InfraStrata plc

Interim report
31 January 2011

Contents

Directors, secretary and advisors

Directors	Kenneth Maurice Ratcliff *(Non-executive Chairman)* Andrew David Hindle *(Chief Executive Officer)* Craig Stuart Gouws *(Chief Financial Officer)* Walter Rookehurst Roberts *(Legal and Commercial Director)* Mark Anthony William Abbott *(Non-executive Director)* [1] William Colvin *(Non-executive Director)* [2] Jonathan Richard Davie *(Non-executive Director)* [3] Maurice Edward Hazzard *(Non-executive Director)* *[1]Resigned 1 February 2011* *[2]Appointed 1 February 2011* *[3]Resigned 3 December 2010*
Company secretary	Walter Rookehurst Roberts
Registered office	Blackstable House Longridge Sheepscombe Stroud Gloucestershire, GL6 7QX
Principal office	80 Hill Rise Richmond Surrey, TW10 6UB
Auditors	Nexia Smith & Williamson 1 Bishops Wharf, Walnut Tree Close Guildford Surrey, GU1 4RA
Tax advisors	Smith & Williamson Limited 1 Bishops Wharf, Walnut Tree Close Guildford Surrey, GU1 4RA
Registrars	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent, BR3 4TH
Nominated advisor and broker	Seymour Pierce Limited 20 Old Bailey London, EC4M 7EN
Solicitors	Field Fisher Waterhouse LLP 35 Vine Street London, EC3N 2AA
Bankers	Bank of Scotland plc 155 Bishopsgate London, EC2M 3YB
Financial public relations	Buchanan Communications Limited 45 Moorfields London, EC2Y 9AE

Overview and highlights

- In October 2010, eCORP Oil & Gas Limited acquired 50% of the Portland Project in return for funding the next phase of the project development.

- Post interim period end, a placing of 4,095,000 new ordinary shares at 22p per share raised £900,900 before expenses.

- Post interim period end, William Colvin appointed as a Director.

- The Company has sought to pursue oil and gas exploration opportunities where synergies exist with its UK gas storage projects. A petroleum exploration licence over the central part of the Larne-Lough Neagh Basin in Northern Ireland was awarded in March 2011.

- The Company completed the funding exercise in March 2011 for IS NV Limited and IS E&P Limited, with city institutions and industry partners, for its proposed £10 million (gross) UK petroleum exploration programme for 2011/12.

- Determination of the Islandmagee Storage Project planning application is expected during 2011.

- The Company is in discussions with a range of interested parties in order to introduce a partner to fund the next phase of the Islandmagee Storage Project development.

- Basic and diluted profit per share – 3.12p (31 January 2010 – 0.90p loss). Continuing basic and diluted loss per share – 0.71p (31 January 2010 – 0.30p).

- Cash position - £0.6 million (31 July 2010 - £1.3 million, 31 January 2010 - £3.5 million).

- Net asset position - £25.9 million (31 July 2010 - £23.6 million, 31 January 2010 - £24.1 million).

Chairman and CEO's Statement

InfraStrata plc ('InfraStrata' or the 'Company') is developing two gas storage projects in the United Kingdom at Portland, Dorset (50% interest) and at Islandmagee, County Antrim, Northern Ireland (65% interest). The two projects could between them provide over 10% of the total UK and Ireland peak daily demand in the latter part of this decade. During 2010, the Company took the decision to enhance its existing gas storage business within the two core areas. This includes petroleum exploration, where the Company can use its existing geological and geophysical knowledge and databases to identify and fund opportunities. In this regard, on 4 March 2011 the Company announced that it had been formally awarded a petroleum exploration licence in Northern Ireland.

Financial results

The Group has recorded a profit for the six month period ended 31 January 2011 of £2.30 million (31 January 2010 – loss £0.64 million). The profit for the period, together with the balance of £4.49 million loss brought forward, leaves a retained loss of £2.19 million to be carried forward. An accounting profit of £2.96 million arose from the disposal of a 50% interest in Portland Gas Limited during the period, this being a non-cash item. Subsequent to the transaction, Portland Gas Limited is managed as a joint venture and the Company's share of net assets and expenses are reflected in the Group financial statements.

The Group's cash and net asset positions are £0.56 million (31 July 2010 - £1.26 million) and £25.9 million (31 July 2010 - £23.6 million) respectively. The Company issued 4,095,000 new ordinary shares at 22p per share to raise £900,900 before expenses in February 2011. The net proceeds of this placing receivable by the Company are being applied to support both the development of the Islandmagee Storage Project until the introduction of a new partner, and the committed expenditure programme of InfraStrata through its 2011/12 financial year.

Gas storage projects

In October 2010 the Company announced that legal agreements had been completed with US independent energy company eCORP International, LLC ("eCORP") relating to InfraStrata's interests in the Portland Project (which was granted planning permission in 2008). On 1 October 2010, a subsidiary of eCORP, eCORP Oil & Gas UK Limited, undertook to match the project expenditure invested to date by InfraStrata (£22.9m) in return for 50% of the share capital of the project company, Portland Gas Limited. InfraStrata, through its subsidiary InfraStrata UK Limited, retains 50% of the share capital in Portland Gas Limited. These funds will be used to develop the Portland Project further before bringing it to market for the next stage of development. Further work on site will commence in Q2 2011 in preparation for the drilling of the first cavern well.

In March 2010 a planning application to develop the proposed Islandmagee Project in Northern Ireland was submitted. The Northern Ireland Planning Service is currently reviewing the application and undertaking the necessary consultation. The Company is hopeful that the application will be determined during 2011. Discussions are ongoing with several interested parties with a view to the introduction of a new partner during 2011 to fund the project through to the next stages, including the drilling of the first cavern well in 2012.

Following a strategic review in 2010, the Company decided to focus on its core areas in the United Kingdom and is seeking to divest its interest in the projects in Spain and Germany, both of which are at the licence application stage.

Exploration projects

In March 2011 the Company was awarded a petroleum exploration licence PL1/10 (Central Larne - Lough Neagh Basin) in Northern Ireland ("Licence PL1/10"). The licence covers an area of 663 square kilometres and InfraStrata is the operator. The initial licence term is five years with a decision on drilling a well required within three years. The award was in response to an application made to the Department of Enterprise, Trade and Investment ("DETI") in Northern Ireland in August 2010.

Chairman and CEO's Statement *(continued)*

The Larne-Lough Neagh Basin is covered by Tertiary basalts of up to 600 metres thick. The Company will be applying recent developments in seismic acquisition and processing techniques developed for exploration below thick basalt sequences West of Shetland, and elsewhere, to delineate prospects. The Company believes the area holds significant untapped potential with a prospective sedimentary section of over 4,000 metres in the most deeply buried parts of the basin below the basalt. There are three principal reservoir objectives in the area in the Triassic, Permian and Carboniferous sequences.

Seismic data will be acquired during 2011 and it is expected that interpretation of this data will lead to an exploration well being drilled in 2012. The seismic survey will be focused on a large undrilled anticline mapped area using surface geological data. Additional data will also be acquired over the remainder of the licence area and the Company hopes to identify a number of potential drillable prospects. InfraStrata believes that Northern Ireland is one of the few remaining areas in the UK with the potential for the discovery of a giant field.

In March 2011 InfraStrata completed the funding exercise for its proposed £10 million (gross) UK petroleum exploration programme for 2011/12.

There were several elements to the funding as follows:

- A private placing of shares was completed to raise £3.0 million before costs, split equally between two previously wholly owned subsidiaries of InfraStrata: IS E&P Limited and IS NV Limited (the "IS Companies"). Following the placing of new shares in the IS Companies, which was managed by Seymour Pierce Limited, the new investors hold 50% of the issued share capital of each of the IS Companies, with the balance retained by InfraStrata. Under agreements between InfraStrata and the IS Companies, InfraStrata will assign 40% of its rights for Licence PL1/10 to IS E&P Limited and 12% of any future exploration rights located close to the gas storage project at Portland, Dorset to IS NV Limited. The funds raised will be used to fund the IS Companies' share of seismic acquisition, technical evaluations and the drilling of two wells. The Executive Directors of InfraStrata invested £190,000 in the placing in aggregate.
- InfraStrata has farmed out to Nautical Petroleum plc 20% of its exploration rights under Licence PL1/10 and 10% of any future exploration rights located close to the gas storage project at Portland, under similar commercial terms to those for investors in the private placing.
- The Company has farmed out an additional 10% of its exploration rights under Licence PL1/10 to Terrain Energy Limited, under similar commercial terms to those for investors in the private placing.

Outlook

Supporting the Islandmagee Project planning application and the introduction of a new partner will be our priorities within the gas storage business in the near term. Work is also underway to design the seismic programme in Northern Ireland for the new exploration project, as well as looking to secure similar opportunities in the Dorset area.

The Directors expect that the Group has adequate cash resources to meet committed expenditure. 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 any interest in projects.

We would like to thank our staff and advisors for their professional contributions and ongoing commitment. The support of many existing shareholders in the March 2011 funding of the new exploration programme was much appreciated by the Board.

Ken Ratcliff – Non-executive Chairman
Andrew Hindle – Chief Executive Officer
25 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the six months ended 31 January 2011

	Notes	Six months ended 31 January 2011 Unaudited £	Six months ended 31 January 2010 Unaudited £	Year ended 31 July 2010 Audited £
Continuing operations				
Revenue		-	-	-
Cost of sales		-	-	-
Gross profit/(loss)		-	-	-
Administrative expenses		(604,657)	(218,937)	(397,358)
Other income		79,568	-	-
Operating loss		(525,089)	(218,937)	(397,358)
Finance income		2,347	12,121	23,645
Share of expense of a joint venture		(3,379)	-	-
(Loss) before taxation		(526,121)	(206,816)	(373,713)
Taxation		-	-	-
Loss for the period from continuing operations		(526,121)	(206,816)	(373,713)
Income/(Loss) for the period from discontinued operations	3	2,829,885	(429,736)	(874,748)
Income/(Loss) for the period attributable to equity holders of the parent		2,303,764	(636,552)	(1,248,461)
Other comprehensive income		-	-	-
Total comprehensive income/ (loss) for the year attributable to the equity holders of the parent		2,303,764	(636,552)	(1,248,461)
Basic and diluted profit/(loss) per share				
Continuing operations	2	(0.71)p	(0.30)p	(0.51)p
Discontinued operations		3.83p	(0.60)p	(1.20)p
Continuing and discontinued operations		3.12p	(0.90)p	(1.71)p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 January 2011

	Notes	31 January 2011 Unaudited £	31 January 2010 Unaudited £	31 July 2010 Audited £
Non-current assets				
Plant and equipment		8,569	22,387,210	7,280
Intangible assets		-	2,259,084	-
Investment in Joint Venture	3	22,897,857	-	-
Total non-current assets		22,906,426	24,646,294	7,280
Current assets				
Receivables		139,730	189,027	110,732
Available for sale assets		12,500	12,500	12,500
Cash and cash equivalents		564,164	3,476,273	1,260,982
Assets classified as held for sale	4	2,592,188	-	26,511,034
Total current assets		3,308,582	3,677,800	27,895,248
Current liabilities				
Trade and other payables		(168,767)	(1,788,605)	(278,606)
Liabilities directly associated with assets classified as held for sale	4	(66,990)	-	(4,061,668)
Total current liabilities		(235,757)	(1,788,605)	(4,340,274)
Net current assets		3,072,825	1,889,195	23,554,974
Non-current liabilities				
Obligations under contractual and lease agreements due after one year		-	(2,424,514)	-
Net assets		25,979,251	24,110,975	23,562,254
Shareholders' funds				
Share capital	5	7,416,933	7,380,420	7,380,420
Share premium		11,393,582	11,381,095	11,381,095
Merger reserve		8,988,112	8,988,112	8,988,112
Share based payment reserve		366,668	239,247	302,435
Retained earnings		(2,186,044)	(3,877,899)	(4,489,808)
		25,979,251	24,110,975	23,562,254

InfraStrata plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the six months ended 31 January 2011

	Share capital £	Share premium £	Merger reserve £	Share to be issued £	Share based payment reserve £	Retained earnings £	Total equity £
Balance at 31 July 2009	7,038,473	8,576,705	8,988,112	746,337	177,189	(3,241,347)	22,285,469
Loss for the period	-	-	-	-	-	(636,552)	(636,552)
Total comprehensive income for the period	-	-	-	-	-	(636,552)	(636,552)
Issue of equity capital	341,947	2,804,390	-	(746,337)	-	-	2,400,000
Share based payments	-	-	-	-	62,058	-	62,058
Balance at 31 January 2010	7,380,420	11,381,095	8,988,112	-	239,247	(3,877,899)	24,110,975
Loss for the period	-	-	-	-	-	(611,909)	(611,909)
Total comprehensive income for the period	-	-	-	-	-	(611,909)	(611,909)
Share based payments	-	-	-	-	63,188	-	63,188
Balance at 31 July 2010	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 income 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
Balance at 31 January 2011	7,416,933	11,393,582	8,988,112	-	366,668	(2,186,044)	25,979,251

CONSOLIDATED CASH FLOW STATEMENT for the six months ended 31 January 2011

	Notes	Six months ended 31 January 2011 Unaudited £	Six months ended 31 January 2010 Unaudited £	Year ended 31 July 2010 Audited £
Net cash (used in) operating activities	6	(507,970)	(730,161)	(1,409,715)
Investing activities				
Interest received		2,347	12,121	23,645
Purchase of intangible assets		(99,869)	(276,946)	(569,274)
Purchase of plant and equipment		(91,326)	(995,242)	(2,250,176)
Net cash (used in) investing activities		(188,848)	(1,260,067)	(2,795,805)
Financing activities				
Net proceeds on issue of ordinary shares		-	2,400,000	2,400,000
Net cash generated from financing activities		-	2,400,000	2,400,000
Net (decrease)/increase in cash and cash equivalents		(696,818)	409,772	(1,805,520)
Cash and cash equivalents at beginning of period		1,260,982	3,066,502	3,066,502
Cash and cash equivalents at end of period		564,164	3,476,274	1,260,982

Significant non-cash transaction

Significant non-cash transactions for the year ended 31 July 2009 comprise the settlement of a liability of £746,337 where the supplier agreed to accept 919,474 new 10p shares in settlement. Significant non-cash transactions for the six months ended 31 January 2010 comprise the subsequent issue of these shares.

Significant non-cash transactions for the six months ended 31 January 2011 comprise eCORP's acquisition of 50% of the share capital of Portland Gas Limited. No cash was received nor paid by the Group as a result of this transaction.

NOTES TO THE INTERIM RESULTS for the six months ended 31 January 2011

1. Basis of preparation

The condensed financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards as adopted for use in the European Union.

Non-statutory accounts

The financial information for the period ended 30 June 2010 set out in this interim report does not constitute the Group's statutory accounts for that period. A copy of the statutory accounts of the Company for the year ended 31 July 2010 has been delivered to the Registrar of Companies. The audit report on these accounts is unqualified and did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006. In their report, the auditors drew attention by way of emphasis and without qualifying their report, to the adoption of the going concern basis for the preparation of the accounts and the related uncertainties.

The financial information for the 6 months ended 31 January 2011 and 31 January 2010 is unaudited.

Accounting policies

The condensed financial statements have 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 2010, except that the Group now has established a policy for accounting for the joint venture acquired in the period, as follows:

Interest in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

The Group's interests in jointly controlled entities are accounted for using the equity method and are initially recognised at cost or deemed cost.

The Group's investment in joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE INTERIM RESULTS for the six months ended 31 January 2011 *(continued)*

1. Basis of preparation *(continued)*

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 report 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.

2. Profit/(loss) per share

	Six months ended 31 January 2011 Unaudited £	**Six months ended 31 January 2010 Unaudited £**	**Year ended 31 July 2010 Audited £**
The profit/(loss) for purposes of basic and diluted loss per share being the net profit/(loss) attributable to equity shareholders:			
Continuing operations	(526,121)	(206,816)	(373,713)
Discontinued operations	2,829,885	(429,736)	(874,748)
Continuing and discontinued operations	2,303,764	(636,552)	(1,248,461)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	73,838,213	71,087,599	73,023,939
Basic earnings per share			
Continuing operations	(0.71)p	(0.30)p	(0.51)p
Discontinued operations	3.83p	(0.60)p	(1.20)p
Continuing and discontinued operations	3.12p	(0.90)p	(1.71)p

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. Disposal of 50% of Portland Gas Limited

	Six months ended 31 January 2011 Unaudited £	**Six months ended 31 January 2010 Unaudited £**	**Year ended 31 July 2010 Audited £**
Fair value of interest in joint venture	22,904,616	-	-
Net assets derecognised on sale	(19,940,602)	-	-
Accounting profit on disposal	2,964,014	-	-
Loss for the period from discontinued operations	(134,129)	(429,736)	(874,748)
Total profit/(loss) for the period from discontinued operations	2,829,885	(429,736)	(874,748)

NOTES TO THE INTERIM RESULTS for the six months ended 31 January 2011 *(continued)*

3. Disposal of 50% of Portland Gas Limited *(continued)*

A subsidiary of eCORP, eCORP Oil & Gas UK Limited, acquired rights to 50% of the share capital of Portland Gas Limited, in return for matching the project expenditure invested by InfraStrata (£22.9 million). InfraStrata, through its subsidiary InfraStrata UK Limited, has retained 50% of the share capital in Portland Gas Limited which is now reflected as an Investment in Joint Venture on the Group balance sheet. The Company accounted for a £2.96 million profit on the transaction being the fair value of the joint venture asset recognised less the net asset derecognised. The fair value of the joint venture asset was based on the eCORP Portland Gas Limited transaction. The transaction was undertaken with an independent third party and provides a reasonable basis for determining fair value. The investment in Portland Gas Limited is now accounted for using the principles of the equity accounting method.

The eCORP funds are being used to develop the Portland Project further, including the drilling of the first cavern well, before bringing it to market and these interim financial statements have been prepared on that basis. Data will be acquired to better define the pressure ranges over which the caverns can be operated to maximise the responsiveness of the caverns to short term gas demand requirements (the 'extrinsic value' of the project) and finalise elements of the cavern design. InfraStrata and eCORP are jointly providing Portland Gas Limited with technical services.

4. Assets and liabilities held for sale

	Six months ended 31 January 2011 Unaudited £	Six months ended 31 January 2010 Unaudited £	Year ended 31 July 2010 Audited £
Assets classified as held for sale			
Property, plant and equipment	-	-	23,664,983
Intangible assets – gas storage development costs	2,496,530	-	2,414,342
Trade and other receivables	11,169	-	334,553
Cash and cash equivalents	84,489	-	97,156
	2,592,188	-	26,511,034
Liabilities classified as held for sale			
Current liabilities			
Trade creditors	47,490	-	73,400
Other taxation and social security	-	-	4,182
Accruals	19,500	-	114,857
Other contractual arrangements	-	-	700,000
Non-current liabilities			
Obligations under lease agreements	-	-	2,168,286
Other contractual agreements	-	-	1,000,943
	66,990	-	4,061,668

NOTES TO THE INTERIM RESULTS for the six months ended 31 January 2011 *(continued)*

4. Assets and liabilities held for sale *(continued)*

The assets and liabilities held for sale at 31 January 2011 comprise the assets and liabilities of Islandmagee Storage Limited, Portland Gas ESP S.L. and Sager Meer Energy GmbH. At the 31 July 2010 the assets and liabilities held for sale also include those of Portland Gas Limited and its subsidiaries Portland Gas Storage Limited and Portland Gas Transportation Limited. The Company is seeking to divest its interest in the Projects in Germany and Spain while discussions are ongoing with several interested parties with view to the introduction of a new partner into the Islandmagee Project resulting in an ownership percentage reduction, leading to a loss of control.

5. Share capital

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

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.

6. Cash (used in) operations

	Six months ended 31 January 2011 Unaudited £	Six months ended 31 January 2010 Unaudited £	Year ended 31 July 2010 Audited £
Operating loss for the period	(525,089)	(218,937)	(397,358)
Depreciation	5,552	10,757	21,070
Share issue in lieu of bonuses	49,000	-	-
(Increase)/decrease in trade and other receivables	(28,998)	(49,563)	38,624
(Decrease) in trade and other payables	(160,088)	(36,203)	(83,280)
Share option expense	64,233	62,058	125,246
Cash generated/(used in) discontinued operations	87,420	(498,273)	(1,114,017)
Cash (used in) continuing and discontinued operations	(507,970)	(730,161)	(1,409,715)

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.