2 million plus interest to enable IMSL to partially repay shareholders loans paid to date by InfraStrata UK Limited.

On 5 January 2017 the Company entered into a secured loan facility agreement with Baron Oil plc ("Baron"). Under the terms of the Loan Agreement, Baron will provide a loan facility of up to £300,000 to InfraStrata (the "Loan"), which will be applied towards InfraStrata's working capital requirements. The Loan is for a term of 12 months from the date of the Loan Agreement. Baron is entitled, acting in its sole discretion, to extend the term of the Loan Agreement by an additional 12 months. The Loan will convert to an on-demand facility, repayable at any time following Baron's demand, with effect from 30 April 2017 in the event that £3.0m of further funding has not been received by the Company on or prior to that date. The Loan is subject to an interest rate of 6% of the funds drawn down, which is payable monthly in advance (rising to 9% in a payment default situation).

Baron will also receive an additional £200,000 (the "Additional Payment") in the event of a sale or disposal by InfraStrata of substantially all of its assets, which now comprise its interest in the Project, and/or a change in control of InfraStrata within two years from the entering into of the Loan Agreement. In the event of a partial disposal of InfraStrata's interest in the Project (whereby InfraStrata retains control of Islandmagee Storage Limited ("IMSL"), the company through which it holds its 90% interest in the Project) the Additional Payment will be reduced to £100,000, with the remaining £100,000 payable in the event of a subsequent disposal or change in control of InfraStrata during the two years. The Additional Payment is payable in the above scenarios regardless of whether the Loan has been repaid during this period or is still in use.

The Loan is secured by, inter alia: (i) a first-ranking debenture over the undertakings and assets of InfraStrata UK Limited ("InfraStrata UK"), the wholly owned subsidiary of the Company which owns 90% of IMSL; and (ii) charges over shares in InfraStrata UK (granted by the Company) and IMSL (granted by InfraStrata UK). The Loan can be repaid by InfraStrata in full at any time during its term, which would lead to the release of the security arrangements.

The terms of the Loan Agreement contain a number of customary representations and warranties, information undertakings, and general covenants, which include a negative pledge restricting the Company and InfraStrata UK's ability to grant further security over their assets. The terms of the Loan Agreement also impose certain obligations and restrictions on InfraStrata and InfraStrata UK, including, *inter alia*, restrictions on acquisitions and joint ventures, further borrowing and guarantees. The Loan Agreement contains a number of events of default, which includes, *inter alia*, the suspension or cancellation of trading of the Company's ordinary shares on AIM, subject to a seven day remedy period.

30. Control of the Group

There is no ultimate controlling party of InfraStrata plc.

Letter from the Chairman with Notice of Annual General Meeting

Directors:		Registered Office:
Kenneth Ratcliff	(Non-executive Chairman)	Blackstable House
Anita Gardiner	(Joint Managing Director)	Longridge
Stewart McGarrity	(Joint Managing Director)	Sheepscombe
Andrew Hindle	(Non-executive Director)	Stroud
Maurice Hazzard	(Non-executive Director)	GL6 7QX

6th January 2017

Dear Shareholder,

1. Introduction

Notice of the Company's forthcoming annual general meeting to be held on Tuesday 31 January 2017 ("AGM" or "Annual General Meeting") appears on the following pages.

As in previous years your Board is not recommending the payment of a dividend.

2. Resolutions to be proposed at the AGM

Ordinary Business

Annual Report and Accounts (Resolution 1)

A copy of the annual report and accounts (together with the Directors' and Auditor's reports on the annual report and accounts) for the Company for the financial year ended 31 July 2016 (the "Accounts") has been sent to you with this document. Shareholders will be asked to receive the Accounts at the Annual General Meeting.

Re-appointment of Auditor (Resolution 2)

The Company is required at each general meeting at which accounts are presented to appoint an auditor to hold office until the next such meeting. Nexia Smith & Williamson Audit Limited have indicated their willingness to continue in office. Accordingly, Resolution 2 proposes their re-appointment as auditor of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next annual general meeting of the Company at which accounts are laid, and authorises the Directors to determine their remuneration.

Retirement by Directors (Resolutions 3 and 4)

Andrew Hindle and Anita Gardiner are the Directors retiring by rotation this year and each of them offers themself for re-election. All members of the Board are required to submit themselves for re-election at least once every three years. Brief biographical details of each of the Directors appear on page 15 of the Accounts.

Share Capital Reorganisation

The mid-market price of the Company's Ordinary Shares as at the close of business on 5 January 2017 (the last practicable day prior to the publication of this letter) was 0.45p. The Ordinary Shares have since late November 2016 been trading on AIM at a price below their nominal value of 1 penny per share. The issue of new shares by a UK company at a price below their nominal value is prohibited by UK company law and accordingly the ability of the Company to raise funds by way of the issue of further equity has been inhibited. Should the share price remain below the nominal value of the shares then the inability to raise additional funds by way of an equity issue will constrain the Company's financial flexibility.

Accordingly, the Directors are seeking shareholders' authority at the Annual General Meeting to implement a proposed reorganisation to create a differential between the nominal value of the Company's ordinary shares and their market price to facilitate future share issues.

To give effect to the Share Capital Reorganisation, the current Articles of Association of the Company will need to be amended to make changes to allow for the creation of the Second Deferred Shares (in addition to the current Deferred Shares arising on the Share Capital Reorganisation becoming effective. These amendments to the current Articles of Association will also require shareholders' approval at the Annual General Meeting.

Letter from the Chairman with Notice of Annual General Meeting

Details of the proposed Share Capital Reorganisation and the proposed amendments to the Articles are set out below as my comments on Resolutions 7 and 8, but Resolutions 5 and 6 need to accommodate the alternative outcomes of the shareholders' vote on the Share Capital Reorganisation.

The proposed timetable for the Share Capital Reorganisation, and the definitions used in relation to the Share Capital Reorganisation are set out on page 566.

Authority of Directors to Allot Shares (Resolution 5)

The authority given to the Directors to allot further shares in the capital of the Company requires the prior authorisation of the shareholders in general meeting under section 551 Companies Act 2006. Upon the passing of Resolution 5, pursuant to paragraph (A) of the Resolution, the Directors will have authority to allot shares up to a maximum of £2,193,806.12 (which is approximately 116.67% of the current issued share capital as at 5 January 2017, being the latest practicable date before the publication of this Letter) or, following the Share Capital Reorganisation becoming effective, £21,938.06 (which will represent approximately 116.67% of the issued share capital following the Share Capital Reorganisation becoming effective). This level of share authority is sought by the Directors in order to provide flexibility to finance the Company in the future as required.

In addition, in accordance with the guidance from the Association of British Insurers ("ABI") on the expectations of institutional investors in relation to the authority of directors to allot shares, upon the passing of Resolution 5, the Directors will have authority (pursuant to paragraph (B) of the Resolution) to allot an additional number of ordinary shares up to a maximum of £626,805.33 (which is approximately a further third of the current issued share capital as at 5 January 2017 being the latest practicable date before the publication of this Letter) or, following the Share Capital Reorganisation becoming effective, £6,268.05 (which will represent approximately one-third of the issued share capital following the Share Capital Reorganisation becoming effective). However, the Directors will only be able to allot those shares for the purposes of a rights issue in which the new shares are offered to existing shareholders in proportion to their existing shareholdings.

As a result, if Resolution 5 is passed, the Directors could allot shares representing up to approximately 150% of the current issued share capital pursuant to a rights issue.

To the extent not already expired, the authorities conferred by Resolution 5 will expire immediately following the next Annual General Meeting or, if earlier, on 31 January 2018.

Disapplication of Pre-emption Rights (Resolution 6)

If the Directors wish to exercise the authority under Resolution 5 and offer unissued shares (or sell any shares which the Company may purchase and elect to hold as treasury shares) for cash, the Companies Act 2006 requires that unless shareholders have given specific authority for the waiver of the statutory pre-emption rights, the new shares be offered first to existing shareholders in proportion to their existing shareholdings. In certain circumstances, it may be in the best interests of the Company to allot new shares (or to grant rights over shares) for cash without first offering them to existing shareholders in proportions to their holdings.

Resolution 6 would authorise the Directors to do this by allowing the Directors to allot shares for cash (i) by way of a rights issue (subject to certain exclusions), (ii) by way of an open offer or other offer of securities (not being a rights issue) in favour of existing shareholders in proportions to their shareholdings (subject to certain exclusions) and (iii) to persons other than existing shareholders up to an aggregate nominal value of £1,880,415.99 (which represents approximately 100% of current issued share capital as at 5 January 2017, being the latest practicable date before the publication of this Letter) or, following the Share Capital Reorganisation becoming effective, £18,804.16 (which will represent approximately 100% of the issued share capital following the Share Capital Reorganisation becoming effective). If given, to the extent not already expired, the authorities conferred by Resolution 6 will expire on the conclusion of the next Annual General Meeting or, if earlier, on 31 January 2018. This level of share authority is sought by the Directors in order to provide flexibility to finance the Company in the future as required.

For this purpose the ABI recommendation aimed predominantly at premium-listed companies on the LSE main list is 5%, although it is generally recognised that for smaller companies and those on AIM this may be too restrictive. The nature of our business and the critical phase of the projects in which we are involved, which can both be expected to require up-front investment and can take a long time to develop fully means that your Board considers 5% to be insufficient. Consequently I would ask that as last year, you approve a 100% disapplication of pre-emption rights to provide your Board with the flexibility to pursue such opportunities without incurring the costs of a rights issue or the need to market part of the investment opportunity to third parties.

Disapplication of Pre-emption Rights in respect of the revised option granted to Baron Oil plc on 18 August 2016 (Resolution 7)

On 26 September 2016, the Company announced a revision to an option that had been previously granted to Baron Oil plc, whereby this option was revised so that Baron Oil plc had an option to acquire the number of ordinary shares of 1p in InfraStrata that represents 16.666% of the enlarged ordinary share capital of InfraStrata (from time to time) for a payment of £1,536,498, until 31 March 2017. InfraStrata's announcement of 26 September 2016 stated that the requisite authorities under the Companies Act 2006 to issue new ordinary shares in the Company to allow the exercise of this option, would be sought at the Company's next general meeting of shareholders (or earlier if required).

Resolution 7 would authorise the Directors to issue and allot shares for cash, pursuant to the exercise of the revised option granted to Baron Oil plc on 25 September 2016, up to an aggregate nominal value of £313,390.13 (which represents approximately 16.666% of current issued share capital as at 5 January 2017, being the latest practicable date before the publication of this Letter), or, following the Share Capital Reorganisation becoming effective, £3,133.90 (which will represent approximately 16.666% of the issued share capital following the Share Capital Reorganisation becoming effective).

Share Capital Reorganisation (Resolution 8)

As at 5 January 2017, being the latest practicable date prior to the publication of this letter, the total issued ordinary share capital of the Company was £1,880,415.99 divided into 188,041,599 Existing Ordinary Shares of 1 penny each.

In order to effect the Share Capital Reorganisation, the Existing Ordinary Shares of 1 penny will be subdivided into 1 New Ordinary Share of 0.01 penny each and 99 Second Deferred Shares of 0.01 penny each.

Terms used in this section of my letter to you and the timetable for the Share Capital Reorganisation appear at the foot of this letter.

Ordinary Shares

As a consequence of the Share Capital Reorganisation, each shareholder's holding of New Ordinary Shares will immediately following the Share Capital Reorganisation becoming effective be the same as the number of Existing Ordinary Shares held by them on the Record Date. Each shareholder's proportionate interest in the Company's issued ordinary share capital will remain unchanged as a result of the proposed Share Capital Reorganisation.

The New Ordinary Shares will continue to carry the same rights as are attached to the Existing Ordinary Shares.

The last day of trading on AIM in the Existing Ordinary Shares is expected to be 31 January 2017.

If approved, following the Share Capital Reorganisation, and assuming no further shares are issued between 5 January 2017 (being the latest practicable date prior to the publication of this letter) and the Record Time, the Company's issued ordinary share capital will comprise 188,041,599 New Ordinary Shares and in addition 895,424,391 Deferred Shares and 18,616,118,301 Second Deferred Shares.

Assuming that the Share Capital Reorganisation is approved, existing share certificates representing Existing Ordinary Shares will continue to be valid in respect of the New Ordinary Shares. No share certificates will be issued in respect of the New Ordinary Shares.

Shareholders who hold their entitlement to Existing Ordinary Shares in uncertificated form through CREST are expected to have their CREST accounts adjusted to reflect their entitlement to New Ordinary Shares on 31 January 2017.

Second Deferred Shares

The Second Deferred Shares created will be effectively valueless as they will not carry any rights to vote or any dividend rights. The Second Deferred Shares will rank *pari passu* with the Deferred Shares. Holders of Second Deferred Shares, along with holders of the Deferred Shares, will only be entitled to a payment on a return of capital or on a winding up of the Company after each of the holders of Ordinary Shares has received a payment of £10,000,000 on each such share. The Second Deferred Shares will not be admitted to trading on AIM and will not be transferable without the prior written consent of the Board. No share certificates will be issued in respect of the Second Deferred Shares, nor will CREST accounts of shareholders be credited in respect of any entitlement to Second Deferred Shares.

Changes to the Articles of Association (Resolution 9)

In connection with the Share Capital Reorganisation, the Company also proposes to amend its Articles of Association to include the rights and restrictions attaching to the Second Deferred Shares, as set out above.

3. Recommendation

Your Directors consider the Resolutions to be proposed at the AGM to be in the best interests of the Company and its shareholders as a whole. Consequently, the Directors recommend shareholders to vote in favour of the

Letter from the Chairman with Notice of Annual General Meeting

Resolutions as they intend to do in respect of their own beneficial holdings totalling 10,960,951 Ordinary shares (representing 5.83 per cent. of the Company's issued share capital as at the date of this Letter).

A form of proxy is included for use at the AGM. Forms of proxy should be completed, signed and returned as soon as possible and in any event so as to be received by Capita Asset Services at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not less than 48 hours prior to the time appointed for the holding of the AGM on 31 January 2017.

Completion of a proxy form will not prevent you from attending the AGM in person if you so wish.

Yours sincerely,

Ken Ratcliff

Non-executive Chairman

Letter from the Chairman with Notice of Annual General Meeting

SHARE CAPITAL REORGANISATION
DEFINITIONS AND TIMETABLE

Definitions

AIM	the market operated by the London Stock Exchange;
AIM Rules	the rules for AIM companies as issued by the London Stock Exchange plc, from time to time;
Deferred shares	the Deferred Shares of 1p each arising from the share capital reorganisation which took place on 21 January 2015 and having the rights set out in the Articles;
Existing Ordinary Shares	the existing issued ordinary shares of 1 penny each in the capital of the Company;
New Articles	the articles of association of the company as amended by Resolution 8 set out in the Notice of AGM;
New Ordinary shares	the new ordinary shares of 0.01p each in the share capital of the Company resulting from the Share Capital Reorganisation;
Ordinary Shares	prior to the Share Capital Reorganisation, the Existing Ordinary Shares and, thereafter, the New ordinary Shares;
Record Time	6.00 p.m. on (or any other time and date as the Directors in their absolute discretion may determine);
Second Deferred shares	the Second Deferred Shares of 0.01p each arising from the Share Capital Reorganisation having the rights set out in the New Articles;
Share Capital Reorganisation	the proposed reorganisation to be effected by subdividing each Existing Ordinary Share into 1 New Ordinary Share and 99 Second Deferred Shares.

Expected Timetable

Event	***Date***
Latest time and date for receipt of Forms of Proxy for the Annual General meeting	11.30 a.m. 27 January 2017
Time and date of Annual General meeting	11.30 a.m. 31 January 2017
Latest time and date for dealings on AIM in Existing Ordinary Shares	4.30 p.m. 31 January 2017
Record Time for the Share Capital Reorganisation	6.00 p.m. 31 January 2017
Admission of the New Ordinary Shares to trading on AIM and crediting of CREST accounts	8.00 a.m. 1 February 2017

Notes

1 Each of the times and dates in the above timetable is based on current expectations and is subject to change. If any of the above times and/or dates change, the revised times and/or dates will be notified to shareholders by announcement through a Regulatory Information Service.

2 All references in this document to times are to London times.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of InfraStrata plc (the "Company") will be held at the offices of Allenby Capital Limited, 3 St Helen's Place, London EC3A 6AB, United Kingdom on Tuesday 31 January 2017 at 11.30 a.m., for the purpose of passing the following Resolutions, of which Resolutions 1 to 5 will be proposed as Ordinary Resolutions and Resolutions 6 to 9 will be proposed as Special Resolutions:

Ordinary Resolutions:

1. To receive the report of the Directors and the audited accounts of the Company for the year ended 31 July 2016, together with the report of the Auditor on those audited accounts.

2. That Nexia Smith & Williamson Audit Limited be and are hereby reappointed as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the meeting, at a remuneration to be determined by the Directors.

3. To re-elect Andrew Hindle as Director who retires pursuant to article 92 of the Company's articles of association and who, being eligible, offers himself for re-election.

4. To re-elect Anita Gardiner as Director who retires pursuant to article 92 of the Company's articles of association and who, being eligible, offers herself for re-election.

5. To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

THAT the Directors be and they are hereby generally and unconditionally authorised in accordance with section 551 Companies Act 2006 (**CA 2006**) to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company:

(A) (i) up to an aggregate nominal amount of £2,193,806.12; and

(ii) subject to and with effect from the subdivision referred to in Resolution 8 in this Notice of Annual General Meeting (the **"Share Capital Reorganisation"**) becoming effective, in substitution for the authority granted by sub-paragraph (A)(i) of this Resolution but without prejudice to any prior exercise of such authority, up to an aggregate nominal amount of £21,938.06; and

(B) (i) comprising equity securities (within the meaning of section 560 CA 2006) up to a further aggregate nominal amount of £626,805.33 in connection with an offer by way of a rights issue:

(1) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(2) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

(ii) subject to and with effect from the Share Capital Reorganisation becoming effective, in substitution for the authority granted by sub-paragraph (B)(i) of this Resolution but without prejudice to any prior exercise of such authority, comprising equity securities (within the meaning of section 560 CA 2006) up to a further aggregate nominal amount of £6,268.05 in connection with an offer by way of a rights issue:

(1) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(2) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that that Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts).

The authorities conferred on the Directors under paragraphs (A) and (B) above shall, in so far as they have not previously expired, expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or 31 January 2018, whichever is the earlier save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for, or to convert any security into, shares to be granted after such expiry and the Directors may allot shares or grant rights to subscribe for, or to convert any security into, shares (as the case may be) in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Notice of Annual General Meeting

Special Resolutions:

6. To consider and, if thought fit, to pass the following resolution as a special resolution:

THAT, subject to the passing of Resolution 5 above the Directors be and they are hereby empowered pursuant to section 570 CA 2006 to allot equity securities (within the meaning of section 560 CA 2006) for cash pursuant to the authority conferred by Resolution 5, as if section 561 CA 2006 did not apply to any such allotment, provided that this power shall be limited:

(A) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authorities granted under paragraph (B) of Resolution 5, by way of a rights issue only):

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts); and

(B) to the allotment (otherwise than under paragraph (A) of this Resolution 6):

(i) prior to the Share Capital Reorganisation becoming effective, of equity securities up to an aggregate nominal amount of £1,880,415.99; and

(ii) with effect from the Share Capital Reorganisation becoming effective, of equity securities up to an aggregate nominal amount of £18,804.16

and shall, in so far as they have not previously expired, expire at the conclusion of the next annual general meeting of the Company after the passing of this Resolution or 31 January 2018, whichever is the earlier, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

7. To consider and, if thought fit, to pass the following resolution as a special resolution:

THAT, subject to the passing of Resolution 5 above the Directors be and they are hereby empowered pursuant to section 571 CA 2006 to allot equity securities (within the meaning of section 560 CA 2006) for cash pursuant to the authority conferred by Resolution 5, as if section 561 CA 2006 did not apply to any such allotment, provided that this power shall be limited:

(A) to the issue and allotment :

(i) prior to the Share Capital Reorganisation becoming effective, of equity securities up to an aggregate nominal amount of £313,390.13 pursuant to the exercise of the revised option granted to Baron Oil plc on 25 September 2016; and

(ii) with effect from the Share Capital Reorganisation becoming effective, of equity securities up to an aggregate nominal amount of £3,133.90 pursuant to the exercise of the revised option granted to Baron Oil plc on 25 September 2016

The authorities conferred on the Directors under paragraph (A) above shall, in so far as they have not previously expired, expire on 31 March 2017.

8. To consider and, if thought fit, to pass the following resolution as a special resolution:

THAT, subject to and conditional on the admission of the New Ordinary Shares (as defined below) to trading on the AIM Market of the London Stock Exchange plc becoming effective and on Resolution 9 set out in the notice of General Meeting being passed without amendment each existing ordinary share of 1 penny each (each an "**Existing Ordinary Share**") that are in issue as at 6.00 p.m. on 31 January 2017 (or such other time as the Directors may determine) (the "**Record Time**") be subdivided into one ordinary share of 0.01 penny each (each a "**New Ordinary Share**") and 99 deferred shares of 0.01 penny each ("**Second Deferred Shares**"), each having the rights and being subject to restrictions set out in the articles of association of the Company as amended by Resolution 9 below.

9. To consider, and if thought fit, to pass the following resolution which is proposed as a special resolution:

Notice of Annual General Meeting

That the existing articles of association of the Company be amended by:

(A) the addition in Article 2 of the following definition: *""Second Deferred Shares" means deferred shares of 0.01p each in the capital of the Company having such rights are stated as attaching thereto in Article 176."*

(B) the deletion of the definition "Ordinary Share" in Article 2 and its replacement with the following definition *""Ordinary Share" means an ordinary share of 0.01 penny each in the capital of the Company"*;

(C) the addition of a new Article 176 as follows:

"*176 Second Deferred Shares*

The rights attaching to the Second Deferred Shares shall be as follows:

(i) The Second Deferred Shares shall confer no right to participate in the profits of the Company;

(ii) Save that the nominal capital paid up or credited as paid up on the Deferred Shares being 1 penny each and the nominal capital paid up or credited as paid up on the Second Deferred Shares being 0.01 penny each, the Deferred Shares and the Second Deferred Shares shall rank pari passu and the provisions set out in Article 175 shall apply equally to both of them."

Dated 6th January 2017

By Order of the Board

Walter Roberts

Secretary

Registered Office:

Blackstable House

Longridge

Sheepscombe

Stroud

GL6 7QX

Notes:

1. A member is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by the member. If a member wishes to appoint more than one proxy and so requires additional proxy forms, the member should contact Capita Asset Services on 0871 664 0300 if calling within the United Kingdom or 0371 664 0330 if calling from outside the United Kingdom. Lines are open 8:30am – 5:30pm Mon–Fri. Calls to the helpline from within the United Kingdom cost 12 pence per minute (including VAT) from a BT landline. Other service providers' costs may vary. Call to the helpline from outside the United Kingdom will be charged at applicable international rates. Calls may be recorded and monitored for security and training purposes. A form of proxy for use by members at the Annual General Meeting accompanies this notice.
2. To be effective, the form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority, must be received by post or (during normal business hours only) by hand at the office of the Company's Registrars, being Capita Asset Services at PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, not less than 48 hours, excluding non-business days, before the time of the holding of the meeting or any adjournment thereof.
3. Completion and return of the proxy form does not preclude a member from attending and voting at the meeting in person.
4. In the case of joint shareholders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint shareholders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
5. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
6. In order to revoke a proxy instruction you will need to inform the Company by sending notice in writing clearly stating your intention to revoke your proxy appointment to the Company's Registrars, being Capita Asset Services at PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than 48 hours, excluding non-business days, before the time of the holding of the meeting or any adjournment thereof. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

Proxy Form InfraStrata plc

7. In accordance with the permission in Regulation 41(1) of The Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), only those holders of ordinary shares who are registered on the Company's share register at close of business on 27 January 2017 shall be entitled to attend the above Annual General Meeting (or, in the case of an adjourned meeting, close of business on the day which is two days before the adjourned meeting) and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the share register after close of business on 27 January 2017 shall be disregarded in determining the rights of any person to attend and/or vote at the Annual General Meeting.

8. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are to be cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.

9. Copies of the service agreements and letters of appointment between the Company and its Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and Bank Holidays excluded) until the date of the meeting and also on the date and at the place of the meeting from half an hour before the meeting until the conclusion of the meeting.

(Incorporated and registered in England and Wales under the Companies Act 1985 (as amended) with registered number 6409712)

Proxy Form InfraStrata plc

Proxy Form for use by Shareholders at the Annual General Meeting ("AGM") of InfraStrata plc (the "Company") to be held at the offices of Allenby Capital Limited, 3 St Helen's Place, London EC3A 6AB, United Kingdom on Tuesday 31 January 2017 at 11.30 a.m.

Please read the Notice of the AGM and the accompanying notes carefully before completing this Proxy Form.

As a Shareholder of the Company you have the right to attend, speak at and vote at the AGM. If you cannot, or do not want to attend the AGM, but still want to vote, you can appoint someone to attend the AGM and vote on your behalf. That person is known as a "proxy". You can use this Proxy Form to appoint the Chairman of the AGM, or someone else, as your proxy. Your proxy does not need to be a Shareholder of the Company.

I/We, ... (in BLOCK CAPITALS please)

being a Shareholder/Shareholders of InfraStrata plc, appoint the Chairman of the AGM or ....

....

(see note 1) as my/our proxy to attend and, on a poll, to vote for me/us and on my/our behalf as indicated below at the AGM and at any adjournment thereof (see notes below).

Please clearly mark the boxes below to instruct your proxy how to vote.

ORDINARY RESOLUTIONS	**For**	**Against**	**Vote withheld**	**Discretionary**
1 To receive the Report and Accounts for the year ended 31 July 2016				
2 To re-appoint Nexia Smith & Williamson Audit Limited as auditor at a remuneration to be determined by the Directors				
3 To re-elect Andrew Hindle				
4 To re-elect Anita Gardiner				
5 To grant the directors authority to allot shares on the basis set out in the Notice of AGM				
SPECIAL RESOLUTIONS				
6 To disapply pre-emption rights on the basis set out in the Notice of AGM				
7 To disapply pre-emption rights to allow the issue and allotment of shares pursuant to the exercise of the revised option granted to Baron Oil plc on 25 September 2016, on the basis set out in the Notice of AGM				
8 To affect the Share Capital Reorganisation				
9 To amend the Articles to include the Second Deferred Share rights				

Signature(s) .... (*see note 8*) Date ....20…

Notes:

1 A proxy need not be a member of the Company but must attend the meeting to represent you. If you wish to appoint as a proxy a person other than the Chairman of the AGM, please delete the words "the Chairman of the AGM" and insert the name of the other person. All alterations made to this Proxy Form must be initialled by the signatory. If you sign and return this Proxy Form with no name inserted in the box, the Chairman of the AGM will be deemed to be your proxy. If the proxy is being appointed in relation to less than your full voting entitlement, please enter the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be

authorised in respect of your full voting entitlement (or if this Proxy Form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).

2 To be effective, this Proxy Form (together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such authority) must be received by post or (during normal business hours only) by hand at the office of the Company's Registrars, being Capita Asset Services at PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, by no later than 11.30 a.m. on 27 January 2017.

3 You are entitled to appoint more than one proxy provided that each proxy is appointed to exercise rights attached to a different share or shares held by you. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional Proxy Form(s) may be obtained by contacting the Registrars helpline on +44 (0)871 664 0300 (calls cost 12p per minute plus network extras) or you may photocopy this form. Please indicate next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

4 Completion and return of this Proxy Form will not prevent you from attending in person and voting at the AGM should you subsequently decide to do so.

5 If you wish your proxy to cast all of your votes "For" or "Against" a resolution you should insert an "X" in the appropriate box. If you wish your proxy to cast only certain votes "For" and certain votes "Against", insert the relevant number of shares in the appropriate box. In the absence of instructions, your proxy may vote or abstain from voting as he or she thinks fit on the specified resolution and, unless instructed otherwise, may also vote or abstain from voting as he or she things fit on any other business (including on a motion to amend a resolution to propose a new resolution or to adjourn the AGM) which may properly come before the AGM.

6 The "Vote Withheld" option is provided to enable you to instruct your proxy to abstain from voting on a particular resolution. A "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" or "Against" a resolution. The "Discretionary" option is provided to enable you to give discretion to your proxy to vote or abstain from voting on a particular resolution as he or she thinks fit.

7 In accordance with the permission in Regulation 41 of the Uncertificated Securities Regulations 1001 (SI 2001 No. 3755), only those holders of ordinary shares who are registered on the Company's share register at close of business on 27 January 2017 shall be entitled to attend the above AGM (or at close of business on the day which is two days before the day of any adjourned meeting) and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the share register after at close of business on 27 January 2017 shall be disregarded in determining the rights of any person to attend and/or vote at the AGM.

8 This Proxy Form must be signed by the shareholder or his/her attorney. Where the shareholder is a corporation, the signature must be under seal or signed by a duly authorised representative stating their capacity (e.g. Director, secretary). In the case of joint shareholders, any one shareholder may sign this Proxy Form or may vote in person at the Meeting. If more than one joint shareholder is present at the AGM either in person or by proxy, that one of them whose name stands first in the register of members in respect of the share shall alone be entitled to vote (whether in person or by proxy) in respect of it.

9 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

10 In order to revoke a proxy instruction you will need to inform the Company by sending notice in writing clearly stating your intention to revoke your proxy appointment to Company's Registrars, being Capita Asset Services at PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by the Company no later than 48 hours before the time of the holding of the meeting or any adjournment thereof. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

11 If you submit more than one valid proxy appointment in respect of the same share or shares, the appointment received last before the latest time for the receipt of proxies will take precedence. If the Company is unable to determine which was received last, none of the proxy appointments in respect of that share or shares shall be valid.