

Zoetic International PLC

FORMERLY HIGHLANDS NATURAL RESOURCES PLC



ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH

2020

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Officers and professional advisers

Directors (<i>all executive</i>)	Antonio Russo Trevor Taylor
Company Secretary	MSP Secretaries Limited
Head Office & Registered Office	East Castle House 27/28 Eastcastle Street London W1W 8DH
Principal Operating Address	Suite A, 105 W 3rd St Palisade, CO 81526 USA
Independent Auditor	PKF Littlejohn LLP Statutory Auditor 15 Westferry Circus London E14 4HD
Brokers and financial advisers	Allenby Capital Limited 5 St Helen's Place
Solicitors	DAC Beachcroft LLP 25 Walbrook London EC4N 8AF
Registrars	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR
Principal bankers	Clydesdale Bank 15th Floor The Leadenhall Building 122 Leadenhall Street London EC3V 4AB
Company website	www.zoeticinternational.com
Websites for product lines	www.zoetic.com www.thehillway.com

Chief Executives' Statement and Strategic Report

The financial year to 31 March 2020 marks the completion of the Group's most significant period of change to date. Our debut financial year in the cannabidiol (CBD) sector has seen the Group evolve from its roots in the natural resources sector and it has quickly established itself as a global leader concerned in the development, production and distribution of premium CBD products.

Following a managed transition away from the turbulent natural resources market, the continued growth in popularity of Zoetic's CBD product range has been complemented by the founding of key partnerships which continue to facilitate technical excellence within the fields of research and development. From its inception as a new start up company under the auspices of Highlands Natural Resources Plc, the US based operating company Zoetic Corporation, and by extension the renamed parent company Zoetic International plc, has become a fully-fledged name in its own right, providing a sustainable and growing profit platform on which to expand.

Despite the challenges 2020 has presented to the global economy, this financial year has seen the Group lay the groundwork for an exciting future as a CBD pioneer. We have now entered the 2020/2021 financial year as an altogether leaner operation with the technical expertise and international acclaim to bring our products to new markets across the globe.

The Turnaround

In a year which has seen performance figures collapse for many of the Group's traditional competitors, Zoetic has successfully executed a managed exit from the volatile natural resources sector. Transitioning away from the company's historical base of activities was by no means a simple exercise, but it is one that has already borne fruit with the company benefiting from substantial savings across its asset portfolio. Our operational costs are now lower than they have been at any point during the Group's history, leaving capital available to reinvest in the continued refinement of our products.

This movement has been fundamentally driven by the Group's disposal of its assets in East Denver and, subsequently, in Kansas. The process commenced with an agreement to sell the remaining interests in the Group's oil and gas assets located in Colorado. Reaching a deal with True Oil LLC which completed in September

2020, the Group has now neatly tied up its involvement in what was becoming a significant overhead cost which was not reciprocated by an equivalent rate of return.

Sealing the Group's substantive exit from the natural resources industry, further movements came in the form of the proposed divestment of the Group's Kansas nitrogen assets to Path Investments PLC ("Path"), a transaction that we expect to close in the months falling immediately after the publication of this report. As part of the transaction, Path has also agreed to purchase the Group's interest in DT Ultravert (DTU), its innovative hydrocarbon well stimulation and protection technology. Through these dealings, the Group launched its efforts to make considerable savings by limiting its exposure to the continuing high costs of managing and maintaining natural resources facilities. Our agreement with Path has not only helped us in this endeavour, but will also secure future liquidity for the Group in the form of 15 million warrants to subscribe for new ordinary shares in Path at a rate of 0.1 pence each, along with warrants for a further 15 million shares at 1.5 pence each to last between the first and third anniversaries of the transaction. Perhaps more substantially, Path has agreed to pay the Group ongoing royalties equating to 6% of all gross revenues generated from the use of DTU technology, attributable to the 75% interest sold. In sum, this agreement will grant Zoetic the financial benefit of DTU without the immoderate overheads that result from the running and management of the project.

Although the completion of this transition falls outside of the period end, it marks the continued pursuit of a radical new direction for the Group. With the majority of our natural resources operations having been sold off during August and September 2020, we eliminated the Group's single largest source of overhead costs and limited exposure to the risk of further costs over the long term. As negotiations for the sale of these assets had commenced but not concluded by the year end, at 31 March 2020 these assets are categorised as "assets held for sale" in the accounts. Our exit from the natural resources industry has resulted in the transformation of the company into a nimble-footed yet formidable contender within the global CBD market. Free from the need to continually invest in the maintenance of aging oil and gas facilities, Zoetic has the structural flexibility to act quickly to secure both profits and future opportunities alike.

Chief Executives' Statement and Strategic Report *continued*

Nowhere has this operational flexibility been more apparent than in the rapidly expanding distribution of our various product lines. Eidetic investors may recall that this financial period was launched with the announcement that an agreement had been struck with Schrader Oil and Ox Distributing. The agreement saw our Chill brand smokes and CBD chew pouches taken to market in convenience stores and gas stations across the USA. This landmark agreement was quickly followed by the July commencement of retail sales in the UK's expanding CBD market and subsequently the establishment of a European distribution agreement just a year later. The combined effect of these developments will see Zoetic's product range reach markets in the USA, UK, Czech Republic and Slovakia. Although outside the period, a second international distribution agreement has now been reached with a highly experienced European retailer with a strong physical footprint across more than 15 key EU markets and an established eCommerce presence. As the popularity of our products enjoys continued growth, Zoetic International's operations are on course to expand further in the near future.

Industry leadership

As the global CBD market continues to grow, it is Zoetic's firm intention to establish itself as an industry leader. The groundwork for this vision has been laid throughout this financial period and the subsequent months, leaving the Group in a prime position to continue on its journey as a visionary presence within its field.

Knowing that the value proposition of our products begins with the standard of our seeds, we have made concerted efforts to test the virility and quality of these primary assets. This resulted in the brokering of a landmark partnership with cannabinoid research experts GVB Biopharma which commenced in July 2020. Complementing our ongoing research work with a number of renowned US Universities, our programme with GVB Biopharma has seen 40,000 feminized hemp seeds placed in the care of their specialists, who will cultivate the plants in USDA certified ground and gather extensive data to demonstrate the eminence of our genetic base assets.

The ultimate results of this research will be twofold. Firstly, with the benefit of scientifically-backed reports into the cultivation viability of our seeds, the Group will be well placed to avoid the difficulties faced by competitors who have invested significant time and capital into the cultivation and extraction of genetically deficient hemp

seed stocks. Secondly, the efforts of GVB Biopharma will not only produce technical resources with which to further the Group's scientific work but will also turn out high-calibre CBD isolate. This in turn will furnish the Group with further resources which can be sent to market as we continue our growth as the premium choice in CBD products.

With over 110 varieties of hemp, businesses must meet the specifications set out by regulatory bodies whilst growing their plants in supervised, quality-controlled conditions. Having received test results from Colorado State University confirming a cultivation viability result of between 86% and 95%, we are confident that our seed genetics will continue to attract agronomical recognition as they undergo further testing. By building these operations into the fabric of the Group, we are confident that Zoetic can continue to grow its involvement across multiple income streams both in the recreational and pharmaceutical CBD markets.

In the same vein, and as a critical step towards formalising the Group's status as a market leader, this financial year has seen Zoetic make a range of US Patent applications which cover the method for the manufacture of Chill brand THC-free smokable CBD products and, in an unrelated application, for the composition of pharmaceutical products which include cannabinoids. Working closely with authoritative figures within the scientific community, it is our hope that the coming year will see progression towards the granting of these patents which offer significant protection to the Group's intellectual property and therefore its position as an innovator at the forefront of the CBD industry.

Product development and diversity

The growing breadth of Zoetic's global operations has been mirrored by the continual expansion of our product range. By extension, our numerous products now provide multiple streams of income – the diversity of which provides an essential safeguard against the regulatory uncertainty faced by companies in the CBD space.

Sales of products sold under the banner of Chill, Zoetic's tobacco alternative brand, have gathered considerable speed in the US market and the Company continues to explore new ways of meeting consumer demand. Chill's CBD chew pouches (currently available in fresh peach, rich vanilla and cool mint flavour variants) have proven to be particularly popular, and their market share is expected to develop further as we progress through the next financial

Chief Executives' Statement and Strategic Report *continued*

period and beyond. Similarly, against a backdrop of strict regulation within the tobacco market, Chill brand tobacco alternative CBD smokes have enjoyed enormous popularity with further US distribution agreements already in the pipeline. Now available in hemp, calm and mint varieties, our smokes continue to benefit from the regulation of tobacco-based menthol cigarettes which have now been banned in Brazil, Canada, Ethiopia, Turkey, Moldova, the European Union and the United Kingdom. With this trend set to continue, Chill brand products stand to become a frontrunner in the race for a share of the \$85 billion strong global menthol cigarette market. As the Chill range of tobacco alternative products are ready to make their way into the European arena across the Czech Republic and Slovakia, further emerging markets are set to follow in the near future as Chill becomes an international name.



Outside of the tobacco alternative market, Zoetic branded goods continue to make waves across the board. Our range now includes CBD oil, massage oil, vegan gummies, vegan lip balm, softgels, pills, hand cream, night cream and facial drops. Sold across the Group's core UK market, our Zoetic CBD products each have specific applications that not only target an area of the market but each aim to become the single most acclaimed product of their kind. Validating the hard work that has gone into the creation and marketing of these products, the Group is now the grateful recipient of numerous awards and nominations that recognise the quality and broad appeal of our CBD produce. These include:

- Winner at the Global Green Beauty Awards – Zoetic Jasmine & Lavender CBD Night Cream
- Winner at the Hip & Healthy CBD Awards – Zoetic CBD Flavoured Drops range
- Shortlisted at the Real Beauty Skincare Awards – Zoetic Jasmine & Lavender CBD Night Cream

- Shortlisted for the Marie Claire Skincare Awards – Zoetic CBD Facial Drops and Eucalyptus & Lavender CBD Massage Oil
- Shortlisted for the Pure Beauty London Awards – Zoetic Lemongrass & Ylang Ylang CBD Hand Cream and 3000mg Natural CBD Oil
- Shortlisted for the Top Sante Skin Awards – Zoetic Jasmine & Lavender CBD Night Cream



These awards and accolades illustrate almost immediate acclaim for Zoetic and Chill products upon entry into the market. The calibre of these products speaks for itself as they have become industry favourites within just months of becoming available.

All of our products, both under the Zoetic and Chill names, are leading the way as CBD moves from a recreational novelty into the mainstream. As the popularity of traditional tobacco products is hampered by international regulation, it is our belief that CBD products offer the most viable alternative, whilst our Zoetic gummies, tinctures, oils and other products allow the health conscious public to access premium CBD goods. Given estimates that only 6% of the global market currently permits the development and sale of CBD products, there is huge potential for the growth of our sales figures and indeed the Zoetic and Chill brands as political trends point towards the ongoing deregulation of the cannabidiol industry.



Chief Executives' Statement and Strategic Report *continued*

Handling the COVID-19 pandemic

The COVID-19 pandemic has presented issues to companies operating across the world, and Zoetic has been no exception. The limitations placed on cross-border trade and movement as a direct response to the pandemic have made it increasingly difficult to manage the supply chain with the same efficiency as in pre-pandemic times.

Additionally, the necessary restrictions on personnel movements caused by the pandemic made it impossible for the auditors to attend the stocktake at our UK premises at the year end. This has led to the auditors qualifying their audit opinion in this specific respect.

Throughout these challenging times, the Group has benefitted from its vertically integrated structure from last harvest year in addition to the extremely strong connections it has formed with suppliers, distributors and vendors across the entirety of its business network. With the ability to make executive decisions with the speed that modern investors have come to expect, the Group has been able to position itself as a trendsetter whilst riding out the difficult trading and logistics environment brought about by the pandemic.

A side effect of the global health emergency has been a renewed level of interest in holistic health solutions from citizens across the globe. It is our belief that this environment lends itself to the continued growth in the use of CBD-based products as medicinal aids, spelling opportunity for the Group across all profit streams including Chill as the health-conscious look to turn away from traditional tobacco products.

Other matters

Board changes and operational composition

The Group's transition away from its legacy assets and into the CBD space has been supported by the work of its joint Chief Executive Officers, Antonio Russo and Trevor Taylor. The board's streamlined nature has allowed the Group to navigate the difficulties brought about by the COVID-19 pandemic, given that strategic decisions can be made with speed and with the benefit of full supply chain oversight. We are proud of how this structure allows us to grasp opportunities and with the unique benefit of 15 combined years of experience in the CBD industry, the Board is well placed to drive growth and further establish the Group as an innovative global presence.

Listing on the OTC

In an exciting move for the Group, the year also saw its shares listed on the OTC market with an opening date of 12 November 2019. This development follows from sustained interest in the Group from US investors and will better facilitate their ability to trade in our shares. Owing to the Group's existing listing on the London Stock Exchange, obtaining a listing on the OTCQB Venture Market did not require the filing of a prospectus and moreover there are no Sarbanes-Oxley or SEC reporting requirements or disclosure obligations beyond those already met for the purposes of the London listing.

CBD facilities

In line with the Zoetic's substantive efforts to cut costs and restructure its activities, this year has also seen the termination of the Group's leasehold agreement for its Colorado greenhouse facility. This follows a significant period of growth for our CBD products and it is now the case that our resources requirements can be focused on our product lines.

Moving forward, cultivation and production of our high-quality base seed assets will be entrusted to a European partner based in the UK. Having brokered a Joint Venture agreement (the "JV") with one of Europe's best regarded cultivation specialists, we now look forward to the next stage of growth as we benefit from their knowledge and expertise in the fields of growth and regulation. Closing the doors to our original facility has also enabled the Company to make a significant saving by eliminating one of its most substantial overhead costs totalling some \$80,000 per month in operational spending.

Outlook

As mentioned at the outset of this review, this financial year has been one of extensive yet positive change for the Group as Zoetic has come to the fore of its operations. What last year was described as a 'foothold' in an exciting growth industry has now given way to the establishment of a growing global brand that has achieved early acclaim for its quality and innovation.

Despite a tumultuous year for the global economy, the Group is now fighting fit and in a state of continual growth that we strongly believe will persist as we move through the 2020/2021 period. With numerous international level distribution agreements and penetration of the lucrative eCommerce market, our business continues to gain

Chief Executives' Statement and Strategic Report *continued*

ground in the international CBD arena which itself is ever expanding despite robust regulation. The breadth of Zoetic's CBD operations means shareholders can take heart that our revenues are somewhat guarded against changes within the market and we expect our seed and retail operations to escalate further throughout the current financial year, both in terms of activity and revenues.

We have now arrived at a seminal point in the Group's development. Since the launch of Zoetic in 2019, it has been the intention of the Board to follow a four pronged strategy to secure the very best future for its CBD business interests. Throughout the course of the financial period and in the months since, huge ground has been made towards the realisation of these goals, and the contents of this report along with Group's wider operations serve to show that we have developed products that fit the market and have mass appeal. Furthermore, with the announcement of numerous International Distribution Agreements, along with a new cultivation Joint Venture in the UK, the Board is confident that the Group now benefits from veritable scalability and distribution channels on a multinational scale. Throughout the next financial period we will continue to build on these elements, but also crucially will execute a full product launch with our products making it to market across multiple territories, many for the first time. In turn, we expect this to have a positive resultant impact on our sales revenues and the Group will of course continue to benefit from the cost-cutting exercise conducted during the 2019/2020 financial period.



ZOETIC The four pronged strategy

- 1 Ensure product market fit**
- 2 Secure distribution**
- 3 Prove scalability**
- 4 Product Launch**

This is an exciting time for the Group, and we would like to extend our thanks to our shareholders who have made this transformative phase possible. As we now look to accelerate out of the turnaround, this financial year holds great promise and we have every confidence that Zoetic will continue to make waves across the fast developing CBD industry.

Risks and uncertainties facing the group

Historically the Group's primary risk factors have arisen from its operations in the oil and gas industry, and whilst this year has seen a successful managed exit from that field, it would be remiss to suggest that the CBD industry is risk free. The Group of course also faces an overriding financial risk in common with other companies of its size.

The Board continues to monitor and mitigate a detailed list of risks that face the Group, but those listed below are considered to be most important because of the likelihood of their occurrence or the materiality of their potential impact.

Risks relating to the Group's CBD business

Risks Associated with Laws and Regulations relating to CBD

The production, labelling and distribution of the products that the Group distributes are regulated by various federal, state and local agencies. As the Group expands its CBD operations, it must keep up with the evolving compliance environments of the territories in which it operates. This entails the building and maintaining of robust systems which ensure that our products and operations comply with the regulatory regimes of multiple jurisdictions. Should the Group's operations be found to violate any such laws or other governmental regulation, the Group may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Group's operations, any of which could adversely affect the Group's business and financial results.

The Group may be required to obtain and maintain certain permits, licenses, and approvals in the jurisdictions where its products are licensed and into which its operations expand. There can be no assurance that the Group will be able to obtain or maintain any necessary licenses, permits or approvals.

Success of Quality Control Systems

The quality and safety of the Group's products are critical to the success of its business and operations. As such, it is imperative that the Group's (and its service providers) quality control systems operate effectively and successfully. Although the Group strives to ensure that all of its service providers have implemented and adhere to high calibre quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on the Group's business and operating results.

Chief Executives' Statement and Strategic Report *continued*

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Group's products are recalled for any reason, the Group could incur adverse publicity, decreased demand for the Group's products and significant reputational and brand damage. Although the Group has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls.

Product Liability

The Group's products will be produced for sale directly to end consumers, and therefore there is an inherent risk of exposure to product liability claims, regulatory action and litigation if the products are alleged to have caused loss or injury. Accordingly the Group maintains a product liability insurance policy.

Industry Competition

The CBD industry is competitive and evolving. The Group faces strong competition from both existing and emerging companies that offer similar products. Some of its current and potential competitors may have longer operating histories, greater financial, marketing and other resources and larger customer bases than the Group has. Given the rapid changes affecting the global, national, and regional economies generally and the CBD industry, in particular, the Group may not be able to create and maintain a competitive advantage in the marketplace.

Risks relating to legacy oil and gas assets

Financial liabilities or legal liabilities arising from legacy assets

As the Group reaches agreements for the sale and disposal of its legacy natural resources assets, it remains subject to various contractual and regulatory provisions that could create a financial obligation should specified events occur in the near to mid-term. In the case of those assets for which the Group cannot find a suitable purchaser, it shall be subject to the retirement costs of each site, and may continue to face a regulatory burden until such time as the sites have been purchased or their closure has been finalised. Should such costs arise they could adversely affect the Group's business and financial results.

Risks relating to the COVID-19 global health emergency

Economic uncertainty

The COVID-19 pandemic has brought with it numerous significant financial challenges for the global economy, causing a decline in retail trade. As businesses of all sizes and sectors progress through what has become an exceptionally difficult trading period, there is little that can be done to accurately predict the state of the trading environment in the short-to-mid-term and current conditions could adversely affect the Group's and financial results.

Statement of the Directors in performance of their Statutory Duties in accordance with S172(1) Companies Act 2006

The Board of Zoetic International plc consider that they have acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in decisions taken during the year ended 31 March 2020. Please refer to the Corporate Governance Report on pages 14 to 15.

Key performance indicators

The Group's current focus is on the establishment of its core business and the Board have yet to set key performance indicators as applicable to overall operations. As the Group moves forward, it is likely that these indicators might include volume of retail sales along with various metrics associated with the cultivation of plant resources amongst other things. Once established, the Group's financial, operational, health and safety and environmental key performance indicators will be measured and reported as appropriate.

Gender analysis

A split of our employees and Directors by gender at the year end is shown below:

	Male	Female
Directors	2	None
Employees	8	3

Chief Executives' Statement and Strategic Report *continued*

Corporate social responsibility

We aim to conduct our business with honesty, integrity and openness, respecting the human rights and the interests of our shareholders and employees. We aim to provide timely, regular and reliable information on the business to all our shareholders and conduct our operations to the highest standards. We strive to create a safe and healthy working environment for the wellbeing of our staff and to create a trusting and respectful environment, where all members of staff are encouraged to feel responsible for the reputation and performance of the Group. We aim to establish a diverse and dynamic workforce with team players who have the experience and knowledge of the business operations and markets in which we operate. Through maintaining good communications, members of staff are encouraged to realise the objectives of the Group and their own potential.

Corporate environmental responsibility

The Group's policy is to minimize any adverse effect on the environment associated with its activities with a thoughtful consideration of such key areas as energy use, pollution, transport, renewable resources, health and wellbeing. The Group also aims to ensure that its suppliers and advisers meet with their legislative and regulatory requirements and that codes of best practice are met and exceeded.

Antonio Russo

Trevor Taylor

Joint Chief Executives

30 September 2020

Financial Review

During the year the Group has seen its primary source of revenue generation shift from the sale of oil and gas and it now sits firmly in the sale of its CBD products. Although a loss was made on the eventual disposal of the Group's legacy natural resources assets, which were classified as assets held for sale at the year end, this movement has allowed for a significant reduction in ongoing costs.

Key developments

The Group's year began with the formal launch of Zoetic Corporation as a wholly-owned subsidiary of Highlands Natural Resources plc ("Highlands"). The Group's CBD arm quickly saw commercial growth as it entered into a retail distribution and sales agreement in April 2019, facilitating the sale of its CBD smokables and CBD chew pouches. The period since has seen the activities of the operating entity, Zoetic Corporation, expand and this laid the foundation for the relaunch of the parent company as Zoetic International plc.

Following this development, further retail distribution and sales agreements have been reached with partners in the UK, the Czech Republic, Slovakia and in other key European markets. Online sales have also commenced during the period, both of the eponymous Zoetic range of products and of Chill branded CBD tobacco alternative products. As the Group scales up its retail output, sales revenues from its various products are expected to grow whilst the costs of production have been limited through establishment of a strategic joint venture with a UK-based cultivation expert. The Group's operations in this sphere are in a growth phase and so substantial revenues were not expected during the year.

This financial year and the subsequent months saw the Group attempt to divest itself of its legacy natural resources assets. This followed the continual decline of revenues from its oil and gas producing wells, along with difficulty in monetising its rights and assets in other fields.

Most significantly, a buyer was found for the Group's 5% interest in eight oil and gas producing wells in East Denver. Whilst the asset was sold at a loss, its disposal will have a substantial positive impact on the Group's future operational costs. It is also of note that the disposal of the Group's East Denver assets has allowed it to settle an outstanding loan of bank loan of US \$276,574 from ANB Bank. A potential buyer has also been identified for the Group's interest in a nitrogen production well situated in Kansas, along with its 75% stake in the patents for the DT

Ultravert well protection technology. The consequence of the Group's disposal of its interests in the legacy Kansas and DT Ultravert assets has not yet been finalised but the deal is expected to return a combination of shares, options, and a continuing royalty of 6% for the use of the DT Ultravert patents. This transaction is expected to conclude in the month following the publication of this review.

Ultimately the year has seen the Group make a loss after taxation of £7,078,513, however this figure does not fully reflect the transition undergone throughout the period. Through its divestment of non-performing and under-performing natural resource assets, the Group has made substantial savings whilst limiting its exposure to ongoing costs and further risk from volatility within the oil and gas market.

Funding

As raised in last year's Financial Review, the Group has funded its CBD operations to date through a fundraising effort in March 2019 which raised £1.56 million before costs.

During this financial period the Group raised £1.66 million net of costs from the exercise of warrants and the issue of shares. This included a fundraising effort in February 2020 which saw the Group raise £387,000 through a subscription for £330,000 of convertible loan notes and 950,000 ordinary shares of 1 pence each at a price of 6 pence per Ordinary Share.

In the weeks following the end of the period, the Group successfully applied for loans under the US COVID-19 aid arrangements to the approximate value of \$290,000 (approximately £230,000). The majority of this funding will meet the requirements necessary for the borrowing to be forgiven, whilst any residual sum shall be repayable over a period of two years with an annual interest rate of 1%.

Revenue

The Group's revenue has fallen from the 2019 figures, and this decline can in part be attributed to the partial cessation of the Group's involvement in the natural resources industry along with the global deterioration of oil and gas prices. The Group is no longer generating revenue from its remaining legacy natural resources assets and future revenue generation will centre around its interests in the CBD industry.

Financial Review *continued*

Expenditure

The year has been characterised by a significant cost-cutting exercise, the effects of which are likely to become more obvious as the next financial year goes on. This includes, most notably, the cessation of costs relating to legacy natural resources assets, the management of DT Ultravert, and the closure of the Group's hemp growth facility in Colorado. These efforts are expected to see a reduction in costs in excess of US\$1 million.

The Group's main costs are now its ongoing cultivation, development and production of CBD products, along with costs relating to distribution and external professional fees both in the US and in London where the Company bears the costs associated with its listing on the London Stock Exchange, including legal, regulatory and public relation costs.

Liquidity, cash and cash equivalents

At the year end the Group held approximately £349,000 at the bank. Moving forward, it is expected that the Group's CBD business will begin to be cash positive in the short term, with strong revenues expected to follow in the near term as its Zoetic and Chill retail brands grow their market share.

Key Personnel

Trevor Taylor

Joint Chief Executive – Zoetic International



Prior to joining the Group, Trevor Taylor was the CEO of District 8 Holdings, the number 1 organic pre-roll selling brand in Colorado, the first state to legalize recreational cannabis in the United States.

Previously, Trevor was a partner and analyst at The Redstone Group, a multi-strategy merger and acquisition brokerage firm, and was the co-founder and COO of Old West Oilfield Services. Trevor helped take the company from initial concept through the final exit in just over five years to Cerberus Capital Management, a global investment firm. Old West was a leading fluids and frack sand logistics services company serving major operators in five US basins.

Trevor graduated from Colorado State University with honours and a degree in Civil Engineering. He is active in his community serving on multiple boards. Trevor spends his spare time operating a commercial stone-fruit farm in Palisade, Colorado.

Antonio Russo

Joint Chief Executive – Zoetic International



Antonio Russo is a cannabis and hemp Industry expert dating back to 2010. Co-founding two cannabis companies encompassing five fully licensed retail stores and three cultivation facilities nearing 100,000 total square feet and the number 1 organic pre-roll selling brand in Colorado.

Antonio was a former board member of MIG (Marijuana Industry Group), formed to help craft Colorado's earliest medical cannabis regulatory framework. MIG is the largest and oldest trade association for licensed cannabis business. Antonio was instrumental in the progression of Colorado Amendment 64, marked as an electoral first worldwide.

His passion for creating memorable brands and breathing life into products that influence positivity is inspiring.

Directors' Report

The Directors present their report and the financial statements for the year ended 31 March 2020.

Principal Activity

The Group is a vertically integrated developer and producer of CBD products with both pharmaceutical and tobacco replacement applications. The Group's previous focus centred on the exploitation of oil and gas producing assets, associated technology, and mineral rights allied to the oil and gas sector. Following a managed exit from the natural resources sector, the Group's primary activities involve the research, development, production and sale of CBD consumer products and other such hemp derivatives.

A detailed review of the activities for the period is given in the Executive Chairman's Review and Strategic Report.

Results

The Group recorded a loss for the period after taxation from continuing and discontinued activities of £7,078,513 (2019: loss £5,770,724) and further details are given in the preceding Financial Review. No dividend has been paid during the period nor do the Directors recommend the payment of a final dividend (2019: nil).

Directors

The Directors who served at any time during the period were:

R B Price	Executive Chairman (resigned 3 September 2019)
J M Davies	Finance Director and Company Secretary (retired on 1 May 2019)
N G S Tulloch	Finance Director and Company Secretary (appointed 1 May 2019, resigned 30 April 2020)
P Mendell	Chairman (appointed 17 September 2019, resigned 30 April 2020)

Post period end appointments:

A Russo	Co Chief Executive Officer (appointed 30 April 2020)
T Taylor	Co Chief Executive Officer (appointed 30 April 2020)

Details of the Directors' in the shares and warrants of the Company are set out in the Directors' Remuneration Report on page 20.

Further details of the interests of the Directors in the warrants are set out in Note 20 to the financial statements.

Directors' Report continued

Substantial Interests

At 23 September 2019 the Company had been informed of the following substantial interests of over 3 per cent. of the issued share capital of the Company:

	Number of issued shares	Percentage of Capital
Schrader family and associates	24,750,000	12.72%
Spreadex Limited	16,340,479	8.40%
Intertrader Limited	10,295,670	5.29%
J Story	9,850,000	5.06%
A Russo	6,450,000	3.32%
T Taylor	6,450,000	3.32%

Share Capital

Zoetic International plc is incorporated as a public limited company and is registered in England and Wales with the registered number 09309241. Details of the Company's issued share capital, together with the details of the movements during the period, are shown in Note 20. The Company has one class of ordinary shares and all shares have equal voting rights and rank *pari passu* for the distribution of dividends and repayment of capital.

Corporate Governance Statement

The Board is committed to maintaining appropriate standards of corporate governance. The statement below, together with the report on Directors' remuneration on pages 16 to 21, explains how the Company has observed principles set out in The UK Corporate Governance Code ("the Code") as relevant to the Company and contains the information required by section 7 of the UK Listing Authority's Disclosure Rules and Transparency Rules.

The Company has decided not to apply the Code provisions in full given its current size. The Company is a small company with modest resources. The Company has a clear mandate to optimise the allocation of limited resources to support its acquisition and future plans. As such the Company strives to maintain a balance between conservation of limited resources and maintaining robust corporate government practices. As the Company evolves, the Board is committed to enhancing the Company's corporate governance policies and practices deemed appropriate to the size and maturity of the organisation.

Board of Directors

The Board currently consists of two executive Directors. It met regularly throughout the year to discuss key issues and to monitor the overall performance of the Company. The Board has a formal schedule of matters reserved for its decision. With a Board comprising of just the two executive Directors, all matters and committees, such as Remuneration, Audit and Nominations are considered by the Board as a whole. The Directors are actively seeking to expand Board membership to provide additional levels of corporate governance procedures.

Audit Committee

The Board seeks to present a balanced and understandable assessment of the Group's position and prospects in all interim, final and price-sensitive reports and information required to be presented by statute.

As stated above, there is no separate Audit Committee and the Directors consider the size of the Group and the close involvement of executive Directors in the day-to-day operations makes the maintenance of an internal audit function unnecessary. The Directors will continue to monitor this situation.

Directors' Report *continued*

External independent auditor

The Board will meet with the auditor at least twice a year to consider the results, internal procedures and controls and matters raised by the auditor. The Board considers auditor independence and objectivity and the effectiveness of the audit process. It also considers the nature and extent of the non-audit services supplied by the auditor reviewing the ratio of audit to non-audit fees and ensures that an appropriate relationship is maintained between the Company and its external auditor. The Company has a policy of controlling the provision of non-audit services by the external auditor in order that their objectivity and independence are safeguarded.

As part of the decision to recommend the appointment of the external auditor, the Board takes into account the tenure of the auditor in addition to the results of its review of the effectiveness of the external auditor and considers whether there should be a full tender process. There are no contractual obligations restricting the Board's choice of external auditor.

Remuneration committee

There is no separate Remuneration Committee at present, instead all remuneration matters are considered by the Board as a whole. It meets when required to consider all aspects of directors' and staff remuneration, share options and service contracts.

Nominations committee

A nominations committee has not yet been established.

Internal financial control

Financial controls have been established so as to provide safeguards against unauthorised use or disposition of the assets, to maintain proper accounting records and to provide reliable financial information for internal use. Key financial controls include:

- the maintenance of proper records;
- a schedule of matters reserved for the approval of the Board;
- evaluation, approval procedures and risk assessment for acquisitions and capital expenditures; and
- close involvement of the Directors in the day-to-day operational matters of the Group.

Shareholder Communications

The Group uses its corporate website (www.zoeticinternational.com) to ensure that the latest announcements, press releases and published financial information are available to all shareholders and other interested parties. We have also taken time in the past months to examine other means of keeping our shareholders up to date with our progress and, to that end, Zoetic has now set up a dedicated page on LinkedIn. We have used that medium to publish photographs of some of our activities and also relevant news articles that investors may find of interest. It is not intended to be a substitute for RNS announcements but we hope that shareholders will follow that page as an additional means of staying up to date with our progress.

With Zoetic and Chill products now available to retail, we also have a social media marketing campaign to generate and support our sales activities. By definition, this is designed to be product-focused (as opposed to investor-focused). Inevitably there will be considerable overlap with our formal communications and LinkedIn publications but this may be another avenue of interest to shareholders.

The Company's annual general meeting is used to communicate with both institutional shareholders and private investors and all shareholders are encouraged to participate. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the Annual Report and Accounts. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution after it has been dealt with by a show of hands.

Directors' Report *continued*

Directors' Remuneration Report

Remuneration policies

The remuneration policies were in effect from 18 March 2015 and it is intended that these policies will be continued for the next and subsequent years subject to any acquisition.

The Directors' Remuneration Report for the period ended 31 March 2019 and the Directors' Remuneration Policy were approved by the shareholders at the Annual General Meeting held on 19 August 2019.

The remuneration policy is designed to attract, retain and motivate executive Directors and senior management of a high calibre with a view to encouraging commitment to the development of the Group and for long term enhancement of shareholder value. Remuneration packages take into account individual performance and the remuneration for similar jobs in other comparable companies where such companies can be identified. This would also be taken into account on appointment of any new Directors. The Board believes that share ownership by executive Directors and senior staff strengthens the link between their personal interests and those of shareholders and, although awards have in the past been made under a share option scheme to employees, it is the Board's intention to revise this and implement a long term staff share option scheme. This scheme will have challenging performance conditions and will be designed to align the interests of all Zoetic employees to those of its shareholders.

The last general increase in remuneration level for the directors was in January 2017 when the level of Directors' pay was reviewed and increased to take into account the expanded activities of the Group. The level has been reviewed annually but not increased since then. No pay rise was implemented for the directors during the current year. The level of pay for Mr Tulloch who was appointed during the year was based on the level of remuneration of his predecessor adjusted for the additional responsibilities he undertook. His remuneration was not increased when he assumed the role of Chief Executive Officer during the year. Mr Mendell drew no remuneration during his time as Chairman.

The current Executive Directors' remuneration comprises a basic fee which is reviewed annually and which may be taken as salary or pension contribution, plus suitable health insurance provision. Their level of remuneration was set when they joined the Group as key management and they did not take an increase in remuneration package when joining the Board. During the year the Board implemented a group wide share incentive scheme for all employees, including directors, and details of the share options granted are set out in Notes 20 and 22. There have been no bonus payments made in the year.

Future policy table

Service Contract Terms	Base Salary	Pension Contribution	Benefits in kind	Bonus or incentive plan
A Russo	\$100,000	Nil	See below	Ad hoc basis
T Taylor	\$100,000	Nil	See below	Ad hoc basis

The service contracts are reviewed annually.

No future information is provided in respect of either Mr Mendell or Mr Tulloch since both have left the group shortly after the year end.

Benefits in kind

In the US, the Group pays healthcare premiums for its staff at the prevailing rates. In the UK, Mr Tulloch received private health insurance, travel insurance and death in service benefits.

Directors' Report *continued*

Service contracts

Mr Russo and Mr Taylor were employed on an initial fixed term of one year from 1 April 2019 and their contracts automatically renew annually for a further one year period unless either party gives at least 60 days notice of termination prior to a renewal date, save in the case of a material breach of contract when the Executive can be dismissed without notice. Mr Russo and Mr Taylor are paid at an annual rate of \$100,000 per annum plus healthcare benefits and the ability to participate in any bonus awards.

Mr Price was employed on an initial fixed term of one year from 25 March 2015 with his employment continuing thereafter unless terminated by the Director or the Group giving six months' prior notice save in the case of a material breach of contract when the Executive Directors could be dismissed without notice. Mr Tulloch was employed on 1 May 2019 and his employment continued unless terminated by the Director or the Group giving three months' prior notice save in the case of a material breach of contract when the Executive Directors could be dismissed without notice.

R B Price was paid at an annual rate of \$300,000 and N G S Tulloch at an annual rate of £150,000.

Mr Mendell was appointed Chairman with a notice period of 3 months available to either party, except in the case breach of contract when the Executive can be dismissed without notice. Mr Mendell was entitled to a fee of \$6,000 per month from the date of appointment but agreed to waive his fees for the entire period. Mr Mendell drew no remuneration for his work as Chairman.

In the event of a termination or loss of office the Director is entitled only to payment of his basic salary (plus contractual benefits if applicable) in respect of his notice period. In the event of a termination or loss of office in the case of a material breach of contract the Director is not entitled to any further payment.

Executive Directors are allowed to accept external appointments with the consent of the Board, provided that these do not lead to conflicts of interest. Executive Directors are allowed to retain the fees paid.

The contracts are available for inspection at the Company's registered office.

Approval by members

The remuneration policy above will be put before the members for approval at the next Annual General Meeting.

Implementation report

Particulars of Directors' Remuneration (audited)

Particulars of directors' remuneration, including directors' warrants which, under the Companies Act 2006 are required to be audited, are given in Notes 6 and 20 and further referenced in the Directors' report.

Remuneration paid to the Directors during the year ended 31 March 2020 was:

Executive Director	Base salary £	Benefits in kind £	Compensation for loss of office £	Total £
R B Price*	105,651	31,700	235,319	372,670
J M Davies	8,333	—	—	8,333
N G S Tulloch	137,500	19,558	—	157,058

* Mr Price was based in the Group's Denver office and his remuneration was set in US Dollars. The above table converts that data into Sterling at the average exchange rate ruling during the year.

The benefit in kind represents healthcare and pension premiums which the Group pays for its directors at the prevailing rates. Also included in benefits in kind in respect of Mr Tulloch is £6,959 representing the fair value of options granted to him during the year.

Directors' Report *continued*

Remuneration paid to the Directors during the year ended 31 March 2019 was:

Executive Director	Base salary £	Benefits in kind £	Bonus £	Total £
R B Price	221,779	47,914	147,853	417,546
J M Davies	100,000	—	30,000	130,000

Payments to past Directors (audited)

There were no payments to past directors during the period.

Payments for loss of office (audited)

Compensation of \$300,000 was paid to R B Price for loss of office during the period.

Bonus and Incentive plans (audited)

There were no formal bonus or incentive plans in operation during the period and no bonuses were paid to directors during the year, although ad hoc bonuses were paid to directors and staff in previous years following significant development milestones achieved in those years.

Percentage change in the remuneration of the Chief Executive

The following table shows the percentage change in the remuneration of the Chief Executive in 2020 and 2019 compared to that of all employees, except directors, within the group.

		2020 £	2019 £	Change %
Base salary	Chief Executive**	193,151	221,779	(12.9)
	All employees*	919,358	745,983	23.2
Bonuses	Chief Executive**	—	147,853	(100.0)
	All employees*	—	228,803	(100.0)
Benefits in kind	Chief Executive**	39,718	47,914	(17.1)
	All employees*	83,521	95,920	(12.9)
Total remuneration	Chief Executive**	232,869	417,546	(44.2)
	All employees*	1,002,879	1,070,706	(6.3)

* The figures for "all employees" excludes directors.

** There were two individuals who fulfilled the role of Chief executive consecutively during the year. The figures for "Chief Executive" above are the combined total payments to the two individuals in relation to the period that they each undertook the role.

Relative importance of expenditure on remuneration

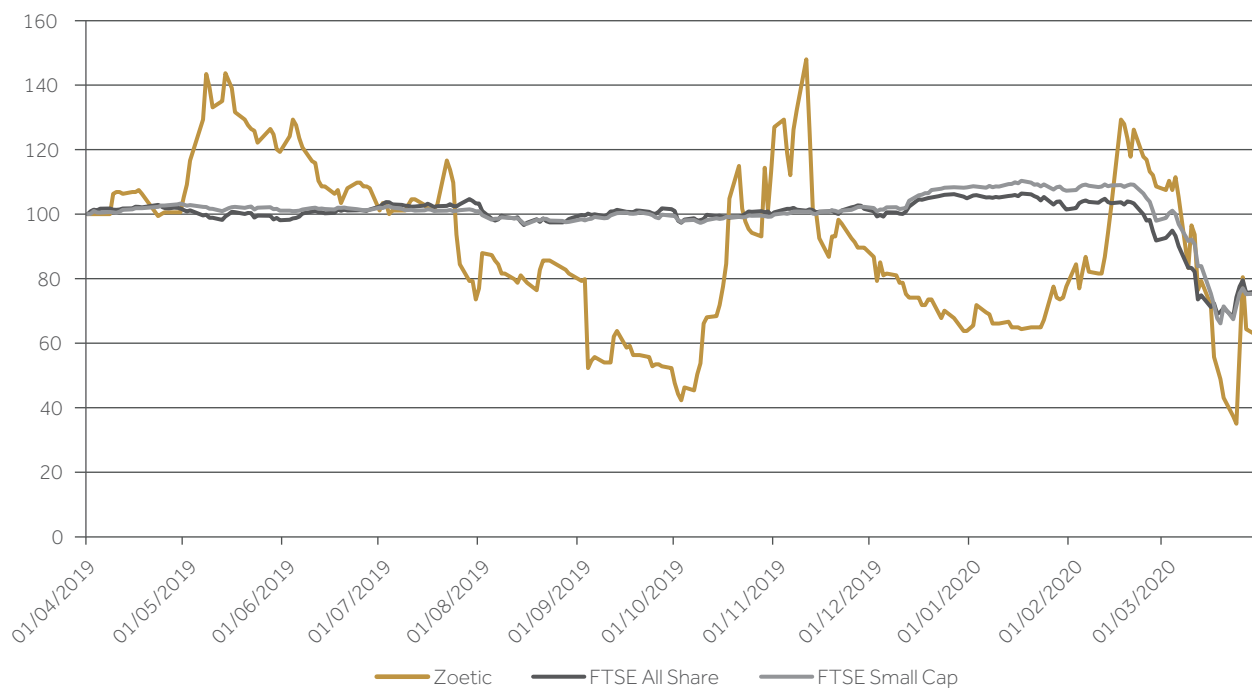
	2020 £	2019 £	Year on year change: %
Total Directors remuneration	563,665	547,546	2.9
Distributions to shareholders	—	—	n/a

Included in total remuneration is salary, bonuses, compensation for loss of office and benefits.

Directors' Report *continued*

Total Shareholder Return

The following graph illustrates the percentage movement in the Company's share price over the year compared to the percentage movements over the same period of the FTSE-All Share and FTSE-Small Cap indices.



Historic remuneration of the Chief Executive

Year	Salary £	Bonus £	Benefits in kind £	Total £
2016	60,969	—	20,928	81,897
2017	150,222	—	29,957	180,179
2018	226,027	69,315	44,414	339,756
2019	221,779	147,853	47,914	417,546
2020**	193,151	—	39,718	232,869

** There were two individuals who fulfilled the role of Chief executive consecutively during the year ended 31 March 2020. The figures for "Chief Executive" above are the combined total payments to the two individuals in relation to the period that they each undertook the role.

Directors' Report *continued*

Directors' interest in shares (audited)

The Company has no Director shareholding requirement.

The beneficial interest of the Directors in the ordinary share capital of the Company at both 31 March 2020 and 23 September 2020 was:

Director	Number	Percentage of issued share capital	
		at 23 September 2020	at 31 March 2020
N G S Tulloch	600,000	n/a	0.35%
A Russo	6,450,000	3.32%	n/a
T Taylor	6,450,000	3.32%	n/a

Mr Russo and Mr Taylor were appointed to the Board on 30 April 2020.

Mr Tulloch resigned from the Group on 30 April 2020.

The Directors held the following options and warrants at the beginning and end of the period:

Director	At 31 March 2019	Granted in the period	Exercised in the period	Lapsed in the period	At 31 March 2020
R B Price	23,750,000	—	23,750,000	—	—
J M Davies	1,000,000	—	—	1,000,000	—
N G S Tulloch	n/a	2,000,000	—	—	2,000,000
Total	24,750,000	2,000,000	23,750,000	1,000,000	2,000,000

The warrants held by R B Price and J M Davies were exercisable between 25 March 2015 and 24 March 2020 at 5 pence per share.

The options held by N G S Tulloch were exercisable between 8 October 2021 and 8 October 2029 at 10 pence per share. Those options were relinquished post year end upon Mr Tulloch resigning from the Board of Directors.

Remuneration committee

There is no separate Remuneration Committee at present, instead all remuneration matters are considered by the Board as a whole. It meets when required to consider all aspects of directors' and staff remuneration, share options and service contracts.

Directors' Report *continued*

Shareholder voting at the Annual General Meeting

The Directors' Remuneration Report for the period ended 31 March 2019 and the Directors' Remuneration Policy were approved by the shareholders at the Annual General Meeting held on 19 August 2019. The votes cast were as follows:

	Number of votes	% of votes cast
Directors' Remuneration Report		
For	39,442,106	99.91%
Against	37,369	0.09%
Total votes cast	39,479,475	100%
Number of votes withheld	none	
Directors' Remuneration Policy		
For	39,442,106	99.91%
Against	37,369	0.09%
Total votes cast	39,479,475	100%
Number of votes withheld	none	

This is the Company's fifth period of operation. From the outset the Board has set out and implemented a policy designed in its view to attract, retain and motivate executive Directors of the right calibre and ability. During the past three years the Group recruited a number of key personnel into its US based operations, giving rise to change in the pay structure for the Group. There has been a change in Board composition over the last 18 months but fundamentally there has been no major changes during the period either in the policy on directors' remuneration or its implementation, including terms of service for the Directors.

This Directors' Remuneration Report was approved by the Board and signed on its behalf by

Trevor Taylor

Director

30 September 2020

Directors' Report *continued*

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing this report and the financial statements in accordance with applicable United Kingdom law and regulations and those International Financial Reporting Standards ("IFRS") adopted by the European Union. Company law requires the Directors to prepare financial statements for each financial period which present fairly the financial position of the Company and the financial performance and cash flows of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations, and for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Conduct Authority.

So far as the Directors are aware, there is no relevant audit information, as defined by Section 418 of the Companies Act 2006, of which the Group's auditors are unaware and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The Consolidated Financial Statements are published on the Group's website <http://www.zoeticinternational.com>. The Directors are responsible for the maintenance and integrity of the website. Visitors to the website need to be aware that legislation in the United Kingdom covering the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

We confirm that to the best of our knowledge:

- the Company financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- this Annual Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Directors' Report *continued*

Greenhouse Gas Disclosures

During the year the Group moved away from its traditional basis of operation within the oil and gas industry, in doing so significantly reducing the amount of greenhouse gas emissions for which it was responsible.

In the previous reporting period (ending 31 March 2019), the Board estimated that the Group was responsible for emissions equivalent to in aggregate 5,756 metric tonnes of carbon dioxide resulting from its drilling and other activities conducted in respect of the production of oil and gas at sites in East Denver, Kansas and elsewhere. This estimate was made on the basis of figures provided by external consultants operating in line with guidance issued by the United States Environment Protection Agency ("EPA").

With the Group having divested itself of all operational natural resources assets during the period and in the months since, the Board predicts a dramatic fall in the quantum of greenhouse gas emissions for which the Group is responsible. The Group has no active oil or gas operations, has not made plans for future drilling or exploitation of natural resources assets, and does not expect to engage in any future activity generative of greenhouse gasses in notable quantities. Owing to the Group's divestment of its natural resources facilities during and in the months immediately after the reporting period, the Board is unable to provide an estimation of the quantity of carbon dioxide equivalent emissions generated by Group operations. As assets and sites have fallen outside of the Group's ownership, it has not been practicable to engage with external experts to quantify carbon output. It is however estimated that the Group's carbon output was lower during the reporting period than in previous years of oil and gas production operations.

The Group's renewed focus on the cultivation of hemp and the production of hemp derivatives represents a substantial about turn in respect of carbon emissions. According to figures published by the British Hemp Association, hemp cultivation facilities can absorb approximately 15 tonnes of CO₂ per hectare – meaning that hemp absorbs more CO₂ per hectare than any other commercial crop. During the period, the Group operated a 20 acre hemp operation and it is estimated that over the course of the year this facility sequestered over 120 tonnes of CO₂ based on the aforementioned calculation.

The Board is committed to effecting strategies that support climate preservation and the Group's pivot into the CBD industry (and, by extension, hemp cultivation) is expected to assist in its continual efforts to limit its carbon footprint.

Disclosure and Transparency Rules

Details of the Company's share capital and share options and warrants are given in Notes 20 and 22 respectively. There are no restrictions on transfer or limitations on the holding of the ordinary shares. None of the shares carry any special rights with regard to the control of the Company. There are no known arrangements under which the financial rights are held by a person other than the holder and no known agreements or restrictions on share transfers and voting rights.

As far as the Company is aware there are no persons with significant direct or indirect holdings other than the Directors and other significant shareholders as shown on page 14.

The provisions covering the appointment and replacement of directors are contained in the company's articles, any changes to which require shareholder approval. There are no significant agreements to which the Company is party that take effect, alter or terminate upon a change of control following a takeover bid and no agreements for compensation for loss of office or employment that become effective as a result of such a bid.

Directors' Report *continued*

Requirements of the Listing Rules

The following table provides references to where the relevant information required by listing rule 9.8.4R is disclosed:

Listing Rule requirement

Details of long term incentive schemes as required by Listing Rule 9.4.3R	None – see Directors' Remuneration Report pages 16 to 21
Details of any arrangement under which a Director of the Company has waived emoluments from the Company	Directors' Remuneration Report pages 16 to 21
Details of any allotment for cash of equity securities made during the period otherwise than to the holders of such equity shares other than in proportion to their holdings of such equity shares and which has not been specifically authorised by the Company's shareholders	Note 20 on page 59
Details of any contract of significance subsisting during the period to which the Company is a party and to which a Director of the Company is or was materially interested	Note 27 on page 64
Details of remaining service contract period for director standing for re-election this year	See service contracts details on page 17

Financial Instruments

The Company has exposure to credit risk, liquidity risk and market risk. Note 26 presents information about the Company's exposure to these risks, along with the Company's objectives, processes and policies for managing the risks.

Events after the reporting period

The end of the reporting period coincided with the rapid spread of the COVID-19 novel coronavirus which has played some part in the drastic deterioration of global oil and gas prices. This saw a reduction in the operating output of the Group's natural resource production facilities and a resultant decline in associated revenues. The following months saw the Group secure 'COVID-19' loans in the US in the value of \$290,000, most of which will meet the requirements to be forgiven. Any residual sum will be repayable over two years and will attract interest of 1% per annum.

On 3 April 2020, the Group issued a further 12,900,000 ordinary shares of 1 pence each to the now Joint Chief Executive Officers, Antonio Russo and Trevor Taylor. This issue followed an incentive arrangement entered into with the new management team during March 2019.

Following the establishment of the Group's cannabidiol ("CBD") business, various distribution agreements have now been reached in respect of the Chill and Zoetic retail brands under which the Group's CBD goods are sold. These include a multi-state distribution agreement with BettermentRS in the US, a further agreement for the distribution of Chill brand tobacco alternative CBD products across the Czech Republic and Slovakia, and an additional EU-focussed international distribution agreement involving 15 distinct European markets. In addition to these agreements, the Group has entered into a new arrangement with a UK-based partner for the cultivation of feminized hemp seeds and the local distribution of its CBD products. This agreement follows the conclusion of the Group's Joint Venture with former CEO Mr Nick Tulloch.

The months following the end of the reporting period have also seen the progression of the Group's managed exit from the natural resources sector. May 2020 saw an asset purchase agreement reached between the Group and Path Investments plc, the latter of which will acquire the Group's 75% interest in the patented hydrocarbon well stimulation and protection technology, DT Ultravert. The agreement also saw Path Investments plc acquire the Group's Kansas nitrogen assets, along with all associated leases and equipment. As a result of the aforementioned agreement, the Group will

Directors' Report *continued*

receive 15 million warrants to subscribe for new ordinary shares in Path at a rate of 0.1 pence each, along with warrants for a further 15 million shares at 1.5 pence each to last between the first and third anniversaries of the transaction. Path has agreed to pay, in perpetuity, to Zoetic a royalty equal to 6% of all gross revenues received by Path that are derived from DTU and attributable to the 75% interest being sold, accruing from receipt of first revenues although not payable until 12 months thereafter.

In September 2020, the Group reached an agreement regarding the disposal of its East Denver oil and has assets to the operator of those facilities, True Oil LLC. The proceeds of sale from the East Denver assets was agreed at US\$376,000, although the Group had a loan secured on the assets of US\$276,574 from ANB Bank. Following the execution of this agreement, the ANB Bank loan has been settled in full and the Company now has no borrowings. In the same month the Group finalised the closure of the legacy Highlands Natural Resources Corporation office in Denver, Colorado, along with the termination of a number of employment and consultancy contracts for personnel concerned with the management of the Group's former natural resources assets. The Group's Colorado-based hemp cultivation and CBD production centre has also been closed, generating a saving of some \$80,000 per month. Growing operations continue with research partners and will also recommence on a commercial level in the UK.

Directors' Indemnity Provisions

The Group has implemented Directors and Officers Liability Indemnity insurance.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Further details are given in Note 2.3 to the Financial Statements. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Donations

The Company made no political donations during the period.

These statements of the Directors' Responsibilities were approved by the Board and signed on its behalf by

**Trevor Taylor,
Antonio Russo**

Directors

30 September 2020

Independent Auditor's Report

to the members of Zoetic International plc

Qualified opinion

We have audited the financial statements of Zoetic International plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion of our report:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Basis for qualified opinion

Due to the restrictions in relation to the Covid-19 global pandemic we were unable to observe the counting of physical inventories held in the United Kingdom at the end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held by the Group as at 31 March 2020, which were included in the parent balance sheet at £155,762, by using other audit procedures. Consequently we were unable to determine whether any adjustment to this amount was necessary. In addition, were any adjustment to the inventory balance to be required, the strategic report would also need to be amended.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report *continued*

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We also determine a level of performance materiality which we use to assess the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Group to be £120,000, with a performance materiality of £72,000. We agreed with the Board that we would report all audit differences in excess of £6,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. Materiality was determined on the basis of 7% of profit before tax adjusted for unusual and non-recurring transactions. We have used this benchmark to determine our materiality, which we believe is the key metric of the Group which is used by shareholders. Given that the Group transformed in the year from an exploration Group to a production Group, we believe that the gross adjusted profit before tax represents the key driver of the Group as they are the critical elements of the Group.

We determined materiality for the parent company to be £119,999, with a performance materiality of £71,999. We agreed with the Board that we would report all audit differences in excess of £6,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. Materiality was determined on the basis of 2% of gross assets capped at below the level of Group materiality. We have used this benchmark as the critical element of the company is the value of the subsidiaries along with the cash and patents held.

An overview of the scope of our audit

The Group includes the listed Parent Company and the US based subsidiaries. We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The significant components based in the United States were audited by a component auditor. We had oversight of, and regular communication with, the component auditor who was operating under our instructions. A remote file review of the component auditor was performed by a member of the Group audit team. This, along with further discussions with the component auditor, gave us sufficient appropriate evidence for our audit opinion on the Group financial statements.

As part of our planning we assessed the risk of material misstatement including those that required significant auditor consideration at the component and group level. In particular, we looked at areas of estimation, for example in respect of the valuation of inventory. Procedures were then performed to address the risk identified and for the most significant assessed risks of material misstatement, the procedures performed are outlined above in the key audit matters section of this report. We re-assessed the risks throughout the audit process and concluded the scope remained the same as at planning.

Independent Auditor's Report *continued*

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for qualified opinion section we have determined the matters described below to be the key audit matter to be communicated in our report.

Key Audit Matter

How the scope of our audit responded to the key audit matter

Assets Held for Sale (as disclosed in note 15)

With the Groups strategic transition to become a vertically integrated CBD group, there is a risk that the group have not correctly identified natural resources disposal groups in accordance with IFRS and that their value is incorrect along with the related disclosure

We have discussed with management and obtained evidence to satisfy ourselves that at the balance sheet date it was appropriate to classify the identified natural resources assets as a disposal group held for sale. Specifically, our testing was designed to ensure that all the criteria identified under IFRS 5 had been met, namely:

- Management was committed to a plan to sell.
- the asset was available for immediate sale
- an active programme to locate a buyer was initiated
- the sale was highly probable, within 12 months of classification as held for sale
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- Actions required to complete the plan indicate that it was unlikely that plan will be significantly changed or withdrawn.
- In addition to the above, we reviewed the fair value with reference to the sale price achieved and the costs to sell the natural resources assets to determine if the fair value is fairly stated.
- We have reviewed all disclosures in relation to the Assets Held for Sale are in accordance with IFRS 5.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Independent Auditor's Report *continued*

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities of £155,762 held at 31 March 2020. We have concluded that where the other information refers to the inventory balance or related balances such as cost of sales, it may be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

Except for the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Arising solely from the limitation on the scope of our work relating to inventory, referred to above:

- we have not obtained all the information and explanations we require for our audit.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, which is included in the Directors' Report, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report *continued*

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Board of Directors on 3 August 2020 to audit the financial statements for the period ending 31 March 2020. Our total uninterrupted period of engagement is 2 years, covering the periods ending 31 March 2019 to 31 March 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the Directors. This included, but was not limited to, adherence to local laws and regulations regarding the production and distribution of CBD products. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements items. We communicated laws and regulations throughout our audit team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our audit opinion is consistent with the additional report to those charged with governance.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joseph Archer (Senior Statutory Auditor)

for and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London
E14 4HD

Date 30 September 2020

Consolidated Statement of Comprehensive Income

Year ended 31 March 2020

	Notes	Year ended 31 March 2020 £	Year ended 31 March 2019 £
Revenue		92,606	—
Cost of sales		(56,684)	—
Gross profit		35,922	—
Administrative expenses		(1,884,955)	(634,576)
Operating loss	5	(1,849,033)	(634,576)
Finance income		1,904	473
Loss on ordinary activities before taxation		(1,847,129)	(634,103)
Taxation on loss on ordinary activities	7	—	—
Loss for the period from continuing activities		(1,847,129)	(634,103)
Loss for the period from discontinued activities	8	(5,231,384)	(5,136,621)
Loss for the period		(7,078,513)	(5,770,724)
Other comprehensive income			
Items that may be re-classified subsequently to profit or loss:			
Foreign exchange adjustment on consolidation		723,568	1,060,393
Total comprehensive loss for the period attributable to the equity holders		(6,354,945)	(4,710,331)
Earnings per share (basic and diluted) attributable to the equity holders:			
Attributable to continuing activities		(1.27)p	(0.54)p
Attributable to discontinued activities		(3.60)p	(4.34)p
Total	9	(4.87)p	(4.88)p

The accompanying notes on pages 38 to 65 form part of these financial statements

Consolidated Statement of Financial Position

At 31 March 2020

	Notes	At 31 March 2020 £	At 31 March 2019 £
Non-Current Assets			
Tangible assets	10	83,002	1,503,499
Intangible assets	11	—	3,432,536
		83,002	4,936,035
Current Assets			
Inventories	13	1,167,736	—
Trade and other receivables	14	1,437,132	1,186,814
Assets held for sale	15	301,891	—
Cash and cash equivalents	16	349,006	1,508,649
		3,255,765	2,695,463
Total Assets		3,338,767	7,631,498
Current Liabilities			
Trade and other payables	17	1,227,385	1,314,370
Total Liabilities		1,227,385	1,314,370
Net Assets		2,111,382	6,317,128
Equity			
Share capital	20	1,729,200	1,364,831
Share premium account	21	3,020,616	1,276,611
Share based payments reserve	22	54,171	793,128
Foreign currency translation reserve	23	301,002	(422,566)
Retained earnings		(2,993,607)	3,305,124
Total Equity		2,111,382	6,317,128

The financial statements were approved by the Board of Directors on 30 September 2020 and signed on their behalf by:

Antonio Russo

Trevor Taylor

The accompanying notes on pages 38 to 65 form part of these financial statements

Company Statement of Financial Position

At 31 March 2020

	Notes	At 31 March 2020 £	At 31 March 2019 £
Non-Current Assets			
Intangible assets	11	—	435,675
Investment in subsidiary	12	—	15,746,518
Loan to group undertaking	12	1,590,498	—
		1,590,498	16,182,193
Current Assets			
Inventories	13	155,762	—
Trade and other receivables	14	1,211,835	208,501
Cash and cash equivalents	16	277,083	1,293,132
		1,644,680	1,501,633
Total Assets		3,235,178	17,683,826
Current Liabilities			
Trade and other payables	17	433,614	152,470
Total Liabilities		433,614	152,470
Net Assets		2,801,564	17,531,356
Equity			
Share capital	20	1,729,200	1,364,831
Share premium account	21	3,020,616	1,276,611
Share based payments reserve	22	54,171	793,128
Retained earnings		(2,002,423)	14,096,786
Total Equity		2,801,564	17,531,356

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's loss for the year, including impairment provision against the investment in the share capital of subsidiaries was £16,878,991 (2019 loss £634,103).

The financial statements were approved by the Board of Directors on 30 September 2020 and signed on their behalf by:

Antonio Russo

Trevor Taylor

The accompanying notes on pages 38 to 65 form part of these financial statements

Consolidated Statement of Changes in Equity

Year ended 31 March 2020

	Share capital £	Share Premium account £	Share based payment reserve £	Foreign Currency Translation Reserve £	Retained loss £	Total £
At 31 March 2018	5,824,885	12,819,639	887,541	(1,482,959)	(8,681,445)	9,367,661
Comprehensive income for the period						
Loss for the period	—	—	—	—	(5,770,724)	(5,770,724)
Other comprehensive income	—	—	—	—	—	—
Translation adjustment	—	—	—	1,060,393	—	1,060,393
Total comprehensive loss for the period attributable to the equity holders	—	—	—	1,060,393	(5,770,724)	(4,710,331)
Issue of warrants and options	—	—	—	—	—	—
Exercise of warrants	83,333	116,667	(61,401)	—	61,401	200,000
Lapse of warrants	—	—	(33,012)	—	33,012	—
Re-organisation of share capital	(4,726,574)	(12,936,306)	—	—	17,662,880	—
Shares issued in the period	183,187	1,373,903	—	—	—	1,557,090
Cost relating to share issues	—	(97,292)	—	—	—	(97,292)
At 31 March 2019	1,364,831	1,276,611	793,128	(422,566)	3,305,124	6,317,128
	Share capital £	Share Premium account £	Share based payment reserve £	Foreign Currency Translation Reserve £	Retained loss £	Total £
At 31 March 2019	1,364,831	1,276,611	793,128	(422,566)	3,305,124	6,317,128
Comprehensive income for the period						
Loss for the period	—	—	—	—	(7,078,513)	(7,078,513)
Other comprehensive income	—	—	—	—	—	—
Translation adjustment	—	—	—	723,568	—	723,568
Total comprehensive loss for the period attributable to the equity holders	—	—	—	723,568	(7,078,513)	(6,354,945)
Issue of warrants and options	—	—	40,825	—	—	40,825
Lapse of warrants	—	—	(247,825)	—	247,825	—
Exercise of warrants	300,500	1,377,000	(531,957)	—	531,957	1,677,500
Shares issued in the period	63,869	390,130	—	—	—	453,999
Cost relating to share issues	—	(23,125)	—	—	—	(23,125)
At 31 March 2020	1,729,200	3,020,616	54,171	301,002	(2,993,607)	2,111,382

The accompanying notes on pages 38 to 65 form part of these financial statements

Company Statement of Changes in Equity

Year ended 31 March 2020

	Share capital £	Share Premium account £	Share based payment reserve £	Retained loss £	Total £
At 31 March 2018	5,824,885	12,819,639	887,541	(3,026,404)	16,505,661
Comprehensive income for the period					
Loss for the period	—	—	—	(634,103)	(634,103)
Other comprehensive income	—	—	—	—	—
Total comprehensive loss for the period attributable to the equity holders	—	—	—	(634,103)	(634,103)
Exercise of warrants	83,333	116,667	(61,401)	61,401	200,000
Lapse of warrants	—	—	(33,012)	33,012	—
Re-organisation of share capital	(4,276,574)	(12,936,306)	—	17,662,880	—
Shares issued in the period	183,187	1,373,903	—	—	1,557,090
Cost relating to share issues	—	(97,292)	—	—	(97,292)
At 31 March 2019	1,364,831	1,276,611	793,128	14,096,786	17,531,356
	Share capital £	Share Premium account £	Share based payment reserve £	Retained loss £	Total £
At 31 March 2019	1,364,831	1,276,611	793,128	14,096,786	17,531,356
Comprehensive income for the period					
Loss for the period	—	—	—	(16,878,991)	(16,878,991)
Other comprehensive income	—	—	—	—	—
Total comprehensive loss for the period attributable to the equity holders	—	—	—	(16,878,991)	(16,878,991)
Issue of warrants and options	—	—	40,825	—	40,825
Lapse of warrants	—	—	(247,825)	247,825	—
Exercise of warrants	300,500	1,377,000	(531,957)	531,957	1,677,500
Shares issued in the period	63,869	390,130	—	—	453,999
Cost relating to share issues	—	(23,125)	—	—	(23,125)
At 31 March 2020	1,729,200	3,020,616	54,171	(2,002,423)	2,801,564

The accompanying notes on pages 38 to 65 form part of these financial statements

Consolidated Cashflow Statements

Year ended 31 March 2020

	2020 £	2019 £
Cash flow from operating activities		
Loss for the period	(7,078,513)	(5,770,724)
Adjustments for:		
Depreciation and amortisation charges	330,315	323,842
Impairment provision	4,401,185	—
Write off costs of lapsed leases	—	242,329
Loss on disposal of tangible and intangible asset	194,625	1,276,178
Charge in respect of grant of options	40,826	—
Foreign exchange translation adjustment	500,680	408,396
Operating cashflow before working capital movements	(1,610,882)	(3,519,979)
(Increase) in inventories	(1,167,376)	—
Decrease in trade and other receivables	940,182	1,346,493
(Decrease) in trade and other payables	(416,985)	(1,399,179)
Net cash outflow from operating activities	(2,255,061)	(3,572,665)
Cashflows from investing activities		
Purchase of tangible fixed assets	(162,625)	(18,913)
Investment in Intangible, exploration and drilling rights	—	(1,426,609)
Proceeds from sale of exploration and drilling rights	—	4,239,126
Net cash (used in)/generated from investing activities	(162,625)	2,793,604
Cashflows from financing activities		
Net proceeds from issue of shares	2,108,374	1,659,798
Loans made by the Company	(1,190,500)	—
Convertible loan notes issued by the Company	330,000	—
Net cash generated by financing activities	1,247,874	1,659,758
Net (decrease)/increase in cash and cash equivalents		
As above	(1,169,812)	880,737
Cash and cash equivalents at start of period	1,508,649	602,814
Foreign exchange adjustment on opening balances	10,169	25,098
Cash and cash equivalents at the end of the year	349,006	1,508,649

The cashflows arising from discontinued activities are shown in Note 8.

The accompanying notes on pages 38 to 65 form part of these financial statements

Company Cashflow Statements

Year ended 31 March 2020

	2020 £	2019 £
Cash flow from operating activities		
Loss for the period	(16,878,991)	(634,103)
Adjustments for:		
Depreciation and amortisation charges	70,650	70,650
Impairment provision	365,025	—
Charge in respect of grant of options	7,655	—
Foreign exchange translation adjustments	(65,152)	(4,174)
Provision against investment in and loan to subsidiary	15,746,468	—
Operating cashflow before working capital movements	(754,345)	(567,627)
(Increase) in inventories	(155,762)	—
Decrease/(increase) in trade and other receivables	6,790	(131)
(Decrease) in trade and other payables	(48,806)	(21,941)
Net cash outflow from operating activities	(952,123)	(589,699)
Cashflows from investing activities		
Investment in and loan to subsidiary	(1,311,800)	(138,657)
Net cash used in investing activities	(1,311,800)	(138,657)
Cashflows from financing activities		
Net proceeds from issue of shares	2,108,374	1,659,798
Loans made by the Company	(1,190,500)	—
Convertible loan notes issued by the Company	330,000	—
Net cash generated by financing activities	1,247,874	1,659,798
Net (decrease)/increase in cash and cash equivalents		
As above	(1,016,049)	931,442
Cash and cash equivalents at start of period	1,293,132	361,690
Cash and cash equivalents at the end of the year	277,083	1,293,132

The accompanying notes on pages 38 to 65 form part of these financial statements

Notes to the Financial Statements

1. General Information

1.1 Group

Zoetic International plc ("Zoetic" or "the Company") and its subsidiaries (together "the Group") are involved in the development, production and distribution of premium cannabidiol (CBD) products and with a residual interest during the year in the oil and gas sector. Zoetic International plc, a public limited company incorporated and domiciled in England and Wales, is the Group's ultimate parent company. The Company was incorporated on 13 November 2014 with Company Registration Number 09309241 and its registered office and principal place of business is 25 Walbrook, London EC4N 8AF.

1.2 Company income statement

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The loss for the financial period dealt with in the accounts of the Company, including provision against the loans to subsidiary companies, amounted to £16,878,991 (2019: loss £634,103).

2. Principal Accounting Policies

2.1 Basis of preparation

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The Consolidated Financial Statements have been prepared under the historical cost convention as adjusted to fair values where applicable. The principal accounting policies are set out below and have, unless otherwise stated, been applied consistently for all periods presented in these Consolidated Financial Statements. The financial statements are prepared in pounds sterling and presented to the nearest pound.

2.2 Basis of consolidation

The Group financial information incorporates the financial information of the Company and its controlled subsidiary undertakings, drawn up to 31 March 2020. Control is achieved where the Company:

- has power of the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Where necessary, adjustments are made to the financial information of subsidiaries to bring accounting policies into line with those used for reporting the operations of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2.3 Going concern

The financial statements have been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future.

The Group has been generating revenues from the sale of its CBD products in the United Kingdom and United States and this is forecasted to increase.

Notes to the Financial Statements *continued*

2. Principal Accounting Policies *continued*

The Group made a loss for the year of £7,078,513 after taxation and foreign exchange adjustments and held bank balances of £349,006 at the year end. Recovery in the coming year of loans made by the Group should generate additional cash of £1,190,500. The Group has also implemented several cost reductions and reduced outstanding debts. With these developments, along with the divestment of the majority of the Group's major natural resources holdings, the Board anticipates an improvement in cash flow as exposure to ongoing costs has been substantially reduced.

Significantly, the Group entered into new arrangements post year end for distribution of its Zoetic and Chill brand retail CBD products and it is expected that these will generate additional revenue in the near term. The Group's CBD business has, to date, been cash absorbing but with further sales opportunities and stronger market penetration it is expected to become cash generative as the months go on. The Board continues to explore new opportunities for its CBD business, many of which are on an international level.

The Directors have reviewed the working capital requirements of the Group for the next 12 months and are confident that these can be met.

The Directors consider that the continued adoption of the going concern basis is appropriate and the accounts do not reflect any adjustments that would be required if they were to be prepared on any other basis.

2.4 Business combinations

There were no Business Combinations as defined by IFRS 3 (revised) during the period.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

In arriving at the cost of acquisition, the fair value of the shares issued by the Company is taken to be the mid-market price of those shares at the date of issue. Where this figure exceeds the nominal value of the shares, the excess amount is treated as an addition to the share premium account.

2.5 Revenue recognition

The Group has received revenue during the period from the sale of CBD products as well as hydrocarbons (oil and gas).

The Group records revenues from the sales of CBD products when the product has been delivered to the purchaser under the terms of the contract and the significant risks and rewards of ownership have been transferred to the customer.

The Group records revenues from the sales of crude oil, natural gas, and natural gas liquids when the price is determinable, the product has been delivered in accordance with the terms of the contract, the significant risks and rewards or ownership have been transferred to the customer and collection of the sales price is reasonably assured. The performance obligation is identified to be the delivery of oil and gas to the customer, and the transaction price is allocated to the amount of oil and gas delivered. These criteria for performance obligation are assessed to have occurred once the product has been delivered to the customer.

Revenues and expenses from hydrocarbon production on properties in which the Company shares an economic interest with other owners are recognised on the basis of the Company's pro-rata interest. Revenues are reported on a net revenue interest basis, which excludes revenues that are attributable to other parties' working or royalty interests.

The Group utilises simple supply contracts such that there are no forward sale or purchase agreements in place, no volume commitments nor any use of hedging or derivative products.

Notes to the Financial Statements *continued*

2. Principal Accounting Policies *continued*

2.6 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, during the year was Nick Tulloch and following his resignation from the group post year end that role has been carried out by Trevor Taylor.

All operations and information are reviewed together so that at present there is only one reportable operating segment this year, but with the Group's change of focus and activities, that situation may be different in future years.

2.7 Foreign currency translation

Zoetic International's consolidated financial statements are presented in Sterling (£), which is also the functional currency of the parent company. The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For UK based companies the functional currency is Sterling and for all USA based companies the functional currency is US Dollars.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is also recognised directly in equity. When a gain or loss on a non-monetary item is recognised in the income statement, any exchange component of that gain or loss is also recognised in the income statement.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Sterling using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in equity. Cumulative translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.8 Defined contribution pension funds

From time to time the Group may pay contributions related to salary to certain UK employees' individual pension schemes. The pension cost charged against profits represents the amount of the contributions payable to the schemes in respect of the accounting period. No separate provision is made in respect of non-UK employees.

2.9 Joint Arrangements, Farm-in and Profit Sharing Agreements

Throughout the year, the Group has been party to a joint arrangement under a contractual agreement that sets out the terms of the relationship over the relevant activities of the Group and at least one other party.

The management have a legal degree of control over these joint operating arrangements through Joint Operating Agreements.

Notes to the Financial Statements *continued*

2. Principal Accounting Policies *continued*

The Group classifies its interests in joint arrangements as joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

The Group accounts for its own assets, liabilities and cash flows measured in accordance with the terms of the production sharing agreement and the accounting treatment reflects the agreement's commercial effect. The Group's revenue and cost of sales include revenues and operating costs associated with the Group's interest.

2.10 Investment in subsidiaries

Investment in subsidiaries comprises shares in the subsidiaries stated at cost less provisions for impairment.

2.11 Tangible fixed assets

The Group holds physical plant and equipment as well as its producing assets which are now classified as tangible fixed assets.

Producing assets

For oil and gas related projects, once the technical feasibility and commercial viability of an exploration and evaluation asset are demonstrated, the project is reclassified as a "Producing asset".

The costs associated with the acquisition, drilling, and equipping of such assets are capitalised and initially stated at cost. Subsequently, successful wells are depleted, net of estimated residual values, using the units-of-production method on a field-by-field basis based upon proved oil and natural gas reserves. The depletion provision is calculated such that the cost of the asset is written off at the same rate as the well is depleted based on reservoir assessments from independent consultants.

Exploration, geological and geophysical costs, delay rentals, and drilling costs of unsuccessful exploratory wells are charged to expense as incurred.

The sale of a partial interest in a proved oil and gas property is accounted for as a normal disposal. The sale of a partial interest in an unproved property is accounted for as a recovery of cost when substantial uncertainty exists as to the recovery of the cost applicable to the interest retained. A gain on the sale is recognised to the extent the sales price exceeds the carrying amount of the unproved property.

Property, plant and equipment

All plant and machinery is stated in the accounts at its cost of acquisition less a provision for depreciation.

Depreciation is charged to write off the cost less estimated residual values of plant and equipment on a straight line basis over their estimated useful lives. Estimated useful lives and residual values are reviewed each year and amended if necessary.

The principle rate of depreciation used is 25% per annum.

Notes to the Financial Statements *continued*

2. Principal Accounting Policies *continued*

2.12 Intangible assets

Patent rights

Intangible assets include acquired intellectual property in the form of patent rights used in oil and gas operations. These assets are stated at cost less amortisation.

Intellectual property rights acquired during the period are capitalised on the basis of the fair value of equity instruments issued to acquire the specific rights.

Costs associated with prosecuting and maintaining these intellectual property rights are treated as an expense in the period in which they are incurred.

Amortisation is applied to write off the cost less residual value of the intangible assets on a straight line basis over their estimated useful life. The principal rate used is 10% per annum.

Oil and Gas Properties

Exploration and evaluation assets

The Group has acquired numerous leases and mineral rights from third parties on which it has expended further sums in evaluating the assets for technical feasibility and commercial viability. These costs are treated as "exploration and evaluation assets" and are initially recognised at cost, being the purchase cost plus further exploration and evaluation expenditure in accordance with IFRS6.

Subsequent to initial recognition, each asset is assessed for impairment. An impairment provision is made where the carrying value exceeds the assets recoverable amount.

Development costs are excluded from that treatment and are taken directly to the profit and loss account.

Asset Retirement Obligations

The Group records the fair value of a liability for an asset retirement obligation in the period in which it is incurred with a corresponding increase in the carrying amount of the related long-lived asset. Liabilities are required to be accreted to their present value each period, and capitalised costs are depleted on a field-by-field basis using the units-of-production method. This periodic accretion expense is included in depreciation, depletion, amortisation, and accretion in the consolidated and combined statements of operations. Upon settlement of the liability, the Group will settle the obligation against its recorded amount and will record any resulting gain or loss in the consolidated and combined statements of operations.

2.13 Impairment testing of intangible assets and property, plant and equipment

At each balance sheet date, the Group assesses whether there is any indication that the carrying value of any asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In the case of goodwill and any intangible asset with either an indefinite useful life or which is not yet ready for use, the Group tests for impairment at each balance sheet date.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Notes to the Financial Statements *continued*

2. Principal Accounting Policies *continued*

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life, or those not yet available for use, are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit.

2.14 Assets held for sale

Assets are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that it will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset is being marketed as a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Assets are classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less disposal cost.

2.15 Inventories

Inventories comprise finished products either grown and developed by the Group or bought in from third parties. All inventory items are stated at their cost of production or acquisition, or at net realisable value if this is lower. There are no biological assets being grown as at the year end.

2.16 Leases

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a remaining lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

Notes to the Financial Statements *continued*

2. Principal Accounting Policies *continued*

a) *Nature of the effect of adoption of IFRS 16*

Under the adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases The Group did not change the initial carrying amounts of recognised assets and liabilities as the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the leased assets and liabilities recognized under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously classified as operating leases The Group leases various offices. Rental contracts are typically for fixed periods of one month to six months with no right to purchase. Based on the nature of such leases and the qualitative impact on the Group, these leases have not been recognised as right-of-use assets.

The Board has evaluated the effect of adopting IFRS 16 on the Group's consolidated balance sheet and consolidated statement of comprehensive income (loss) as at 1 April 2019 and has concluded that the impact is not material.

b) *Summary of new accounting policies*

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

Short-term leases and leases of low-value assets The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered of low value (i.e., below \$5,000). Lease payments on short-term leases and leases of low-value assets are recognized as occupancy expense on a straight-line basis over the lease term.

The Group has also applied the short term lease recognition rules to leases of premises with a nominal term of more than one year but where a decision had been made and negotiations entered into prior to the year end to terminate the lease and such termination took place subsequent to the year end.

2.17 Equity

Share capital is determined using the nominal value of shares that have been issued.

The Share premium account includes any premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from the Share premium account, net of any related income tax benefits.

Equity-settled share-based payments are credited to a Share-based payment reserve as a component of equity until related options or warrants are exercised.

Retained loss includes all current and prior period results as disclosed in the income statement.

2.18 Share-based payments

The Group issued warrants to the initial investors and certain counterparties and advisers in previous periods as well as issuing share options to its US based staff. The Group also issued options during the year to all its staff and directors.

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value so determined is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Notes to the Financial Statements *continued*

2. Principal Accounting Policies *continued*

Fair value is measured using either a Black Scholes or Monte Carlo pricing model, depending upon which methodology is most appropriate in relation to the terms and conditions of the options or warrants granted. The key assumptions used in the models have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

2.19 Taxation

Tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

2.20 Financial assets and liabilities

Financial assets

(a) Classification

The Group classifies its financial assets at amortised cost and at fair value through the profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(b) Recognition and measurement

Amortised cost

Regular purchases and sales of financial assets are recognised at cost on the trade date, the date on which the Group commits to purchasing or selling the asset. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred, and the Group has transferred substantially all of the risks and rewards of ownership.

Notes to the Financial Statements *continued*

2. Principal Accounting Policies *continued*

Fair value through the profit or loss ("FVTPL")

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") are measured at FVTPL.

Financial assets at FVTPL, are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. Fair value is determined by using market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures its investments in quoted shares using the quoted market price.

(c) Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original expected interest rate ("EIR"). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Notes to the Financial Statements *continued*

2. Principal Accounting Policies *continued*

(d) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. This is the same treatment for a financial asset measured at FVTPL.

Financial liabilities

(a) Classification

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables and loans.

(b) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

Trade and other payables

After initial recognition, trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

(c) Derecognition

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss and other comprehensive income.

Liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit and loss or other liabilities, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost.

Notes to the Financial Statements *continued*

2. Principal Accounting Policies *continued*

2.21 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the entity's accounting policies, management makes estimates and assumptions that have an effect on the amounts recognised in the financial information. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are those relating to:

- the carrying value of the Group's assets held for sale;
- the carrying value of the investment in, and loan to, the subsidiary companies;

Carrying value of the Group's assets held for sale

The Group holds a number of leases and mining rights, producing assets and intellectual property rights in the oil and gas sector. All of these assets have been categorised as "assets held for sale", see Note 15, and are stated in the accounts at their estimated recoverable amounts based on continuing negotiations and contracts entered into subsequent to the year end. For assets where no firm contract or commitment is in place, those assets have been fully provided against. In addition, full provision has been made for potential asset retirement obligations in circumstances where no third party buyer has been identified for a site. The Group continues to seek to extract further value from all of those assets as part of their ultimate disposal.

Carrying value of investment in, and loan to, subsidiary companies

The Company has invested in the subsidiary companies which, whilst generating revenues, are not yet profitable or providing positive cash flows. Following the decision to withdraw from the oil and gas sector, full provision has been made by the Company against the investment in share capital of the subsidiaries involved in those activities. The newly established CBD business has started to generate revenues and the Board is confident in its future prospects. The estimates used in forecasting the potential future cash generation by the CBD operations focus on business sensitive factors such as distribution agreements, sales volume, pricing and cost of sales. It is expected that the loan will be recoverable within one year but this may be prolonged depending upon cash needs in growing the new business. No provision has therefore been made against the investment in that business by way of intercompany loans nor against possible future costs or losses of the subsidiaries, see Note 12 below.

2.22 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

During the financial year, the Group has adopted the following new IFRSs (including amendments thereto) and IFRIC interpretations that became effective for the first time.

Standard	Effective date, annual period beginning on or after
IFRS 16 <i>Leases</i>	1 January 2019
IFRIC 23 – <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to IFRS 9 – <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to IAS 28 – <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual improvements 2015–2017 cycle	1 January 2019
Amendments to IAS 19: <i>Plan amendment, Curtailment or Settlement</i>	1 January 2019

Their adoption has not had any material impact on the disclosures or amounts reported in the financial statements.

Notes to the Financial Statements *continued*

2. Principal Accounting Policies *continued*

Standards issued but not yet effective:

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Group and which have not been applied in these financial statements, were in issue but were not yet effective. In some cases these standards and guidance have not been endorsed for use in the European Union.

Standard	Effective date, annual period beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
IFRS 17 – <i>Insurance Contracts</i>	1 January 2021

The directors are evaluating the impact that these standards will have on the financial statements of Group.

3. Revenue

	2020 £	2019 £
Sale of CBD products	92,606	—

The Group does not currently differentiate between different geographic or other market categories. Revenues arising in the current and previous period relating to discontinued activities are included in the Loss for the period from discontinued activities, see Note 8.

4. Segment Reporting

In the opinion of the Directors, there were no separate operational segments to be reported upon during the current or previous year.

The Group's oil and gas activities have been discontinued and the information regarding those operations has been shown separately in Note 8 below. The remaining activities of the Group relate to its CBD business only and thus information relating to those activities are shown in the primary statements.

5. Operating Loss

	2020 £	2019 £
This is stated after charging		
Depreciation of property, plant and equipment	259,665	27,693
Amortisation of intangible assets	70,650	296,149
Exploration expenditure	—	173,393
Share-based payments charge	40,826	—
Lease operating expenses	297,216	669,311
Rent payable under operating lease	12,185	65,631
Auditors' remuneration		
– audit of parent company	50,450	35,750
– non-audit services		
audit-related assurance services	—	—
taxation compliance services	—	—
other taxation services	—	—
corporate finance services	—	—
Directors' remuneration	538,061	547,546
Staff costs (including Directors)	1,639,686	1,707,153

Notes to the Financial Statements *continued*

6. Directors and Staff Costs

The staff costs for the Group, for the year, including Directors, were:

	2020 £	2019 £
Salaries	1,176,636	1,474,418
Compensation for loss of office	235,319	—
Pension contributions	11,000	—
Healthcare costs	143,590	143,834
	1,566,545	1,618,252
Social Security costs	73,141	88,901
	1,639,686	1,707,153

The average number of staff during the year, including Directors, was 23 (2019: 13).

The Directors consider that there are no key management personnel other than the Directors during the year and those appointed as Directors post year end.

Management remuneration paid and other benefits supplied to the Directors during the period plus the associated social security costs were as follows:

	2020 £	2019 £
Salary	251,484	499,632
Compensation for loss of office	235,319	—
Pension contributions	11,000	—
Fair value of options granted in the year	6,959	—
Healthcare costs	33,299	47,914
	538,061	547,546
Social Security costs	25,196	25,718
	563,257	573,264

Management remuneration paid and other benefits supplied to the Key Management during the period plus the associated social security costs were as follows:

	2020 £	2019 £
Salary	156,880	—
Healthcare costs	43,944	—
	200,824	—
Social Security costs	9,726	—
	210,550	—

Notes to the Financial Statements *continued*

7. Taxation

	2020 £	2019 £
The charge/credit for the period is made up as follows:		
Corporate Taxation on the results for the period		
UK	—	—
Non-UK	—	—
Taxation charge/credit for the period	—	—
A reconciliation of the tax charge/credit appearing in the income statement to the tax credit that would result from applying the standard rate of tax to the results for the period is:		
Loss per accounts	(7,078,513)	(5,770,724)
Tax credit at the standard rate of corporation tax at a combined rate of 20% (23.15%):	(1,415,703)	(1,336,154)
Impact of costs disallowable for tax purposes	—	58,010
Impact of temporary timing differences	—	24,043
Impact of unrelieved tax losses carried forward	1,415,703	1,254,101
Taxation credit for the period	—	—

The Directors consider that there are no material disallowable costs or timing differences in respect of the current year.

Estimated tax losses of £20,000,000 (2019: £12,850,000) may be available for relief against future profits. The deferred tax asset not provided for in the accounts based on the estimated tax losses and the treatment of temporary timing differences, is approximately £4,000,000 (2019: £2,442,000). Utilisation of these losses in future may or may not be possible depending upon future profitability within the Group and the continued availability of the losses due to the change in the Group's core activities.

Notes to the Financial Statements *continued*

8. Loss for the Period from Discontinued Activities

During the year the Board decided that the Group should withdraw from all oil and gas activities due to the continued volatility in the sector and the lack of progress in establishing profitable niche positions for the Group. The Group has entered into negotiations to dispose of its interest in its East Denver producing wells, its Kansas operations and its patent portfolio along with its premises leases. Those assets and projects for which no buyer has been found have been or are being closed down.

The results of the discontinued operations which have been included in the consolidated income statement were as follows

	Year ended 31 March 2020 £	Year ended 31 March 2019 £
Revenue	1,429,462	1,016,399
Administrative expenses	(6,660,846)	(4,876,842)
Operating loss	(5,231,384)	(3,860,443)
Loss on disposal of intangible asset (below)	—	(1,276,178)
Loss on ordinary activities before taxation	(5,231,384)	(5,136,621)
Taxation on loss on ordinary activities	—	—
Loss for the period from discontinued activities	(5,231,384)	(5,136,621)
Cashflows of discontinued operations		
Operating activities	123,332	4,480,604
Investing activities	(131,316)	(4,312,113)
Financing activities	191,476	(142,883)
	183,492	25,608

Loss on disposal of intangible asset

During the prior year, with effect from 30 April 2018, the Group disposed of 49.5 per cent. out of its 57 per cent. interest in the East Denver project. Oil and gas revenues together with share of lease operating expenses the group's both before and after the date of partial sale are accounted for as part of the group's revenues and costs during the year. The Loss on Disposal of Intangible Asset records the difference between the direct proceeds of the sale and the estimated fair value of the proportion sold, after accounting for any amortisation or impairment provisions.

	2019 £
Proceeds from sale	4,024,109
Estimated cost of proportion disposed of	(5,300,287)
Loss on disposal	(1,276,178)

Notes to the Financial Statements *continued*

9. Earnings Per Share

The calculation of the loss per share is based on the weighted average of 145,407,831 (2019: 118,250,684) ordinary shares in issue during the period and on the loss for the financial period after taxation of £7,078,513 (2019: loss £4,947,301) split between the loss on continuing activities of £1,847,129 (2019: £634,103) and the loss on discontinued activities of £5,231,384 (2019: £5,136,521).

The options outstanding at 31 March 2019 and 31 March 2020 are considered to be non-dilutive in that their conversion into ordinary shares would not increase the net loss per share. Consequently, the diluted loss per share is equal to the basic loss per share.

10 Tangible Assets

Group	Plant and equipment £	Producing assets £	Total £
Cost			
At 31 March 2018	88,112	—	88,112
Reclassification in year	—	7,065,727	7,065,727
Additions	18,913	521,200	540,113
Disposals	(9,704)	(6,329,856)	(6,339,560)
Translation adjustment	6,546	524,898	531,444
At 31 March 2019	103,867	1,781,969	1,885,836
Depreciation			
At 31 March 2018	14,419	—	14,419
Reclassification in year	—	873,053	873,053
Charge for the year	27,693	225,499	253,192
Disposals	(1,504)	(822,752)	(824,256)
Translation adjustment	1,071	64,858	65,929
At 31 March 2019	41,679	340,658	382,337
Cost			
At 31 March 2019	103,867	1,781,969	1,885,836
Additions	99,320	15,149	114,469
Disposals	(108,768)	(100,790)	(209,558)
Translation adjustment	4,901	84,084	88,985
Transfer to assets held for sale	—	(1,780,412)	(1,780,412)
At 31 March 2020	99,320	—	99,320
Depreciation			
At 31 March 2019	41,679	340,658	382,337
Charge for the year	45,833	213,832	259,665
Disposals	(73,160)	—	(73,160)
Translation adjustment	1,966	16,074	18,040
Transfer to assets held for sale	—	(570,564)	(570,564)
At 31 March 2020	16,318	—	16,318
Net book value			
At 31 March 2018	73,693	—	73,693
At 31 March 2019	62,188	1,441,311	1,503,499
At 31 March 2020	83,002	—	83,002

Notes to the Financial Statements continued

11. Intangible Assets

Group	Patent Rights £	Producing assets £	Exploration & evaluation assets £	Total £
Cost				
At 31 March 2018	706,500	7,065,727	2,172,397	9,944,624
Reclassification in year	—	(7,065,727)	—	(7,065,727)
Additions	—	—	905,409	905,409
Disposals	—	—	(242,329)	(242,329)
Translation adjustment	—	—	161,384	161,384
At 31 March 2019	706,500	—	2,996,861	3,703,361
Amortisation and impairment				
At 31 March 2018	200,175	873,053	—	1,073,228
Reclassification in year	—	(873,053)	—	(873,053)
Charge for the year	70,650	—	—	70,650
Disposals	—	—	—	—
Translation adjustment	—	—	—	—
At 31 March 2019	270,825	—	—	270,825
Cost				
At 31 March 2019	706,500	—	2,996,861	3,703,361
Additions	—	—	48,156	48,156
Disposals	—	—	(58,223)	(58,223)
Translation adjustment	—	—	141,409	141,409
Transfer to assets held for sale	(706,500)	—	(3,128,203)	(3,834,703)
At 31 March 2020	—	—	—	—
Amortisation and impairment				
At 31 March 2019	270,825	—	—	270,825
Charge for the year	70,650	—	—	70,650
Disposals	—	—	—	—
Translation adjustment	—	—	—	—
Transfer to assets held for sale	(341,475)	—	—	(341,475)
At 31 March 2020	—	—	—	—
Net book value				
At 31 March 2018	506,325	6,192,674	2,172,397	8,871,396
At 31 March 2019	435,675	—	2,996,861	3,432,536
At 31 March 2020	—	—	—	—

Notes to the Financial Statements *continued*

11. Intangible Assets *continued*

Company	Patent Rights £
Cost	
At 31 March 2018	706,500
Additions	—
At 31 March 2019	706,500
Amortisation	
At 31 March 2018	200,175
Charge for the year	70,650
At 31 March 2019	270,825
Cost	
At 31 March 2019	706,500
Transfer to assets held for sale	(706,500)
At 31 March 2020	—
Amortisation	
At 31 March 2019	270,825
Charge for the year	70,650
Transfer to assets held for sale	(341,475)
At 31 March 2020	—
Net book value	
At 31 March 2018	506,325
At 31 March 2019	435,675
At 31 March 2020	—

The Group tests for possible impairment of definite-lived intangible assets on a regular basis. If indicators of possible impairment exist, such as a change of use of the asset, a reduction in operating cash flow or a change in technology, the Group compares the discounted cash flows related to the asset to the carrying value of the asset. If the carrying value is greater than the discounted cash flow amount, an impairment charge is recorded for the amount necessary to reduce the carrying value of the asset to fair value. Fair value for the purpose of the impairment tests is determined based on current market value or discounted future cash flows. In determining the fair value, certain assumptions are made concerning, for example, estimated cash flow and growth of the Group's operations.

The patent rights included above have finite useful lives estimated to be of 10 years from date of initial acquisition, over which period the assets are amortised.

Notes to the Financial Statements *continued*

12. Investment in Subsidiary and Loan to Group Undertaking

Company	2020 £	2019 £
Investment in subsidiaries at cost	15,746,468	15,746,518
Less: impairment provision	(15,746,468)	—
Investment in Subsidiaries	—	15,746,518

Subsidiary Companies:

The Company has three (2019: five) subsidiaries at the year end. All Subsidiary companies are consolidated in the Group's financial statements.

Name	Place of incorporation and operation	Proportion of ownership interest	Loss for the year	Aggregate capital and reserves at 31 March 2020
Highlands Natural Resources Corporation	USA	100%	£(2,719,821)	£(3,502,045)
Highlands Montana Corporation*	USA	100%	£(2,040,918)	£(3,576,872)
Zoetic Corporation*	USA	100%	£(515,263)	£(528,035)

* Owned by Highlands Natural Resources Corporation

During the year the company wound up two of its subsidiaries, Highlands Water Resources Corporation and Brent Natural Resources Ltd

The principal activity of Zoetic Corporation is as a developer and producer of CBD products.

The principal activity of Highlands Natural Resources Corporation and Highlands Montana Corporation is oil and gas exploration and production.

The registered offices of the USA based subsidiaries are at Suit A, 105 West 3rd, Palisade, Colorado 81526, USA.

The ownership in all cases is of 100 per cent. of the issued ordinary shares of each company and in all cases represents 100 per cent. of the voting rights.

The investments in the shares of the subsidiaries are long term holdings and were initially made for the long term financing of the Group's oil and gas activities. Given the withdrawal of the Group from the oil and gas sector, and the associated losses generated from those discontinued activities, the Board has taken the view that there is no certainty of any significant sums being generated in the future from those activities to support the initial investment values. Consequently, the Company has made full provision against the investment in the shares of its US based oil and gas subsidiaries.

During the year the Company made further loans to its USA based operating subsidiaries to fund the US operations in the CBD Operations. The loans are repayable upon demand. The Board considers that in due course such loans will be recoverable in full or be supported by the underlying assets and potential of the CBD operations.

Loan to group undertaking	Loan at cost £	Impairment Provision £	Net Total £
At 31 March 2019	180,375	—	180,375
Additions	1,376,592	—	1,376,952
At 31 March 2020	1,557,327	—	1,557,327

Due to the nature of the loans to subsidiaries, these were classed as current assets at 31 March 2019 but the balance at 31 March 2020 is treated as a long term asset.

Notes to the Financial Statements *continued*

13. Inventories

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Finished goods	1,167,736	155,762	—	—
	1,167,736	155,762	—	—

14. Trade & Other Receivables

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Trade receivables	217,449	2,202	279,242	—
Other receivables	—	—	21,460	21,459
Loans	1,190,500	1,190,500	—	—
Amount due from subsidiary undertaking	—	—	—	180,375
Prepayments & other debtors	29,183	19,133	886,112	6,667
	1,437,132	1,211,835	1,186,814	208,501

All amounts in trade receivables are due within 3 months. Prepayments & other debtors includes £nil (2019: £275,760) which is receivable in more than one year.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. Fair values have been calculated by discounting cash flows at prevailing interest rates. See also Note 26.

Included in Trade and Other receivables are Loan Notes totalling £1,190,500 (2019: Nil). These arose from the exercise of 23,810,000 warrants in March 2020. In order to facilitate the exercise of these warrants which would generate funds for the company of £1,190,500, the Company allowed the transfer of the warrants to a new holder and their immediate exercise, with the payment of the exercise price being deferred via the Loan Notes. The loans carry interest at 1% per annum and are secured against the underlying shares. The loans are repayable in 10 equal monthly instalments commencing 30 April 2020.

The Group applies the IFRS9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The Group's customer base is of a similar bracket and share the same characteristics, as such these have been treated as one population. The expected lifetime losses are considered to be £nil.

15. Assets Held for Sale

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Assets held for sale	301,891	—	—	—

As a result of the Group's decision to move away from the oil and gas sector during the year, the Group is disposing all of its interest in its oil and gas assets. Consequently, all of these assets, whether initially tangible or intangible fixed assets, were reclassified as "Assets held for sale" at the year end. The Board has reviewed all assets within this category for potential impairment and has reduced the carrying value to the net realisable value of the items based on negotiations in place at the year end and any other indications. Where there is no certainty that the Group will be able to realise any immediate proceeds from such a disposal the Board has made a full impairment provision against the book value of the assets. The impairment provision for the year in respect of these assets was £4,401,185.

Notes to the Financial Statements *continued*

16. Cash & Cash Equivalents

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Cash at bank	349,006	277,083	1,508,649	1,293,132

Cash at bank comprises of balances held by the Group in current bank accounts. The carrying amount of these assets approximates to their fair value.

17. Trade & Other Payables

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Bank borrowings	256,929	—	—	—
Trade payables	109,238	9,383	150,045	43,207
Convertible Loan Notes	330,000	330,000	—	—
Amount due to subsidiary company	—	—	—	50
Accruals & other payables	531,218	94,231	1,164,325	109,213
	1,227,385	433,614	1,314,370	152,470

Bank borrowings represent a loan to a US based subsidiary, secured on the producing assets of that subsidiary. The loan was for an initial period of one year but has been extended pending disposal of the underlying assets, which took place post year end when the loan was repaid. The loan carried interest at 5% above US base rate. The net debt of the Group increased from nil at 31 March 2019 to £256,929 at 31 March 2020.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and continuing costs. The Directors consider that the carrying amount of trade and other payables approximates to their fair value. Fair values have been calculated by discounting cash flows at prevailing interest rates. See also Note 26.

18. Convertible Loan Notes

Included in Current Liabilities are Convertible Loan Notes with a nominal value of £330,000 (2019: Nil). The Convertible Loan Notes were issued on 11 February 2020 at an issue price of 6 pence per loan note and a redemption date of 31 March 2021. The loan notes carry interest at 7% per annum payable half yearly, on 30 September 2020 and 31 March 2021, and the principal element of the loan, but not any interest element, may be converted into ordinary shares at the request of the loan note holder.

The loan notes are convertible at any time between the date of issue and 31 March 2021 at 1 share per each 6 pence loan note, being a maximum of 5,500,000 shares if all loan notes are converted. The conversion price is equivalent to the share price pertaining at the date that the loan notes were issued.

If the notes have not been converted or redeemed beforehand, they will be redeemed in full on 31 March 2021.

An assessment has been performed as to the allocation between the financial liability element and any equity component of the Loan Notes, representing the fair value of the embedded option to convert the financial liability into equity of the Company, and the Board has concluded that there was no material equity component to be accounted for.

Notes to the Financial Statements *continued*

19. Deferred Taxation

No deferred tax asset has been recognised by the Group due to the uncertainty of generating sufficient future profits and tax liability against which to offset the tax losses. Although current tax rates in the USA differ to those in the UK, due to the uncertainty of timing of any available relief and the Corporation tax rates that would be applicable at that time in either the UK or the USA, where the Group's operations principally occur, the Directors have assumed that the applicable tax rate will be the same as the current tax rate applicable in the UK of 20 per cent. Note 7 above sets out the estimated tax losses carried forward and the impact of the deferred tax asset not accounted for.

20. Share Capital

	2020 £	2019 £
Allotted called up and fully paid:		
172,920,034 ordinary 1p shares (2019: 136,483,080 ordinary 5p shares)	1,729,200	1,364,831

The Company has only one class of share. All ordinary shares have equal voting rights and rank *pari passu* for the distribution of dividends and repayment of capital.

	Number	Par value of shares issued £
At 31 March 2019	136,483,080	1,364,831
6 June 2019 Issue of shares upon exercise of warrants at 8.5p per share	5,000,000	50,000
6 June 2019 Placing of shares at 10p per share	1,000,000	10,000
19 August 2019 Placing of shares at 6.5p per share	5,386,954	53,869
17 October 2019 Issue of shares upon exercise of warrants at 5p per share	250,000	2,500
6 November 2019 Issue of shares upon exercise of warrants at 5p per share	790,000	7,900
14 November 2019 Issue of shares upon exercise of warrants at 5p per share	200,000	2,000
26 March 2020 Issue of shares upon exercise of warrants at 5p per share	23,810,000	238,100
Total issued in the period	36,436,954	364,369
Number of shares in issue at 31 March 2020	172,920,034	1,729,200

At 31 March 2020 there were options outstanding over 7,405,000 unissued ordinary shares (2019: 29,250,000). Details of the options outstanding are as follows:

Issued	Exercisable from	Exercisable until	Number Outstanding	Exercise price (p)
12 October 2016	Any time until	11 October 2026	250,000	27.75
8 October 2019	8 October 2021	8 October 2029	2,502,500	10.00
8 October 2019	8 October 2022	8 October 2029	2,502,500	10.00
8 October 2019	Any time until	8 October 2029	1,000,000	10.00
Total			6,255,000	

Subsequent to the year end, 4,225,000 of the above options have lapsed without being exercised on departure of the relevant staff members.

Notes to the Financial Statements *continued*

20. Share Capital *continued*

The Directors held the following options and warrants at the beginning and end of the period:

Director	At 31 March 2019	Granted in the period	Exercised in the period	Lapsed in the period	At 31 March 2020	Exercise price – pence
R B Price	23,750,000		23,750,000	—	—	5p
J M Davies	1,000,000		—	1,000,000	—	5p
N G S Tulloch	n/a	2,000,000	—		2,000,000	10p
Total	24,750,000	2,000,000	23,750,000	1,000,000	2,000,000	

The warrants held by R B Price and J M Davies were exercisable between 25 March 2015 and 24 March 2020.

The options held by N G S Tulloch were exercisable between 8 October 2021 and 8 October 2029. Those options were relinquished post year end upon Mr Tulloch resigning from the Board of Directors.

The market price of the shares at the year end was 5.75p per share.

During the year, the minimum and maximum prices were 3.05p and 12.875p per share respectively.

21. Share Premium Account

	2020 £
At 31 March 2019	1,276,611
6 June 2019 Issue of shares upon exercise of warrants at 8.5p per share	375,000
6 June 2019 Placing of shares at 10p per share	90,000
19 August 2019 Placing of shares at 6.5p per share	300,130
17 October 2019 Issue of shares upon exercise of warrants at 5p per share	10,000
6 November 2019 Issue of shares upon exercise of warrants at 5p per share	31,600
14 November 2019 Issue of shares upon exercise of warrants at 5p per share	8,000
24 March 2020 Issue of shares upon exercise of warrants at 5p per share	952,400
	1,767,130
Less: costs relating to share issues	(23,125)
Increase in the year	1,744,005
At 31 March 2020	3,020,616

Notes to the Financial Statements *continued*

22. Equity-settled Share-based Payments Reserve

	2020 £	2019 £
At 31 March 2019	793,128	887,541
On options and warrants granted in the year	40,825	—
Released on exercise of warrants during the year	(531,957)	(61,401)
Released on lapsing of warrants during the year	(247,825)	(33,012)
At 31 March 2020	54,171	793,128

During the year the Company issued options to its staff, including directors. The details of the exercise price and exercise period of options outstanding at the year end are given in Note 20 above.

Details of the options and warrants outstanding at the period end are as follows:

Options and Warrants	2020 Number	2020 Weighted average exercise price – pence	2019 Number	2019 Weighted average exercise price – pence
Outstanding at the beginning of the period	29,250,000	6.32p	32,416,667	7.48p
Granted during the period	12,155,000	9.38	—	—
Lapsed during the period	(5,100,000)	10.71	(1,500,000)	25.0p
Exercised during the period	(30,050,000)	5.75	(1,666,667)	12.0p
Outstanding at the period end	6,255,000	10.71	29,250,000	6.32p
Exercisable at the period end	250,000	27.75	29,250,000	6.32p

The warrants were exercised on 6 June 2019, 17 October 2019, 6 November 2019, 14 November 2019 and 24 March 2020 when the share price was 11.1p, 6.75p, 10.35p, 8.8p and 3.25p respectively. There were no options exercised during the year.

The options and warrants outstanding at the period end have a weighted average remaining contractual life of 9.4 years. The exercise price of the options and warrants outstanding at the period end range from 10p to 27.75p per share. Full details of the exercise price and potential exercise dates are given in Note 20 above.

The fair value of options granted during the year were calculated using either a Black Scholes pricing model (for options granted in April 2019) or a Monte Carlo model (for options granted in October 2019) depending upon the nature of the terms of the options. The key inputs into the Black Scholes model were:

Share price at date of issue of options	8.5p
Exercise price	8.5p
Expected volatility	21.66%
Risk free rate	0.72%
Expected dividend yield	Nil

The key inputs into the Monte Carlo valuation were:

Share price at date of issue of options	5.8p
Exercise price	10.0p
Hurdle 1	14.0p
Hurdle 2	18.0p
Expected volatility	96%
Risk free rate	0.3%
Expected dividend yield	Nil

Notes to the Financial Statements *continued*

23. Foreign Currency Translation Reserve

	2020 £	2019 £
Balance at start of period	(422,566)	(1,482,959)
Movement in the year	723,568	1,060,393
At 31 March 2020	301,002	(422,566)

24. Capital Commitments

There were no capital commitments at 31 March 2019 or 31 March 2020.

25. Contingent Liabilities

There were no contingent liabilities at 31 March 2019 or 31 March 2020.

26. Financial Instruments and Risk Management

The Group's financial instruments comprise primarily cash and various items such as trade debtors and trade creditors which arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the Group's operations. The Group does not utilise complex financial instruments or hedging mechanisms in respect of its non-sterling operations.

Financial assets by category

The categories of financial assets included in the balance sheet and the heading in which they are included are as follows:

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Non current assets				
Loan to group undertaking	—	1,557,327	—	—
Current assets				
Trade and other receivables	243,603	19,795	829,449	21,459
Loan to third party	1,190,500	1,190,500	—	—
Loan to group undertaking	—	—	—	180,375
Cash and cash equivalents	349,006	277,083	1,508,649	1,293,132
Categorised as financial assets measured at amortised cost	1,783,109	3,044,705	2,338,098	1,494,966

The loan to group undertaking has no fixed repayment date and its future repayment will depend upon the financial performance of the subsidiary.

Included in trade and other receivables are performance bonds amounting to £nil (2019: £275,760) relating to the Group's drilling operations which are recoverable after more than 1 year.

All other amounts are short term and none are past due at the reporting date.

Notes to the Financial Statements *continued*

26. Financial Instruments and Risk Management *continued*

Financial liabilities by category

The categories of financial liabilities included in the balance sheet and the heading in which they are included are as follows:

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Current liabilities				
Bank borrowings	256,929	—	—	—
Trade and other payables	970,456	433,614	1,314,370	152,740
Categorised as financial liabilities measured at amortised cost	1,227,385	433,614	1,314,370	152,740

All amounts are short term and payable in 0 to 9 months.

Credit risk

The maximum exposure to credit risk at the reporting date by class of financial asset was:

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Trade and other receivables	1,416,509	1,192,701	568,717	21,459

Capital management

The Group considers its capital to be equal to the sum of its total equity. The Group monitors its capital using a number of metrics including cash flow projections, working capital ratios, the cost to achieve development milestones and potential revenue from partnerships and ongoing licensing activities. The Group's objective when managing its capital is to ensure it obtains sufficient funding for continuing as a going concern. The Group funds its capital requirements through the issue of new shares to investors.

Interest rate risk

The maximum exposure to interest rate risk at the reporting date by class of financial asset was:

	Group 2019 £	Company 2019 £	Group 2019 £	Company 2019 £
Bank balances and receivables	349,006	277,083	1,508,649	1,293,132

The nature of the Group's activities and the basis of funding are such that the Group from time to time has significant liquid resources. The Group uses these resources to meet the cost of future development activities. Consequently, it seeks to minimise risk in the holding of its bank deposits. The Group is not financially dependent on the small rate of interest income earned on these resources and therefore the risk of interest rate fluctuations is not significant to the business and the Directors have not performed a detailed sensitivity analysis. Nonetheless, the Directors take steps when possible and cost effective to secure rates of interest which generate a return for the Group by depositing sums which are not required to meet the immediate needs of the Group in interest-bearing deposits. Other balances are held in interest-bearing, instant access accounts. All deposits are placed with main clearing banks to restrict both credit risk and liquidity risk. The deposits are placed for the short term, between one and three months, to provide flexibility and access to the funds and to avoid locking into potentially unattractive interest rates.

Notes to the Financial Statements *continued*

26. Financial Instruments and Risk Management *continued*

Credit and liquidity risk

Credit risk is managed on a Group basis. Funds are deposited with financial institutions with a credit rating equivalent to, or above, the main UK clearing banks. The Group's liquid resources are invested having regard to the timing of payments to be made in the ordinary course of the Group's activities. All financial liabilities are payable in the short term (normally between 0 and 3 months) and the Group maintains adequate bank balances to meet those liabilities as they fall due.

Currency risk

The Group operates in a global market with income possibly arising in a number of different currencies, principally in Sterling or US Dollars. The majority of the operating costs are incurred in US Dollars with the rest predominantly in Sterling. The Group does not hedge potential future income or costs, since the existence, quantum and timing of such transactions cannot be accurately predicted.

Financial assets and liabilities denominated in US Dollars and translated into Sterling at the closing rate were:

	Group 2020 £	Company 2020 £	Group 2019 £	Company 2019 £
Financial assets	295,731	—	1,557,366	183,162
Financial liabilities	(793,770)	—	(1,342,325)	—
Net financial (liabilities)/assets	(498,039)	—	215,041	183,162

The following table illustrates the sensitivity of the net result for the period and the reported financial assets of the Group in regards to the exchange rate for Sterling:US Dollar

	2020 As reported £	if Sterling rose 20% £	if Sterling fell 20% £
Group result for the period	(7,078,513)	(6,965,354)	(7,248,252)
US Dollar denominated net financial assets	295,731	246,442	369,663
Total equity at 31 March 2020	2,222,382	1,961,331	2,336,465

27. Related Party Transactions

During the year the Group has continued to develop the technology jointly owned with Diversion Technologies LLC ("Diversion"), of which RB Price and P Mendell are directors and shareholders. All costs of development have been charged directly to the profit and loss account. During the year, Diversion paid all costs previously incurred by the group on its behalf in respect of its proportion of the patent maintenance and development costs.

The Group owes Mr Taylor and Mr Russo £18,750 each resulting from the exercise and sale of their options in June 2019.

During the year the Group paid Mr Taylor rent of \$24,000 in respect of its use of Mr Taylor's land for the growth of the Group's hemp crop.

Notes to the Financial Statements *continued*

28. Events after the Reporting Period

On 3 April 2020, the Company allotted and issued a further 12,900,000 ordinary shares to key management as part of the incentive scheme set up on instigating the Group's CBD business.

On 27 May 2020, the Group announced the agreement in principle for the sale of its Kansas assets and Diversion Technology Patents to a third party subject to certain conditions. This disposal is still in progress.

On 2 June 2020, the Company issued a further 8,750,000 shares at a price of 4.0 pence per share by way of a placing to an existing investor.

During July 2020 the Group negotiated a co-operation agreement with GVB Biopharma for seed testing and development and entered into an agreement with a UK based partner for the cultivation of feminised hemp seeds and distribution of its CBD products. This was supplemented in September with a second international distribution agreement allowing access to markets across Europe.

On 2 September 2020 the Board announced the completion of the sale of the Group's East Denver operations and repayment in full of the Group's bank borrowings.

29. Control

In the opinion of the Directors there is no single ultimate controlling party.

For Your Notes

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09309241

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