# HIGHLANDS NATURAL RESOURCES PLC

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

## OFFICERS AND PROFESSIONAL ADVISORS

| | |
|---|---|
| Directors (*both executive*) | Robert Brooks Price<br>Jon Melvyn Davies |
| Company Secretary | Jon Melvyn Davies<br>9 Limes Road<br>Beckenham<br>Kent<br>BR3 6NS |
| Registered Office | 9 Limes Road<br>Beckenham<br>Kent<br>BR3 6NS |
| Head Office | 9 Limes Road<br>Beckenham<br>Kent<br>BR3 6NS |
| Denver Office | Suite 150<br>2401 East 2nd Avenue<br>Denver<br>Colorado 80206<br>USA |
| Auditors | Saffery Champness LLP<br>71 Queen Victoria Street<br>London<br>EC4V 4BE |
| Brokers and financial advisers | Cenkos Securities plc<br>6.7.8 Tokenhouse Yard<br>London<br>EC2R 7AS |
| Registrars | Share Registrars Limited<br>The Courtyard<br>17 West Street<br>Farnham<br>Surrey<br>GU9 7DR |

HIGHLANDS NATURAL RESOURCES PLC
CHAIRMAN'S STATEMENT AND INTERIM MANAGEMENT REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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 2016.

## Operating Review

This has been a transformative period for Highlands which has seen us both expand and add value to the portfolio. We have delivered on our strategy to capitalise on the current commodity price environment by making value accretive acquisitions to complement our potential breakthrough re-fracking and "Parent Well Protection" technology. With a diverse asset base now in hand, we have solidified our focus on three core projects: the commercialisation of DT Ultravert technology; the Helios Two helium and natural gas prospect in Montana; and the East Denver Niobrara oil and gas project; exposing shareholders to a diversified portfolio of what we believe to be high potential resource projects.

## DT Ultravert Technology

We are pleased to be making strides towards the commercialisation of DT Ultravert, our potentially disruptive technology which has been valued ($NPV_{10.5}$) at US$58.3 million in a Competent Person's Report ('CPR') completed by RPS Knowledge Reservoir dated 15 December 2015. We have identified two potential applications for the technology which could present very significant revenue streams in the future, and our ongoing testing campaigns have delivered positive preliminary results to date.

The first application for DT Ultravert is as a potential re-fracking agent which could dramatically increase production from already stimulated horizontal and vertical wells. The industry's search for an effective technology continues in recognition of the potentially vast market of existing wellbores. If our test results continue to be positive, we believe that DT Ultravert has the potential to transform the fracking industry. The timing of our testing is optimal: re-stimulation is an emerging trend due to its ability to increase oil and gas production without the expense of drilling new wells which is a particularly compelling option for exploration and production ("E&P") companies in the current commodity price environment.

In line with our strategy to commercialise DT Ultravert we were pleased to recruit Domingo Mata, a senior engineer from Schlumberger, to the Highlands team to market the technology. Having presented it to a number of E&P companies and service providers, several of these companies have seen DT Ultravert as having technical and practical merit and as a result, we were delighted to enter into an Indicative Terms Agreement (which has recently been extended to 16 September 2017) with Schlumberger to test DT Ultravert. Commercialisation efforts for DT Ultravert were further advanced by our signing of a full licence agreement with CalFrac Well Services Corp. ('Calfrac'), a leading pressure-pumping provider in the US. DT Ultravert testing commenced during the period and so far we have been pleased with the results.

Importantly, during the planning process for testing DT Ultravert as a re-fracking technology in the Piceance Basin in Colorado, the opportunity arose to test a Parent Well Protection application. When new “Child Wells” are fracked near existing “Parent Wells,” this often results in Parent Well damage and frack fluid infiltration. This presented us with an exciting opportunity to test DT Ultravert for Parent Well Protection as well as re-fracking, and with the shale revolution creating thousands of Parent Well candidates, this opportunity could be significant for Highlands. We were very encouraged by the programme’s results, which demonstrated not only that DT Ultravert accomplished Parent Well Protection and prevented bashing (which occurs when new wells are fracked near existing Parent Wells, often resulting in Parent Well damage and frac fluid infiltration), but also that Child Wells experienced production performance similar to fracks in virgin rock.

This result shows that DT Ultravert can mitigate the risk of poor production in Child wells, which is a growing concern in the oil and gas industry. Child well enhancements are believed to result from more symmetrical fracture networks achieved by re-pressurising the Parent Well. This is an outstanding result and we believe that the technical success of this testing and these initial conclusions will boost our on-going commercialisation efforts for the technology.

Indeed, following the successful Piceance Basin tests, Highlands agreed its first commercial agreement for use of DT Ultravert in a vertical well re-frack with a prominent operator in the Denver Julesburg Basin. In conjunction with our partners, we expect to identify the initial well and commence operations in the near future. Highlands will release additional details and test results to the market in due course. This project will not only serve to demonstrate the technical merit of DT Ultravert, but also a new business model whereby Highlands invests 100% of the cost of the re-frack in exchange for 90% of the incremental “wedge production” achieved from the re-frack until Highlands recovers a 200% return of its costs (cost recovery plus 100%). Beyond this 200% mark, all incremental wedge production reverts to the operator, potentially allowing for a financial “win-win,” that may allow Highlands to quickly commercialise and scale DT Ultravert with partners across the oil and gas industry. We look forward to receiving the results from the initial well test and following completion, under the agreement, we will have the option to extend to additional wells.

## 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. Following this, we have increased the acreage during the period to a total of 105,485 acres through cost-efficient state land auctions as well as additional private transactions. Highlands continues to pursue additional acreage in the Helios Two project area, and accordingly completed the acquisition of an additional 2,896.20 acres in early November 2016. We were attracted to the Helios Two project due to the numerous gas shows observed throughout the region where historic gas analysis has indicated biogenic methane (natural gas) concentrations and 0.36% helium content which is similar to the Hugoton helium field, the largest natural accumulation of helium in the US.

The largest single consumer of helium is the MRI (magnetic resonance imaging) industry (equating to ~30% of consumption in the US), and with the mandated decommissioning of the US Bureau of Land Management (‘BLM’) Cliffside Field by 2021, which historically has accounted for more than 60% of US helium production, there are increasing concerns regarding helium supply reliability. As a result, US BLM auction prices have exceeded US$100 per thousand cubic feet ('mcf') of crude helium in the past two years – a price that dwarfs benchmark pricing of natural gas, which lies in the US$2.00 to US$3.00 per mcf range. A significant helium discovery may reduce helium costs and as a result reduce health imaging costs.

Following the commissioning of a CPR dated 24 June, 2016, 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 include in the US$341 million NPV estimate. With this prospective value in mind, we were eager to commence a drilling programme as soon as possible and 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'). Following completion on-schedule and encouraging initial data, de-watering operations at the Muddy Well are currently underway and the well is producing water at rates in line with our modelling, which is a positive indication that de-watering the Muddy Formation may be achieved.

The de-watering process requires a period of pumping and de-pressurisation of the reservoir in order to facilitate gas expansion and changes in relative permeability. Highlands has optimised the de-watering process by installing a new electric submersible pump operated by Schlumberger into the Muddy Well, and has also permitted a disposal well as a potential long-term water disposal solution. Latest modelling indicates that de-watering may require three to six months.

Highlands commissioned several initial gas analyses which confirmed the presence of elevated levels of helium. Most recently, Highlands has engaged a professor from the University of Utah's noble gas laboratory to conduct sampling and gas analysis, and Highlands expects to release reliable gas analysis data to the market in the near term.

Whilst drilling the Muddy Well we identified a potential secondary resource horizon in the overlying Eagle Formation. Therefore, post period end a second well, the Helios 5-52-16-32 ('Eagle Well') was drilled. We were delighted to observe a continuous 3-6ft natural gas flare from this "upside" well indicating a potentially large resource. As previously announced, after logging, the contractor dropped the logging tool back into the hole and was unable to retrieve it resulting in the plugging and abandoning of the well. Whilst this is obviously disappointing, we had already obtained valuable data from this experimental well and, after negotiation, the contractor agreed to pay for the plugging of the Eagle Well and has agreed to provide us with US$75,000 credit on future operations. Our strategy remains the same, and we are currently planning a second well targeting the Eagle Formation. We look forward to providing further updates on both the results of the Muddy Well and the second Eagle Well in due course.

East Denver Niobrara oil and gas project, Colorado

In July 2016 we completed a farm-in agreement with Renegade Oil and Gas Company in Colorado which opened the door to near-term drilling activity and revenue generation. Highlands is pursuing additional farm-in opportunities in the vicinity of the existing agreement, which would enable drilling of two-mile "extended lateral" wells. This is an exciting opportunity for Highlands as we plan to drill up to six extended lateral wells which should-pay-out in approximately one year with highly attractive economics and a low farm-in cost. An independent engineering report dated 29 August 2016 by McCartney Engineering has indicated a probable category $NPV_{10}$ of US$21.5 million for the first six extended lateral wells with an IRR of 92%. Alternatively, Highlands has the ability to drill six one-mile laterals under its existing agreement, which have been evaluated by MaCartney Engineering in their report as having a combined IRR of 84% and an $NPV_{10}$ of US$18.8 million with a pay-out time of thirteen months. Highlands has committed only US$500,000 to the acquisition of this opportunity, which the Board views as an attractive entry price to be spread across the drilling of six wells.

We are currently in discussions with potential industry and financing partners to fully develop the East Denver Niobrara opportunity and are also awaiting results for our spacing unit applications.

## Other Opportunities

*Natural gas*

During the period, we made some additional acquisitions which we believe are value accretive and could provide significant upside potential but that are not a part of our "core-focus" projects at this current time. For example, we acquired 1,972 acres of land targeting the Niobrara and Muddy formations in Emmons County, North Dakota, which includes the shallow natural gas prospect, "Gravity".

*Uranium*

Additionally, we acquired approximately 1,384 acres in Grand County, Utah which presents us with an in-situ uranium mining opportunity. This arose when observing oil well logs in the claims section which indicated a potentially significant uranium mine and we are currently in discussions with suitable organisations to commission a CPR for this opportunity.

## Financial Review

During the six months to 30 September 2016 the Group raised over £5.5 million (net of costs) from the issue of shares and exercise of warrants, with a further £2.5 million being raised in October, after the period end. That inflow of funds has allowed the Group to move forward with some of its key development targets.

The Group has spent £1.75 million over the current period, £0.38 million on increasing its asset base and £1.36 million on exploration, testing and administration.

The expenditure on intangible assets, in terms of mining and mineral rights, has provided the Group with access to 105,485 acres in Montana, drilling rights in East Denver and 1,972 acres in North Dakota.

As noted above, the Group is pressing ahead with its exploration of the Helios Two Muddy and Eagle prospects in Montana. Since this is still in the exploratory stage, the Group has treated all consultancy, professional and drilling costs incurred in the period, amounting to £0.46 million, as expenses charged to the profit & loss account for the period. This is the largest single expense area. In order to drive the development process forward and maintain greater direct control over its progress, the Group decided to bring "in-house" a number of key personnel and areas of expertise such as land management and engineering knowhow, which was the second most significant decision during the period as regards the Group's cost base. Overall, the Group incurred costs of a little over £0.3 million on its current staff, now numbering 10 people, over the period, and spending at this level or above is likely to continue as the Group further expands its operations.

Looking ahead, the funds raised during and just after the period provide the Group with sufficient working capital for its immediate needs. Furthermore, as announced on 26 October 2016, the Group has entered into its first potentially revenue generating agreement for the use of DT Ultravert. Whilst this involves the Group funding the initial work, if successful the project should provide a positive revenue stream for Highlands in the near future, at which point the Board would plan to expand that arrangement and business model.

The Board believes that it is in the best interests of the shareholders to progress 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 2016 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 2016 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 2016 and that have materially affected the financial position or the performance of the enterprise during that period.

## Outlook

I am delighted with the exciting additions we have made to our portfolio during 2016 and believe we now have a strong project base, with each core asset representing potentially "company-making" credentials. With a highly skilled team behind Highlands and potential high-impact newsflow from our diverse portfolio expected in the near-term, I look forward to the months ahead and would like to thank my fellow Board member~~s~~, management advisory teams and loyal shareholders for your continued support.

Robert Price
Executive Chairman
24 November 2016

HIGHLANDS NATURAL RESOURCES PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHESIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

| | Notes | Unaudited Six months ended 30 September 2016 | Unaudited Period from 13 November 2014 to 30 September 2015 | Audited Period from 13 November 2014 to 31 March 2016 |
|---|---|---|---|---|
| | | £ | £ | £ |
| **Revenue** | | - | - | - |
| Administrative expenses | | (1,459,646) | (937,707) | (1,818,049) |
| **Operating loss** | | (1,459,646) | (937,707) | (1,818,049) |
| Finance income | | 477 | - | 1,378 |
| **Loss on ordinary activities before taxation** | | (1,459,169) | (937,707) | (1,816,671) |
| Taxation on loss on ordinary activities | 3 | - | - | - |
| **Loss for the period** | | (1,459,169) | (937,707) | (1,816,671) |
| Foreign exchange adjustment on consolidation | | 16,977 | - | (10,581) |
| **Total comprehensive loss for the period attributable to the equity holders** | | (1,441,192) | (937,707) | (1,827,252) |
| Loss per share (basic and diluted) attributable to the equity holders (pence) | 4 | (3.91) p | (7.2) p | (10.88) p |

HIGHLANDS NATURAL RESOURCES PLC
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2016

| | Notes | Unaudited At 30 September 2016 £ | Unaudited At 30 September 2015 £ | Audited At 31 March 2016 £ |
|---|---|---|---|---|
| NON -CURRENT ASSETS | | | | |
| Intangible assets | 5 | 1,029,558 | 706,500 | 682,530 |
| | | 1,029,558 | 706,500 | 682,530 |
| CURRENT ASSETS | | | | |
| Trade and other receivables | | 72,222 | 5,394 | 47,316 |
| Cash and cash equivalents | | 4,526,038 | 677,783 | 717,427 |
| | | 4,598,260 | 683,177 | 764,743 |
| Total assets | | 5,627,818 | 1,389,677 | 1,447,273 |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | | 134,947 | 10,969 | 53,348 |
| | | 134,947 | 10,969 | 53,348 |
| NET ASSETS | | 5,492,871 | 1,378,708 | 1,393,925 |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | | | |
| Share capital | 6 | 2,714,367 | 1,099,925 | 1,491,175 |
| Share premium account | 6 | 4,961,521 | 163,075 | 643,575 |
| Share based payments reserve | | 762,884 | 1,053,415 | 1,077,582 |
| Foreign currency translation reserve | | 6,396 | - | (10,581) |
| Retained loss | | (2,952,297) | (937,707) | (1,807,826) |
| TOTAL EQUITY | | 5,492,871 | 1,378,708 | 1,393,925 |

HIGHLANDS NATURAL RESOURCES PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

| | Share capital | Share Premium account | Share based payments reserve | Foreign Currency Translation Reserve | Retained loss | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| **At incorporation** | - | - | - | - | - | - |
| **Comprehensive income for the period** | | | | | | |
| Loss for the period | - | - | - | - | (1,816,671) | (1,816,671) |
| Other comprehensive income | - | - | - | - | - | - |
| Translation adjustment | - | - | - | (10,581) | - | (10,581) |
| Total comprehensive loss for the period attributable to the equity holders | - | - | - | (10,581) | (1,816,671) | (1,827,252) |
| Issue of warrants | - | - | 1,086,427 | - | - | 1,086,427 |
| Exercise of warrants | - | - | (8,845) | - | 8,845 | - |
| Shares issued in the period | 1,491,175 | 681,825 | - | - | - | 2,173,000 |
| Cost relating to share issues | - | (38,250) | - | - | - | (38,250) |
| **As 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) |
| Shares issued on exercise of warrants | 1,079,000 | 4,069,000 | (314,698) | - | 314,698 | 5,148,000 |
| Shares issued on placing in the period | 144,192 | 374,901 | - | - | - | 519,093 |
| Cost relating to share issues | - | (125,955) | - | - | - | (125,955) |
| **As at 30 September 2016** | 2,714,367 | 4,961,521 | 762,884 | 6,396 | (2,952,297) | 5,492,871 |

HIGHLANDS NATURAL RESOURCES PLC
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

| | Unaudited At 30 September 2016 £ | Unaudited At 30 September 2015 £ | Audited At 31 March 2016 £ |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| **Loss for the period** | (1,459,169) | (937,707) | (1,816,671) |
| Adjustments for: | | | |
| Depreciation and amortisation charges | 41,042 | - | 59,915 |
| Charge for the period in respect of share based payments | - | 609,915 | 636,427 |
| Costs settled by issue of shares | - | - | 6,500 |
| Operating cash flow before working capital movements | (1,418,127) | (327,792) | (1,113,829) |
| Increase in trade and other receivables | (24,906) | (5,394) | (47,316) |
| Increase in trade and other payables | 81,599 | 10,969 | 53,348 |
| Net cash flow from operating activities | **(1,361,434)** | **(322,217)** | **(1,107,797)** |
| **Cashflows from investing activities** | | | |
| Purchase of intangible and mineral rights | (384,703) | - | (742,445) |
| Less: settled by issue of share based payments | - | - | 706,500 |
| Net cash absorbed by investing activities | (384,703) | - | (35,945) |
| **Cashflows from financing activities** | | | |
| Proceeds from issue of shares | 5,667,093 | 1,000,000 | 1,910,000 |
| Cost of share issues | (125,955) | - | (38,250) |
| Net cash generated by financing activities | 5,541,138 | 1,000,000 | 1,871,750 |
| Net increase in cash and cash equivalents | | | |
| As above | 3,795,001 | 677,783 | 728,008 |
| Foreign exchange | 13,610 | - | (10,581) |
| **Increase in cash and cash equivalents** | 3,808,611 | 677,783 | 717,427 |
| **Cash and cash equivalents at beginning of period** | 717,427 | - | - |
| **Cash and cash equivalents at end of period** | 4,526,038 | **677,783** | **717,427** |

HIGHLANDS NATURAL RESOURCES PLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

## 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 2016 have been prepared in accordance with IAS 34 Interim Financial Reporting. The comparative figures for 31 March 2016 are extracted from the Group's audited accounts to that date. The comparative figures for the period ended 30 September 2015 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 2016 and expected to be adopted in the financial information by the Company in preparing its annual report for the year ending 31 March 2017.

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 2016. 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 future 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 Unit | Per-share amount pence |
|---|---|---|---|
| Loss per share attributed to ordinary shareholders | (1,459,169) | 37,341,666 | (3.91) |

## 5. INTANGIBLE ASSETS

Intangible assets comprise the 75% stake in certain pending patents owned by Diversion Technologies LLC ("Diversion") plus various leases and mining rights acquired during the period.

| | Patent rights | Leases and mining rights | Total |
|---|---|---|---|
| | £ | £ | £ |
| Cost at 31 March 2016 | 706,500 | 35,945 | 742,445 |
| Additions during the period | - | 384,703 | 384,703 |
| Exchange adjustment | - | 3,807 | 3,807 |
| Cost carried forward | 706,500 | 424,455 | 1,130,955 |
| | | | |
| Amortisation at 31 March 2016 | 58,875 | 1,040 | 59,915 |
| Charge during the period | 35,325 | 6,017 | 41,342 |
| Exchange adjustment | - | 140 | 140 |
| Amortisation carried forward | 94,200 | 7,197 | 101,397 |
| | | | |
| Net book value brought forward | 647,625 | 34,905 | 682,530 |
| | | | |
| Net book value carried forward | 612,300 | 417,258 | 1,029,558 |

## 6. 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 2016 | 29,823,500 | 1,491,175 | 643,575 |
| Issue of shares at 18p – 26 April 2016 | 2,883,849 | 144,192 | 374,901 |
| Issue of shares upon exercise of warrants on: | | | |
| 28 April 2016 | 520,000 | 26,000 | 18,500 |
| 6 May 2016 | 310,000 | 15,500 | 13,500 |
| 9 May 2016 | 160,000 | 8,000 | 8,000 |
| 12 May 2016 | 80,000 | 4,000 | 4,000 |
| 19 May 2016 | 100,000 | 5,000 | 5,000 |
| 27 May 2016 | 50,000 | 2,500 | 2,500 |
| 14 June 2016 | 50,000 | 2,500 | 2,500 |
| 21 June 2016 | 100,000 | 5,000 | 5,000 |
| 25 June 2016 | 10,000 | 500 | - |
| 1 July 2016 | 5,000,000 | 250,000 | 1,000,000 |
| 7 July 2016 | 50,000 | 2,500 | 2,500 |
| 28 July 2016 | 100,000 | 5,000 | 5,000 |
| 2 September 2016 | 5,000,000 | 250,000 | 1,000,000 |
| 15 September 2016 | 5,050,000 | 252,500 | 1,002,500 |
| 21 September 2016 | 5,000,000 | 250,000 | 1,000,000 |
| Less: | | | |
| Cost of share issues | | | (125,955) |
| | | | |
| Balance at 30 September 2016 | 54,287,349 | 2,714,367 | 4,961,521 |

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

Subsequent to the period end, in October 2016 a further 10,000,000 warrants were converted into 10,000,000 shares at an exercise price of 5p per share.  Also in October, the company created a Staff Share Option Scheme and granted option to its US based staff over 1,250,000 at exercise prices equivalent to the market price of the shares at the date of grant.

## 7. RELATED PARTY TRANSACTIONS

In order to facilitate additional financing for the Highlands group, during the period Diversion Technologies LLC sold its entire holding of warrants in respect of 30 million shares of Highlands Natural Resources plc to an Institutional Investor.  These warrants were subsequently all exercised by the Institutional Investor between July and October 2016 generating new funds of £7.5 million for Highlands.  Mr R B Price, the group's Executive Chairman, is a director and 37.5% shareholder in Diversion Technologies LLC.

## 8. SUBSEQUENT EVENTS

As noted in Note 6, on 19 October 2016 a further 10,000,000 warrants were exercised generating an additional £2,500,000 for the Company.