

**InfraStrata plc**

**Interim report  
31 January 2012**

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## **Directors, secretary and advisors**

<b>Directors</b>	Kenneth Maurice Ratcliff ( <i>Non-executive Chairman</i> ) Andrew David Hindle ( <i>Chief Executive Officer</i> ) Craig Stuart Gouws ( <i>Chief Financial Officer</i> ) Walter Rookehurst Roberts ( <i>Legal and Commercial Director</i> ) Maurice Edward Hazzard ( <i>Non-executive Director</i> ) William Colvin ( <i>Non-executive Director</i> )
<b>Company secretary</b>	Walter Rookehurst Roberts
<b>Registered office</b>	Blackstable House Longridge Sheepscombe Stroud Gloucestershire, GL6 7QX
<b>Principal office</b>	80 Hill Rise Richmond Surrey, TW10 6UB
<b>Auditor</b>	Nexia Smith & Williamson 1 Bishops Wharf, Walnut Tree Close Guildford Surrey, GU1 4RA
<b>Tax advisors</b>	Smith & Williamson Limited 1 Bishops Wharf, Walnut Tree Close Guildford Surrey, GU1 4RA
<b>Registrars</b>	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent, BR3 4TH
<b>Nominated advisor and broker</b>	Seymour Pierce Limited 20 Old Bailey London, EC4M 7EN
<b>Solicitors</b>	Field Fisher Waterhouse LLP 35 Vine Street London, EC3N 2AA
<b>Bankers</b>	Bank of Scotland plc 33 Old Broad Street London, EC2N 1HZ
<b>Investor and public relations</b>	Buchanan Communications Limited 107 Cheapside London, EC2V 6DN

## Overview and highlights

- BP Gas Marketing Limited granted an option to acquire a 50.495% interest in Islandmagee Storage Limited in return for funding the next phase of the project development.
- Determination of the Islandmagee gas storage project planning application is expected during 2012.
- The Company completed its initial seismic survey in County Antrim, the data has been processed, interpreted and very encouraging leads identified, resulting in a decision to acquire further seismic data to refine the structural interpretation over the high-graded leads and identify a suitable location for drilling the first exploration well.
- The planning permissions and various consents for the Portland project have been either implemented or renewed where necessary.
- The Company was offered an interest in an exploration licence over Blocks 97/14, 97/15 and 98/11 in UK 26th Offshore Licensing Round.
- Following a refocusing of eCORP's European operations, agreements are being negotiated to restructure their interests in the Portland project, and the 26th Round offshore petroleum licence.
- The Portland gas storage project intends to submit a bid in the Carbon Capture Storage Commercialisation Programme of the Department of Energy and Climate Change.
- Post interim period end, a placing of 12,727,273 new ordinary shares at 11p per share raised £1,400,000 before expenses. These funds are required to facilitate the unlocking of the inherent value of the Company's projects.
- Loss for the six month period ended 31 January 2012, after non cash share of joint venture and associates loss, of £1.18 million (31 January 2011 - profit £2.30 million).
- Basic and diluted loss per share – 1.51p (31 January 2011 profit – 3.12p). Continuing basic and diluted loss per share – 1.51p (31 January 2011 loss – 0.71p).
- Cash position inclusive of cash allocated to discontinued operations - £0.6 million (31 July 2011 - £0.8 million, 31 January 2011 - £0.6 million).
- Net asset position - £28.1 million (31 July 2011 - £28.8 million, 31 January 2011 - £25.9 million).

## **Chairman and CEO's Statement**

InfraStrata plc ('InfraStrata' or the 'Company') is an independent gas storage and petroleum exploration company.

The Company is focused on two areas in the UK. In Dorset, England, the Company is reviewing and developing opportunities covering gas storage, petroleum exploration, pipelines and power generation. In Antrim, Northern Ireland, the opportunities cover gas storage and petroleum exploration.

The Company also has investments in two private independent petroleum exploration companies, Brigantes Energy Limited and Corfe Energy Limited.

## **Financial results**

The Group has recorded a loss for the six month period ended 31 January 2012 of £1.18 million (31 January 2011 – profit £2.30 million). The loss for the period, together with the balance of £138,605 loss brought forward, leaves a retained loss of £1.32 million to be carried forward. Included in the current period loss is a significant accounting loss, which has no current cash implication, of £715,365, which arose from equity accounting the Company's interests in associates and its joint venture during the period.

The Group's cash (including cash disclosed as discontinuing) and net asset positions are £0.59 million (31 July 2011 - £0.76 million) and £28.1 million (31 July 2011 - £28.8 million) respectively.

The Company issued 12,727,273 new ordinary shares at 11p per share to raise £1,400,000 before expenses in February 2012. The net proceeds of this placing receivable by the Company are being applied to the general and administrative expenditure of the Company with the majority thereof earmarked to facilitate the unlocking of the inherent value of the Company's projects through its 2012/13 financial year.

## **Antrim, Northern Ireland**

On 19 January 2012 an agreement was entered into with BP Gas Marketing Limited ("BPGM") regarding the appraisal of the Islandmagee gas storage facility development project in County Antrim, and the grant of an option to BPGM to acquire a 50.495% equity interest in Islandmagee Storage Limited ("IMSL"), the gas storage developer in Northern Ireland currently owned by InfraStrata (65%) and Moyle (35%). Should the option be exercised, InfraStrata's equity interest in IMSL will become 32.178% and the remaining 17.327% will be owned by Moyle.

Under the terms of a Joint Appraisal Agreement, BPGM has agreed to fund the activities necessary to develop the project up to the point where a decision can be made on whether to proceed with a detailed engineering design. The greatest item of the expenditure during the appraisal period is the drilling of the first well. The drilling of the well is subject to IMSL being granted satisfactory planning permissions and other key consents and approvals for the project, and a regulatory and operational framework being adopted by the Northern Ireland and Republic of Ireland authorities to facilitate commercial operations of the facility on a level playing field with storage elsewhere in the UK and Ireland.

During this appraisal stage of the project, BPGM will be responsible for managing surface and sub-surface engineering matters. IMSL will be managing the planning, regulatory, land and stakeholder relations together with drilling and operating the well.

In consideration for the work undertaken in developing the project to date, IMSL will receive an amount of up to £400,000. £200,000 was paid on signature of the Joint Appraisal Agreement and a further £200,000 will be paid if planning permission for the project is granted. These funds are to be used to repay a portion of the InfraStrata loan account to IMSL. In addition, IMSL was paid £200,000 by BPGM on the grant of exclusivity in 2011.

## **Chairman and CEO's Statement (*continued*)**

### **Antrim, Northern Ireland (*continued*)**

The Islandmagee gas storage project is, with the valued participation of stakeholders, progressing as anticipated. The planning application, which was submitted in March 2010 to the Northern Ireland Planning Service, is expected to be determined during 2012.

Tesla Exploration International Limited ("Tesla") will be undertaking a further infill seismic programme over petroleum licence PL1/10 during June 2012. The decision to undertake the new survey was taken after completion of the interpretation of 288 kilometres of 2D Vibroseis seismic data acquired during 2011. The PL1/10 partners are very encouraged by the identification of several large leads. The new seismic programme will comprise 100 kilometres of 2D Vibroseis data to refine the structural interpretation over the high-graded leads, and identify a suitable location for drilling the first exploration well.

Although it was anticipated that a thick sedimentary sequence within the Larne-Lough Neagh Basin would be encountered, the challenge before the 2011 survey was to design a programme to successfully image below the Tertiary basalt, which is at the surface over the majority of the licence area. This has been achieved and confirmation that the structural style is similar to the project analogue, the East Irish Sea Basin, has been obtained.

The primary objectives are sandstone reservoirs within the Triassic and Permian sequences, each overlain by saliferous sealing intervals.

### **Dorset, England**

Development of the Portland gas storage project has been focussed on the preservation of the consents and permits for the project. The planning permission at the Portland site was implemented in June 2011 and an eight year extension to planning permissions related to the pipeline infrastructure was also approved by Dorset County Council in December 2011.

The awarded consents are to build a gas pipeline from Mappowder to Portland, a gas storage plant and power generation facilities on the Upper Osprey site at Portland. A modified plan is being developed to enable the Project to move forward during 2012.

The Dorset petroleum licence comprising Blocks 97/14, 97/15 and 98/11 was offered to the Company on 30 December 2011. InfraStrata is the operator of the licence with a 28% interest. Partner company Corfe Energy Limited with a 12% interest, is 50% owned by InfraStrata.

A total of seven wells have been previously drilled within the licence area, including the first UK offshore well in 1963 on Lulworth Banks in Block 97/14. Six of these wells encountered oil or gas shows and three flowed oil or gas on test.

There is an undeveloped 1984 gas discovery in Block 98/11. The well drilled in 1984 encountered a 26 metre gas column which was tested and flowed at an approximate rate of 10 million standard cubic feet of gas per day (MMscf/day). A reservoir engineering study undertaken for InfraStrata has indicated that this interval would have been capable of flowing at a rate of greater than 40 MMscf/day from the discovery well.

The priority of the initial 2012 work programme will be to establish the potential commerciality of the existing discoveries in the licence. The work will include reprocessing of existing seismic data to better define the extent and size of the accumulation.

Following a refocusing of eCORP's European operations, agreements are being negotiated to restructure their interests in the Portland project, and the 26th Round offshore petroleum licence (P1918) which is in the process of being awarded.

## **Chairman and CEO's Statement (*continued*)**

### **Dorset, England (*continued*)**

At the same time agreements are also being finalised with Portland Port in respect of the site lease, in order to achieve better alignment of interests. This change will provide stronger backing for the Portland gas storage project to submit a bid in the Carbon Capture Storage (CCS) Commercialisation Programme of the Department of Energy and Climate Change. The CCS project would make use of existing permissions and consents for the Portland project and allow synergies with the gas storage project. InfraStrata will be working closely with Portland Port to progress the modified project, which would see CO<sub>2</sub> captured in caverns offshore adjacent to the Portland site from power generation at the site.

### **Outlook**

Unlocking the inherent value of the Company's four projects during the coming 12 months is management's primary objective. It is expected that the Islandmagee gas storage project will be awarded planning permission and the first well drilled. The additional seismic data acquisition in Antrim will be completed and the data processed and interpreted leading to the drilling of an exploratory well. In Southern England the review of existing seismic data will be completed and a new project programme for the Portland project put into place. The Company looks forward to working with partners and stakeholders to progress all of our projects.

The Directors believe that the Group has adequate cash resources to meet general and administrative expenditure as well as support the Company's projects over the forthcoming 12 months.

The ongoing support of shareholders, as always, is much appreciated by the Board.

Ken Ratcliff – Non-executive Chairman  
Andrew Hindle – Chief Executive Officer  
30 April 2012

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the six months ended 31 January 2012**

	Notes	Six months ended 31 January 2012 Unaudited £	Six months ended 31 January 2011 Unaudited £	Year ended 31 July 2011 Audited £
<b>Continuing operations</b>				
Revenue		155,928	79,568	240,290
Cost of sales		-	-	-
<b>Gross profit</b>		155,928	79,568	240,290
Administrative expenses		(620,157)	(604,657)	(1,180,485)
<b>Operating loss</b>		(464,229)	(525,089)	(940,195)
Finance income		962	2,347	11,139
Share of loss of joint venture and associates		(715,365)	(3,379)	(452,089)
<b>Loss before taxation</b>		(1,178,632)	(526,121)	(1,381,145)
Taxation		-	-	-
<b>Loss for the period from continuing operations (Loss)/profit for the period from discontinued operations</b>		(1,178,632)	(526,121)	(1,381,145)
		(1,828)	2,829,885	5,691,456
<b>(Loss)/profit for the period attributable to equity holders of the parent</b>		(1,180,460)	2,303,764	4,310,311
Other comprehensive income		-	-	-
<b>Total comprehensive (loss)/ profit for the period attributable to the equity holders of the parent</b>		(1,180,460)	2,303,764	4,310,311
<b>Basic and diluted (loss)/profit per share</b>				
Continuing operations	2	(1.51)p	(0.71)p	(1.82)p
Discontinued operations		0.00p	3.83p	7.49p
Continuing and discontinued operations		(1.51)p	3.12p	5.67p



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 January 2012**

		31 January 2012 Unaudited £	31 January 2011 Unaudited £	31 July 2011 Audited £
<b>Non-current assets</b>				
Plant and equipment		11,639	8,569	15,161
Investments in associates		2,477,707	-	2,880,000
Investment in joint venture		22,160,446	22,897,857	22,473,516
		<hr/>	<hr/>	<hr/>
<b>Total non-current assets</b>		24,649,792	22,906,426	25,368,677
<b>Current assets</b>				
Trade and other receivables		130,696	139,730	140,526
Available for sale assets		12,500	12,500	12,500
Cash and cash equivalents		530,036	564,164	714,969
Assets classified as held for sale	3	3,054,141	2,592,188	2,744,731
		<hr/>	<hr/>	<hr/>
<b>Total current assets</b>		3,727,373	3,308,582	3,612,726
<b>Current liabilities</b>				
Trade and other payables		(241,147)	(168,767)	(104,158)
Liabilities directly associated with assets classified as held for sale	3	(63,629)	(66,990)	(29,928)
		<hr/>	<hr/>	<hr/>
<b>Total current liabilities</b>		(304,776)	(235,757)	(134,086)
<b>Net current assets</b>				
		<hr/>	<hr/>	<hr/>
<b>Net assets</b>		3,422,597	3,072,825	3,478,640
<b>Shareholders' funds</b>				
Share capital	4	7,826,433	7,416,933	7,826,433
Share premium		11,848,946	11,393,582	11,848,946
Merger reserve		8,988,112	8,988,112	8,988,112
Share based payment reserve		327,963	366,668	322,431
Retained earnings		(1,319,065)	(2,186,044)	(138,605)
		<hr/>	<hr/>	<hr/>
Non-controlling interests	5	27,672,389 400,000	25,979,251 -	28,847,317 -
		<hr/>	<hr/>	<hr/>
		28,072,389	25,979,251	28,847,317
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the six months ended 31 January 2012**

	Share capital £	Share premium £	Merger reserve £	Share based payment reserve £	Retained earnings £	Non- controlling interests £	Total equity £
<b>Balance at 31 July 2010</b>	7,380,420	11,381,095	8,988,112	302,435	(4,489,808)	-	23,562,254
Profit for the period	-	-	-	-	2,303,764	-	2,303,764
Total comprehensive profit for the period	-	-	-	-	2,303,764	-	2,303,764
Issue of equity capital	36,513	12,487	-	-	-	-	49,000
Share based payments	-	-	-	64,233	-	-	64,233
<b>Balance at 31 January 2011</b>	7,416,933	11,393,582	8,988,112	366,668	(2,186,044)	-	25,979,251
Profit for the period	-	-	-	-	2,006,547	-	2,006,547
Total comprehensive profit for the period	-	-	-	-	2,006,547	-	2,006,547
Issue of equity capital	409,500	455,364	-	-	-	-	864,864
Share based payments	-	-	-	(44,237)	40,892	-	(3,345)
<b>Balance at 31 July 2011</b>	7,826,433	11,848,946	8,988,112	322,431	(138,605)	-	28,847,317
Loss for the period	-	-	-	-	(1,180,460)	-	(1,180,460)
Total comprehensive loss for the period	-	-	-	-	(1,180,460)	-	(1,180,460)
Share based payments	-	-	-	5,532	-	-	5,532
Funds received by IMSL (note 5)	-	-	-	-	-	400,000	400,000
<b>Balance at 31 January 2012</b>	7,826,433	11,848,946	8,988,112	327,963	(1,319,065)	400,000	28,072,389

**CONSOLIDATED CASH FLOW STATEMENT for the six months ended 31 January 2012**

	Notes	Six months ended 31 January 2012 Unaudited £	Six months ended 31 January 2011 Unaudited £	Year ended 31 July 2011 Audited £
<b>Net cash (used in) operating activities</b>	6	(296,072)	(507,970)	(982,526)
<b>Investing activities</b>				
Interest received		962	2,347	11,139
Purchase of intangible assets		(289,823)	(99,869)	(324,520)
Purchase of plant and equipment		-	(91,326)	(108,706)
Cash outflow on disposal of subsidiary		-	-	(6,264)
<b>Net cash (used in) investing activities</b>		(288,861)	(188,848)	(428,351)
<b>Financing activities</b>				
Net proceeds on issue of ordinary shares		-	-	864,864
Funds received by Islandmagee Storage Limited	5	400,000	-	-
<b>Net cash generated from financing activities</b>		400,000	-	864,864
<b>Net (decrease) in cash and cash equivalents</b>		(184,933)	(696,818)	(546,013)
Cash and cash equivalents at beginning of period		714,969	1,260,982	1,260,982
<b>Cash and cash equivalents at end of period</b>		530,036	564,164	714,969

**Significant non-cash transaction**

Equity accounting for the Company's interest in associates and its joint venture resulted in a non-cash expense of £715,365 (six months to 31 January 2011 - £3,379; year to 31 July 2011 £452,089) during the period.

Other significant non-cash transactions for the year ended 31 July 2011 comprise the loss of control of three companies (six months to 31 January 2011 – one company) which were previously subsidiaries. No cash was received nor paid by the Group as a result of these transactions.

## **NOTES TO THE INTERIM RESULTS for the six months ended 31 January 2012**

### **1. Basis of preparation**

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as adopted by the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 31 July 2012.

#### **Non-statutory accounts**

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. A copy of the statutory accounts of the Company for the year ended 31 July 2011 has been delivered to the Registrar of Companies. The audit report on these accounts is unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006.

The financial information for the 6 months ended 31 January 2012 and 31 January 2011 is unaudited.

#### **Accounting policies**

The interim financial information has been prepared under the historical cost convention, except for the inclusion of available for sale assets at fair value.

The same accounting policies, presentation and methods of computation are followed in these condensed financial statements as were applied in preparation of the Group's financial statements for the year ended 31 July 2011.

#### **Going concern**

The Directors have a reasonable expectation that the Group has adequate cash resources to meet committed expenditure. Consequently the Directors consider it appropriate to prepare the interim financial information on a going concern basis. As with other development companies which have no significant and consistent revenue streams, the Group will only be able to advance its development programme if it has sufficient resources to do so. To avail the Company of any new and emerging opportunities in the next twelve months, if necessary the Directors believe that further funding could be obtained by the issuance of new equity or through the disposal of an interest in projects.

**NOTES TO THE INTERIM RESULTS for the six months ended 31 January 2012 (continued)**

**2. (Loss)/profit per share**

	Six months ended 31 January 2012 Unaudited £	Six months ended 31 January 2011 Unaudited £	Year ended 31 July 2011 Audited £
The (loss)/profit for purposes of basic and diluted loss per share being the net (loss)/profit attributable to equity shareholders:			
Continuing operations	(1,178,632)	(526,121)	(1,381,145)
Discontinued operations	(1,828)	2,829,885	5,691,456
Continuing and discontinued operations	(1,180,460)	2,303,764	4,310,311
<b>Number of shares</b>			
Weighted average number of ordinary shares for the purposes of basic earnings per share	78,264,326	73,838,213	75,978,414
<b>Basic earnings per share</b>			
Continuing operations	(1.51)p	(0.71)p	(1.82)p
Discontinued operations	0.00p	3.83p	7.49p
Continuing and discontinued operations	(1.51)p	3.12p	5.67p

Diluted earnings per share calculations are not presented for the 6 months ended 31 January 2011 and the year ended 31 July 2011 as there is no material difference between the weighted average number of ordinary shares for the purposes of basic earnings per share and the weighted average number of ordinary shares for the purposes of diluted earnings per share; the basic and diluted earnings per share are the same. For the six months to 31 January 2012, in accordance with IAS 33, diluted earnings per share calculations are not presented as assumed conversion of outstanding share options would not be dilutive; as such the diluted earnings/loss per share is equal to the basic earnings/loss per share.

**3. Assets and liabilities held for sale**

	Six months ended 31 January 2012 Unaudited £	Six months ended 31 January 2011 Unaudited £	Year ended 31 July 2011 Audited £
Assets classified as held for sale			
Intangible assets – gas storage development costs	2,980,142	2,496,530	2,700,345
Trade and other receivables	9,467	11,169	1,066
Cash and cash equivalents	64,532	84,489	43,320
	<hr/> 3,054,141	<hr/> 2,592,188	<hr/> 2,744,731
Liabilities classified as held for sale			
<i>Current liabilities</i>			
Trade creditors	58,629	47,490	1,192
Accruals	5,000	19,500	28,736
	<hr/> 63,629	<hr/> 66,990	<hr/> 29,928

## NOTES TO THE INTERIM RESULTS for the six months ended 31 January 2012 (continued)

### 3. Assets and liabilities held for sale (continued)

The assets and liabilities held for sale at 31 January 2012 comprise the assets and liabilities of Islandmagee Storage Limited and Portland Gas ESP S.L.. At 31 January 2011 the assets and liabilities held for sale also included those of Sager Meer Energy GmbH. The Company is in the process of winding down its interest in Spain. BP Gas Marketing Limited has an option to acquire an interest in Islandmagee Storage Limited, the vesting of which is contingent on certain future events. If the option vests and is exercised, the Group would lose control of Islandmagee Storage Limited.

### 4. Share capital

On the 15 February 2012 the Company issued 12,727,273 new ordinary 10p shares at 11p per share to raise £1,400,000 before expenses.

On the 7 February 2011 the Company issued 4,095,000 new ordinary 10 pence shares at 22p per share to raise £900,900 before expenses.

On the 21 December 2010 the Company issued 365,125 new ordinary 10 pence shares at an issue price of 13.42p. The Company's Directors accepted these shares in lieu of cash bonuses due of £49,000.

### 5. Non-controlling interests

BP Gas Marketing Limited ("BPGM") paid an amount of £400,000 to Islandmagee Storage Limited in relation to their option to acquire an interest in that Company. Should BPGM exercise its option, this amount will form part of the consideration for the equity issued to BPGM.

### 6. Cash (used in) operations

	Six months ended 31 January 2012 Unaudited £	Six months ended 31 January 2011 Unaudited £	Year ended 31 July 2011 Audited £
Operating loss for the period	(464,229)	(525,089)	(940,195)
Depreciation	3,522	5,552	9,499
Decrease/(increase) in trade and other receivables	9,830	(28,998)	(29,794)
Increase/(decrease) in trade and other payables	135,160	(160,088)	(174,449)
Share option expense	5,532	64,233	60,888
Share issue in lieu of bonuses	-	49,000	49,000
Loss on sale of subsidiary	-	-	8,355
Cash generated from discontinued operations	14,113	87,420	34,170
	<hr/>	<hr/>	<hr/>
Cash (used in) continuing and discontinued operations	(296,072)	(507,970)	(982,526)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 7. Dividend

The Directors do not recommend payment of a dividend.

### 8. Publication of the interim report

This interim report is available on the Company's website [www.InfraStrata.co.uk](http://www.InfraStrata.co.uk).