HIGHLANDS NATURAL RESOURCES PLC

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2017

OFFICERS AND PROFESSIONAL ADVISORS

Directors (*both executive*)	Robert Brooks Price Jon Melvyn Davies
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HIGHLANDS NATURAL RESOURCES PLC
CHAIRMAN'S STATEMENT AND INTERIM MANAGEMENT REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

I have pleasure in presenting the condensed consolidated financial statements of Highlands Natural Resources plc (the "Company" or "Highlands") for the six months ended 30 September 2017.

Operating Review

This period included numerous milestone events for Highlands, most notably the commencement of drilling and completion operations at our core East Denver project, where the Company is now producing oil and gas from its first two horizontal wells in the Niobrara formation. In the build-up to drilling operations, the Company also completed a series of transformational financings with third party project equity participants, which allowed Highlands to fund its drilling programme while minimizing dilution of public shareholders. Highlands' operations team completed the first two wells safely and efficiently, delivering each operational milestone (spud, drilling, hydraulic fracturing, flow back) either on or ahead of schedule. Taken together, the East Denver operations programme ranks as the most sophisticated and logistically complex project undertaken by the Company to date.

In addition to the significant progress achieved at East Denver, the Company has also steadily advanced its ideas and concepts for its helium and methane project in Montana, Helios Two, as well as its innovative parent well protection and re-fracking technology, DT Ultravert. These two projects are now both positioned for major milestones in the coming period. During the first half of 2018 the Company is planning to test the Eagle Formation in Montana and to accelerate the deployment of DT Ultravert on the strength of additional patent awards and recent court rulings in favour of owners of parent wells which have been damaged by "bashing".

Overall, the Company is delivering on its stated strategy of leveraging lower risk cash-flowing projects (East Denver) to support the development of high-upside prospects (Helios Two and DT Ultravert). Perhaps most important, we have assembled and retained a complete team of oil and gas professionals, who collectively position Highlands to execute and expand the Company's vision – I could not be more proud of the colleagues we have attracted here at Highlands.

East Denver Niobrara oil and gas project, Colorado

Starting in July 2016 the Company began assembling an acreage position in the Niobrara shale play east of Denver, Colorado. The Company ultimately secured a series of farm-out and lease acquisitions enabling development of up to 24 two-mile horizontal wells, of which the Company has now successfully drilled, completed and, post-period end, commenced production on two wells. These first wells, called Powell and Wildhorse after Colorado mountains, are currently in the flow-back process, which involves removing the fracture fluid from the Niobrara formation to facilitate increasingly higher proportions of oil and gas production. While oil and gas production volumes and percentages continue to climb through this process, the two wells have already reached a combined production rate of 1,333 Boepd as measured during the 24 hour period ending 6:00pm on 22 November. The Company will announce a definitive Initial Production ("IP") figure once production rates stabilize. Production from East Denver marks a major milestone for Highlands and the fulfilment of a long-term promise to shareholders – first oil, first gas, and first revenue.

Successful delivery of two extended lateral shale wells demonstrates the capabilities of Highlands' engineering and operations teams, led by VP of Engineering Domingo Mata, who was recruited for his operations-focused experience and significant track record at Schlumberger. Drilling and fracking two mile horizontal wells is one of the most complex and sophisticated operations pursued by the onshore oil and gas industry, and I am very proud of the safe and efficient outcome achieved by our team.

The drilling operation was completed in an average of less than two weeks per well to reach the full extent of the lateral. The Company then utilised a "zipper fracking" technique to complete both of the wells simultaneously to maximise the efficiency of the fracking operation. The "frac" itself comprised 55 stages for each well and took less than three weeks to complete from start to finish.

The operation has been documented via a series of videos and animations available on the Company's website, where shareholders will gain a deeper appreciation for the complexities, scale, technology and logistics involved in our East Denver project. The horizontal drilling and hydraulic fracturing process implemented by Highlands is representative of the broader shale revolution, which has positioned the U.S. as the number one producer of oil and gas in the world according to the Energy Information Administration (EIA).

In order to fund the drilling with the minimum of dilution to public shareholders, Highlands tapped into the mature shale-focused private equity industry in the U.S., where hundreds of billions of dollars are currently allocated to funding shale project development. In this vein, Highlands recruited its VP of Finance Cully Cavness to capitalise on his significant experience in energy project financing, and also engaged Petrie Partners, an investment bank with valuable relationships and market knowledge in the upstream private equity space. Highlands then ran a competitive funding process, ultimately receiving numerous term sheets and financing offers for the East Denver project. Private equity fundraising entails an intensive level of technical and economic scrutiny, and I am pleased that the Company was able to choose from a number of willing participants who had approved funding and eventually signed deals with two prominent investors in the U.S. oil and gas industry. These private equity financings achieve a significant leveraging effect for public equity shareholders; Highlands now keeps an initial 57% of project income rising to 70% after reversion hurdles while paying only 51.25% of project costs.

The Company deliberately chose to raise the minimum finance, and thus minimum shareholder dilution, it felt was necessary in order to develop the first two wells. With these two wells completed and producing, the economics and viability of the project as a whole are now better defined. The project entails significant further well completion and the Company continues to pursue the potential for additional third party financing, intended to further enhance the project's economics. The Company expects to secure attractive terms in this third transaction due to significantly de-risking the project via proven operations and production. This third transaction, if implemented, would further reduce the Company's capex requirements while securing a disproportionate share of income by virtue of carried and reversionary interests. These financing dynamics are illustrated in the Company's Q4 2017 Market Update Presentation, which is available on the Company's website.

Looking forward, there will be several upcoming milestones for East Denver: announcements of definitive IP rates; scheduling of drilling for subsequent wells; potentially expanding the project with additional acreage and drill sites; and potentially completing an additional financing to further leverage public equity investors' capital in the East Denver project. Perhaps most important, the Company's next financial reporting will include significant revenues. Already the company is producing 1,333 barrels of oil equivalent per day, even before we reach IP for the two wells. The resulting revenue will significantly strengthen Highlands' position, allowing for re-investment in subsequent wells and other projects, and proves the potential of East Denver as a scalable project moving forward.

DT Ultravert Technology

We are pleased to be advancing the commercialisation of DT Ultravert, our potentially disruptive technology which has been valued (NPV_{10}) at US$78 million to US$135 million by a Competent Person's Report ('CPR') completed by RPS Knowledge Reservoir dated 6 January 2017. Highlands has identified two applications for the technology, parent well protection and re-fracking, both of which could present very significant revenue streams in the future. During the period, Highlands has further de-risked the project by securing four patent allowances by the U.S. Patent Office. Moreover, Highlands' initial testing campaign in early 2017 in the Piceance Basin delivered positive results, and suggests that the technology can provide a practical solution for the widespread challenge of parent well bashing. "Bashing" occurs during fracking operations when the frac fluid of an adjacent well, or "child well" infiltrates the wellbores of nearby parent wells. It is a growing concern in the U.S. shale oil and gas industry as it reduces or destroys the production and reserves associated with the parent wells.

Highlands continues to advance the marketing of DT Ultravert through several channels. The Company generated a series of marketing materials including narrated 3D animations of both parent well protection and re-fracking applications, which have been widely viewed. Additionally, the Company has presented at major industry events such as the North American Prospect Expo (NAPE) in Houston, where DT Ultravert was also a high-profile sponsor. Highlands' sales and marketing representatives have also met with technical and commercial teams at shale operators in many of the prominent U.S. shale plays. DT Ultravert has also received increased attention in the media, including detailed coverage in Oil and Gas Investor and Platts Energy Economist, two prominent upstream-focused trade publications. At this point, DT Ultravert is becoming a well-known concept in the industry, and Highlands is moving ever closer to a potential tipping point of widespread adoption.

Looking forward, Highlands is determined to provide the industry with additional "proof of concept" of DT Ultravert's technical success via additional field trials and demonstrations. The energy industry can be slow to adopt new technologies and one important technique for accelerating adoption is through field testing and successful trials generating strong data support. Highlands is now working to advance such trials and has gained traction with potential hosts for DT Ultravert deployments in the near term.

One of the most significant events of the period was a landmark federal jury's decision to award damages to a victim of well bashing in August 2017. The court case, filed in the prolific oil producing state of Oklahoma, centred on a vertical well operated by a small company, which was bashed by a horizontal well drilled and completed by a much larger operator (the well is now owned by Devon Energy – a major publicly traded shale operator). The federal jury ruled in favour of the small operator, and judged that Devon Energy's well had caused trespass and nuisance, and that it is required to pay the victims US$220,000 in damages, which is quite significant for a small vertical well. This potentially precedent-setting judgement is fresh in the industry's mind. Highlands' hope is that our hard work in marketing DT Ultravert may soon bear fruit as the industry scrambles to find a technology to prevent the recurrence of similar liabilities. To be clear, Highlands believes that there could be tens of thousands of similar situations where operators may be liable for damages due to well bashing, which could lead to a broad increase in demand for DT Ultravert.

Helios Two helium and natural gas project, Montana

In line with our strategy to take advantage of the current commodity price environment and supply/demand dynamics we acquired a natural gas project in Montana with significant potential helium upside in June 2016. Highlands subsequently drilled two wells in the project, called Helios Two, and proved a discovery of both methane and helium. A CPR dated 6 January 2017 by RPS Knowledge Reservoir has indicated a "best estimate" NPV_{10} of US$341 million for the natural gas development project alone from only a 69,120 acre area. Highlands has now secured more than 105,000 acres in the project area, which may extend to 1,000,000 acres regionally. RPS' best estimate of 2.1 billion cubic feet ("bcf") of net attributable helium for this same 69,120 acre area would be incremental to natural gas development economics, and were not included in the US$341 million NPV estimate. The Company notes that recent government helium auctions secured pricing of US$119 per Mcf (compared to approximately US$3.00 per Mcf for natural gas), and that helium has recently been designated as a critical raw material facing shortage by European authorities.

With this prospective value in mind, we were eager to commence a drilling programme, so following a rapid permitting and planning process, the Helios Well 5-52-16-22 began drilling in September 2016 targeting the Muddy Formation ("the Muddy Well"). The Company executed its de-watering experiment, and initial results indicated that a prolonged de-watering test at high flow rates could achieve the desired result of significant methane and helium flow rates. A long-term water disposal solution such as an injection well or surface disposal permit will be required to advance the testing.

The Company wishes to highlight that testing to date is not conclusive, and the project should be viewed in the "high risk" category, albeit with a very high upside if successful.

While drilling the first Helios Two well, the Company also discovered methane and indications of helium in a shallower horizon called the Eagle Formation. The Eagle Formation produced sufficient gas to achieve a continuous and large (3-6ft) surface flare. The Company noted that the Eagle Formation has analogues on the Cedar Creek Anticline and in southern Alberta, Canada (Medicine Hat gas field), both of which have been the basis of prolific shallow gas fields that supported significant gas industries. As a result, the Company drilled a second well targeting the Eagle Formation, which again confirmed the presence of gas. Unfortunately, a contractor's error during the logging phase ultimately required Highlands to plug the second well before a production test was possible.

No further drilling and physical exploration work has been carried out at Helios Two during the period whilst the Company has concentrated resources on drilling at East Denver. Nonetheless, the geological and technical teams at Highlands have progressed the project through continuing to review and assess current information and develop possibilities for exploiting this asset.

Moving forward, the Company remains very excited about the shallow gas potential of the Eagle Formation as well as the natural gas and helium prospect in the Muddy Formation. Highlands believes that wells could be drilled quickly and inexpensively for the Eagle Formation, and that a successful production test from the Eagle could potentially unlock an expansive shallow gas field, over which the Company already controls more than 105,000 acres. Highlands is now planning a potential test of the Eagle Formation using the original Helios well. This concept allows for a low-cost test of the Eagle Formation (using an existing wellbore proven to penetrate the target formation). The Company will release additional details about the operation in due course.

Additional Projects

In addition to the three core projects outlined above, the Company continues to leverage the creativity of its geology and land teams to prospect for additional opportunities. Highlands aims to build a significant and scalable portfolio allowing for long-term value creation, and idea generation remains central to this strategy.

Financial Review

During the six months to 30 September 2017 the Group raised over £4.4 million (net of costs) from the issue of shares and exercise of warrants. This has allowed the Group to move forward specifically with the development of its East Denver project. Since the period end, the Company has raised in excess of a further £3.0 million (net of costs) to help fund its next stage of development.

The first two wells at East Denver are likely to cost over £8 million to be drilled and completed in total, with about 50% of that being provided by our working partners and the balance from the Group's funds.

During the period the Group has spent £845,000 on its oil and gas assets net of the funds contributed from our working partners in the East Denver wells. As at 30 September 2017, the drilling work on the Powell and Wildhorse wells had been completed and the preparatory work for the fracking crews had just commenced. Since the year end the fracking work, which constitutes over half of the total well costs, has been completed and the flowback process commenced. During this phase an initial amount of oil and gas will be produced and extracted leading to the Group's first sales. We expect receipt of our first revenues in December 2017.

The decision to concentrate the Group's resources on the East Denver has necessarily meant that our DT Ultravert and Helios Two projects have not been prioritised during the period. There has been little direct spending on those projects in the past six months, approximately £200,000 mostly on land leases. Once the finances of the East Denver project are secure the Group intends to re-energise these prospects with a judicious amount of targeted spending to prove the value of the assets and fully assess the opportunities.

The recruitment of people into our Denver team just over a year ago means that our cost base has steadily increased over the past year. In addition, there has been heavy expenditure in the past six months in particular on obtaining financial support for our projects. The Group expended significant sums on consultants, legal and professional fees in respect of finding, assessing and negotiating with our eventual working partners in East Denver as well as on the Group's fundraising prospectus in July 2017. Nonetheless, without such costs the Group would not have been in a position to move ahead with its drilling programme and we will see the benefits of this expenditure coming through the oil and gas revenues generated in the current and future periods.

Looking ahead, the funds raised during the period together with funds raised post period end and projected revenues from our first two wells should provide the Group with sufficient working capital for its immediate needs. Efforts are still being made to access sufficient funds, either internally or externally, to further develop the East Denver to its 24 well potential on a timely basis. There is a balance to be struck between developing the project quicker using additional external finance or slower through using more of the internally generated funds and the Board will review those options carefully in light of the results from the first two wells.

The Board believes that it is in the best interests of the shareholders to progress all of the Group's key development opportunities as soon as practicable and continues to discuss with third parties the possibility of additional methods of financing that could assist in the more rapid development and exploitation of the Group's existing assets.

Directors

The Directors of the Company throughout the period were:

Robert Brooks Price

Jon Melvyn Davies

Directors' interests

At 30 September 2017 the Directors had the following interests in the share capital of the company, which remain unchanged during the period:

	Ordinary shares	Warrants over ordinary shares
Robert Brooks Price	12,000,000	23,750,000
Jon Melvyn Davies	200,000	1,100,000

Corporate governance

The UK Corporate Governance Code (September 2014) ("the Code"), as appended to the Listing Rules, sets out Principles of Good Corporate Governance and Code Provisions which are applicable to listed companies incorporated in the United Kingdom. As a standard listed company, the Company is not subject to the UK Corporate Governance Code but the Board recognises the value of applying the principles of the code where appropriate and proportionate and has endeavoured to do so where practicable.

Responsibility Statement

The Directors are responsible for preparing the Condensed Consolidated Financial Statements in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority ("DTR") and with International Accounting Standard 34 on Interim Financial Reporting ("IAS 34"). The Directors confirm that, to the best of their knowledge, this condensed consolidated interim report has been prepared in accordance with IAS 34 as adopted by the European Union. The interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the six months ended 30 September 2017 and their impact on the condensed consolidated financial statements for the period, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- related-party transactions that have taken place in the six months ended 30 September 2017 and that have materially affected the financial position or the performance of the enterprise during that period.

Outlook

I am delighted with the progress now being made at East Denver. Following our successful drilling and completion of the Powell and Wildhorse we are shortly to receive our first revenues. During 2018 we shall be continuing our drilling programme and hope to be increasing the tempo subject to the availability of finance. For a small company to be able to access and develop a project as large as this is a remarkable achievement and I thank all members of the Highlands team for helping bring this project to life. With East Denver now operational, the Company will be able to put more resources behind the exciting Helios Two and DT Ultravert projects, with expansion of testing and marketing scheduled for the first half of 2018. Our recently completed fundraising helps provide the Company with the working capital to seed this expansion.

We have several projects to develop and there are always new possibilities and potential projects to investigate and I look forward to 2018 with optimism. I thank all our shareholders for your continued support.

Robert Price
Executive Chairman
27 November 2017

HIGHLANDS NATURAL RESOURCES PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHESIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Notes	Unaudited Six months ended 30 September 2017 £	Unaudited Six months ended 30 September 2016 £	Audited Year ended 31 March 2017 £
Revenue		-	-	-
Administrative expenses		(2,289,080)	(1,459,646)	(3,369,749)
Operating loss		(2,289,080)	(1,459,646)	(3,369,749)
Finance income		-	477	477
Loss on ordinary activities before taxation		(2,289,080)	(1,459,169)	(3,369,272)
Taxation on loss on ordinary activities	3	-	-	-
Loss for the period		(2,289,080)	(1,459,169)	(3,369,272)
Foreign exchange adjustment on consolidation		(671,453)	16,977	(130,668)
Total comprehensive loss for the period attributable to the equity holders		(2,960,533)	(1,442,192)	(3,499,940)
Loss per share (basic and diluted) attributable to the equity holders (pence)	4	(2.91) p	(3.91) p	(6.69) p

HIGHLANDS NATURAL RESOURCES PLC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 30 SEPTEMBER 2017

	Notes	Unaudited At 30 September 2017	Unaudited At 30 September 2016	Audited At 31 March 2017
		£	£	£
NON -CURRENT ASSETS				
Tangible assets	5	9,012	-	9,737
Intangible assets	6	5,846,034	1,029,558	5,001,958
		5,855,046	1,029,558	5,011,695
CURRENT ASSETS				
Trade and other receivables		1,164,348	72,222	384,827
Cash and cash equivalents		2,932,464	4,526,038	1,934,486
		4,096,812	4,598,260	2,319,313
Total assets		9,951,858	5,627,818	7,331,008
CURRENT LIABILITIES				
Trade and other payables		1,184,418	134,947	322,336
		1,184,418	134,947	322,336
NET ASSETS		8,767,440	5,492,871	7,008,672
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				
Share capital	7	5,230,654	2,714,367	3,389,367
Share premium account	7	10,456,235	4,961,521	7,639,622
Share based payments reserve		891,079	762,884	833,332
Foreign currency translation reserve		(812,702)	6,396	(141,249)
Retained loss		(6,997,826)	(2,952,297)	(4,712,400)
TOTAL EQUITY		8,767,440	5,492,871	7,008,672

HIGHLANDS NATURAL RESOURCES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Share capital	Share Premium account	Share based payments reserve	Foreign Currency Translation Reserve	Retained loss	Total
	£	£	£	£	£	£
At 31 March 2016	1,491,175	643,575	1,077,582	(10,581)	(1,807,826)	1,393,925
Comprehensive income for the period						
Loss for the period	-	-	-	-	(1,459,169)	(1,459,169)
Other comprehensive income	-	-	-	-	-	-
Translation adjustment	-	-	-	16,977	-	16,977
Total comprehensive loss for the period attributable to the equity holders	-	-	-	16,977	(1,459,169)	(1,442,192)
Exercise of warrants	-	-	(314,698)	-	314,698	0
Shares issued in the period	1,223,192	4,443,901	-	-	-	5.667,093
Cost relating to share issues	-	(125,955)	-	-	-	(125,955)
At 30 September 2016	2,714,367	4,961,521	762,884	6,396	(2,952,297)	5,492,871
Comprehensive income for the period						
Loss for the period	-	-	-	-	(1,910,103)	(1,910,103)
Other comprehensive income	-	-	-	-	-	-
Translation adjustment	-	-	-	(147,645)	-	(147,645)
Total comprehensive loss for the period attributable to the equity holders	-	-	-	(147,645)	(1,910,103)	(2,057,748)

Issue of warrants	-	-	220,448	-	-	220,448
Exercise of warrants	-	-	(150,000)	-	150,000	-
Shares issued in the period	675,000	2,728,101	-	-	-	3,403,101
Cost relating to share issues	-	(50,000)	-	-	-	(50,000)
At 31 March 2017	3,389,367	7,639,622	833,332	(141,249)	(4,712,400)	7,008,672
Comprehensive income for the period						
Loss for the period	-	-	-	-	(2,289,080)	(2,289,080)
Other comprehensive income	-	-	-	-	-	-
Translation adjustment	-	-	-	(671,453)	-	(671,453)
Total comprehensive loss for the period attributable to the equity holders	-	-	-	(671,453)	(2,289,080)	(2,960,533)
Issue of warrants	-	-	61,401	-	-	61,401
Exercise of warrants	-	-	(3,654)	-	3,654	-
Shares issued in the period	1,841,287	3,205,541	-	-	-	5,046,828
Cost relating to share issues	-	(388,928)	-	-	-	(388,928)
At 30 September 2017	5,230,654	10,456,235	891,079	(812,702)	(6,997,826)	8,767,440

HIGHLANDS NATURAL RESOURCES PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Unaudited At 30 September 2017	Unaudited At 30 September 2016	Audited At 31 March 2017
	£	£	£
Cash flow from operating activities			
Loss for the period	(2,289,080)	(1,459,169)	(3,369,272)
Adjustments for:			
Depreciation and amortisation charges	36,714	41,042	85,750
Charge for the period in respect of share based payments	61,401	-	220,448
Costs settled by issue of shares	241,100	-	-
Operating cash flow before working capital movements	(1,949,865)	(1,418,127)	(3,063,074)
Increase in trade and other receivables	(779,521)	(24,906)	(337,511)
Increase in trade and other payables	862,082	81,599	268,988
Net cash flow from operating activities	(1,867,304)	(1,361,434)	(3,131,597)
Cashflows from investing activities			
Purchase of tangible fixed assets	(1,293)	-	(11,876)
Investment in intangible assets, exploration and drilling rights	(1,164,413)	(384,703)	(4,403,039)
Less: settled by issue of share based payments	-	-	903,102
Net cash absorbed by investing activities	(1,165,706)	(384,703)	(3,511,813)
Cashflows from financing activities			
Net proceeds from issue of shares	4,416,800	5,541,138	7,991,137
Net cash generated by financing activities	4,416,800	5,541,138	7,991,137
Net increase in cash and cash equivalents			
As above	1,383,790	3,795,001	1,347,727
Cash and cash equivalents at beginning of period	1,934,486	717,427	717,427
Foreign exchange adjustment on opening balances	(385,812)	13,610	(130,668)
Cash and cash equivalents at end of period	**2,932,464**	**4,526,038**	**1,934,486**

HIGHLANDS NATURAL RESOURCES PLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

1. GENERAL INFORMATION

Highlands Natural Resources plc ("the Company") and its subsidiary companies (together "the Group") are primarily involved in the oil and gas development sector.

The Company is incorporated and registered in England and Wales as a public limited company under the Companies Act 2006 ("the Act") with registered number 09309241. The registered office and principal place of business in the United Kingdom is 9 Limes Road, Beckenham, Kent BR3 6NS.

2. ACCOUNTING POLICIES

Basis of preparation

The interim condensed unaudited consolidated financial statements for the period ended 30 September 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting. The comparative figures for 31 March 2017 are extracted from the Group's audited accounts to that date. The comparative figures for the period ended 30 September 2016 are unaudited.

The condensed unaudited consolidated interim financial statements of the Group have been prepared on the basis of the accounting policies, presentation, methods of computation and estimation techniques used in the preparation of the audited accounts for the period ended 31 March 2017 and expected to be adopted in the financial information by the Company in preparing its annual report for the year ending 31 March 2018.

The financial information of the Company is presented in British Pounds Sterling ("£").

3. INCOME TAX EXPENSE

No tax is applicable to the Company for the period ended 30 September 2017. No deferred income tax asset has been recognised in respect of the losses carried forward, due to the uncertainty as to whether the Company will generate sufficient profits in the foreseeable future to prudently justify this.

4. LOSS PER SHARE

Basic loss per ordinary share is calculated by dividing the loss attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There are currently no dilutive potential ordinary shares.

	Earnings	Weighted average number of shares	Loss per share
	£	Unit	pence
Loss per share attributed to ordinary shareholders	(2,289,080)	78,765,752	(2.91)

5. TANGIBLE ASSETS

Tangible assets comprise sundry office equipment.

	Total
	£
Cost at 31 March 2017	11,876
Additions during the period	1,293
Exchange adjustment	(767)
Cost carried forward	12,402
Amortisation at 31 March 2016	2,139
Charge during the period	1,389
Exchange adjustment	(138)
Amortisation carried forward	3,390
Net book value brought forward	9,737
Net book value carried forward	9,012

6. INTANGIBLE ASSETS

Intangible assets comprise the 75% stake in certain granted and pending patents owned by Diversion Technologies LLC ("Diversion") plus various leases and mining rights together with exploration and development costs paid during the period.

	Patent rights	Exploration and evaluation assets	Total
	£	£	£
Cost at 31 March 2017	706,500	4,438,984	5,145,484
Additions during the period	-	1,164,413	1,164,413
Exchange adjustment	-	(285,914)	(285,914)
Cost carried forward	706,500	5,317,483	6,023,983

Amortisation at 31 March 2016	129,525	14,001	143,526
Charge during the period	35,325	-	35,325
Exchange adjustment	-	(902)	(902)
Amortisation carried forward	164,850	13,099	177,949
Net book value brought forward	576,975	4,424,983	5,001,958
Net book value carried forward	541,650	5,304,384	5,846,034

7. SHARE CAPITAL & RESERVES

Allotted, called up and fully paid Ordinary shares of £0.05 each:

	Number of shares	Share Capital £	Share Premium £
Balance at 31 March 2017	67,787,349	3,389,367	7,639,622
28 April 2017 - issue of shares at 10p on exercise of warrants	50,000	2,500	2,500
31 July 2017 - placing, subscription and open offer at 12p	26,901,069	1,345,054	1,883,074
28 August 2017 - Issue of shares in settlement of fees	1,966,666	98,333	142,767
28 August 2017 – placing of shares at 20p	7,818,000	390,900	1,172,700
30 August 2017 - issue of shares at 10p on exercise of warrants	90,000	4,500	4,500
Less:			
Cost of share issues			(388,928)
Balance at 30 September 2017	104,613,084	5,230,654	10,456,235

The Company has only one class of share and all shares rank pari passu in every respect.

Subsequent to the period end the Company issued the following ordinary shares:
- on 23 October 2017, 45,981 shares upon the exercise of warrants at a price of 10p per share, and
- on 17 November 2017, 11,304,616 shares under a subscription agreement at a price of 30p per share before costs.

8. SUBSEQUENT EVENTS

As noted in Note 7, during October and November 2017 the Company issued a further 11,350,597 ordinary shares generating an additional £3,393,683 for the Company, before costs.