



**ADVANCE**ENERGY

**UNAUDITED INTERIM FINANCIAL REPORT**

**FOR THE SIX MONTHS ENDED 31 OCTOBER 2021**

**ADVANCE ENERGY PLC**  
**UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2021**

**CONTENTS**

**Page**

Chairman's Statement	1
Consolidated Statement of Comprehensive Income	3
Consolidated Statement of Financial Position	4
Consolidated Statement of Changes in Equity	5
Consolidated Cash Flow Statement	6
Notes to the Consolidated Financial Statements	7

## **Chairman's Statement**

Dear fellow shareholders,

I am delighted to present the following statement in support of the interim results for the six months ended 30 October 2021, a period which saw significant improvements in the industry landscape despite the ongoing challenges presented by the Covid-19 pandemic.

Indeed, as economic activity has rebounded, we have found ourselves in a rising commodity price environment supported by continued global demand growth for oil and exacerbated by under-investment across the industry in recent years. The changing industry dynamics accelerated by the energy transition, whereby traditional oil majors and national oil companies are seeking to divest non-core assets from their portfolios, presents an opportunity-rich landscape for the Company moving forward.

In this context, the Company's strategy of identifying hidden value in discovered resources and realising that value through innovative technical approaches and commercial solutions to deliver robust cash flow and shareholder returns, remains appropriate and compelling.

Following the successful completion of the farm-in to the Buffalo field in Timor Leste in April of 2021, the focus this year has been working with our JV partner Carnarvon Petroleum to progress towards the drilling of the Buffalo-10 appraisal well, which in the success case represents a major value catalyst for Advance Energy and its shareholders.

The JV, in which Advance Energy holds a 50% working and beneficial interest, finalised technical work to agree on the well location and in September 2021 the formal rig contract was signed with Valaris Limited for the VALARIS JU-107 jack-up drilling rig, with drilling operations commencing on 31 December 2021. At the date of this report the well operations are at a critical phase and the market will be updated as results are determined.

The economics of the Buffalo project have continued to improve in line with the improving commodity price environment. At the time of the farm-in, the oil price was circa US\$50/bbl Brent, and independent competent person projections on a commercial development showed gross free cash flow of US\$276m in year one of production. With Brent currently priced at circa US\$80/bbl the economics have only grown more compelling and demonstrate the exceptional cash flow and rates of return that can be unleashed by this project in the success case.

While we believe there is a strong likelihood that the Buffalo-10 well will confirm an economic development project, with an independently verified chance of success of 86%, we remain cognisant of the risks associated with the well as should always be the case in our industry. However, the project represents the culmination of three years of work by the leadership team and is an example of the Company's strategy in action, with non-operated exposure to a proven asset with significant potential for material upside and a roadmap to exceptional near-term cash flow generation.

At the same time as working with our JV partners to bring the Buffalo project to fruition, Advance's management team continue to develop the Company's long-term growth ambitions. In this context, Buffalo represents the first step on the path of sustainable growth and value creation, with the anticipation that the project will provide a platform to deliver material cash flow to support further accretive growth and underpinning shareholder value.

## Chairman's Statement (continued)

With this in mind, business development continues in parallel with progressing the Buffalo project with the management team actively assessing a pipeline of compelling opportunities in line with the Company's stated strategy.

As demonstrated by the Buffalo farm-in, the management team is uniquely placed to capitalise on high impact, low risk opportunities that present themselves in the market, a feature that is highly likely to persist as the trend of divestment of non-core assets by international oil companies and national oil companies continues to gather pace in the face of the energy transition. The cumulative experience, technical expertise, and industry and government networks possessed by the management team, gives the Company a competitive advantage in accessing and assessing these opportunities. This credibility as a counterparty combined with our agile and innovative strategy means there is real scope for further growth in the coming years, and the Company looks forward to providing further updates on business development activities in the second half of the year.

Cost discipline and further development of the Company's ESG Policy have continued to be the focus from a corporate perspective. ESG considerations have only grown in importance for investors and broader stakeholders in recent years and the Company is committed to having a positive influence on the operating stewardship of the assets it is associated with, while playing its part in delivering positive socio-economic benefits to the countries and communities in which it is present.

Advance Energy also incorporates ESG considerations into its business development and opportunity screening process as it seeks to partner with high-quality operators who share our commitment to best practices and operational excellence.

In conclusion, the first six months of the fiscal year have seen exciting developments for Advance Energy, as we have delivered on our stated objectives for the calendar year and moved closer to the outcome of a major value catalyst for the Company. The market drivers that have supported our strategy remain in place, and with positive results expected from the Buffalo-10 well amidst an improving price and operating environment, we look forward with confidence to a transformational second half of the year for the Company and its shareholders.

It only remains for me to thank our shareholders for their ongoing support for the Company, management team and our strategy. We look forward to providing updates on our progress as we move through the rest of the year.

Mark Rollins  
Non-Executive Chairman  
18 January 2022

## Interim Consolidated Statement of Comprehensive Income

	Notes	Unaudited Six months ended 31 Oct 2021 \$'000	Audited Year ended 30 Apr 2021 \$'000	Unaudited Six months ended 31 Oct 2020 \$'000
Asset evaluation and operating expenses	4	(50)	(47)	-
Other administrative expenses	4	(2,258)	(2,539)	(643)
Foreign exchange profit/(loss)		(49)	(256)	12
<b>Net loss before Finance Costs and Taxation</b>		<b>(2,357)</b>	<b>(2,842)</b>	<b>(631)</b>
Share of net losses of associate accounted for using the equity method	7	(149)	(12)	-
<b>Loss before tax</b>		<b>(2,506)</b>	<b>(2,854)</b>	<b>(631)</b>
Tax expense		-	-	-
<b>Loss after tax attributable to owners of the parent</b>		<b>(2,506)</b>	<b>(2,854)</b>	<b>(631)</b>
<b>Total comprehensive loss for the year attributable to owners of the parent</b>		<b>(2,506)</b>	<b>(2,854)</b>	<b>(631)</b>
<b>Basic and diluted loss per share attributable to owners of the parent during the year (expressed in US cents per share)</b>	6	<b>(0.24)</b>	<b>(1.51)</b>	<b>(0.04)</b>

The accompanying notes from an integral part of these consolidated financial statements.

## Interim Consolidated Statement of Financial Position

	Notes	Unaudited 31 Oct 2021 \$'000	Audited 30 Apr 2021 \$'000	Unaudited 31 Oct 2020 \$'000
<b>Non-current assets</b>				
Property, plant & equipment		3	-	-
Other investments	7	20,113	20,262	-
		<b>20,116</b>	<b>20,262</b>	-
<b>Current assets</b>				
Other receivables		153	203	14
Cash and cash equivalents		5,861	8,103	261
		6,014	8,306	275
<b>Total assets</b>		<b>26,130</b>	<b>28,568</b>	<b>275</b>
<b>Current liabilities</b>				
Trade and other payables	8	(418)	(1,138)	(592)
<b>Total liabilities</b>		<b>(418)</b>	<b>(1,138)</b>	<b>(592)</b>
<b>Net assets</b>				
		<b>25,712</b>	<b>27,430</b>	<b>(317)</b>
<b>Equity attributable to equity holders of the company</b>				
Share premium		47,656	47,656	18,665
Share reserve		1,827	1,039	-
Accumulated deficit		(23,771)	(21,265)	(18,982)
<b>Total shareholder funds</b>		<b>25,712</b>	<b>27,430</b>	<b>(317)</b>

The accompanying notes from an integral part of these consolidated financial statements

## Interim Consolidated Statement of Changes in Equity

	Share premium \$'000s	Share reserve \$'000	Accumulated deficit \$'000s	Total equity \$'000s
<b>Balance at 1 May 2020</b>	<b>18,665</b>	-	<b>(18,411)</b>	<b>254</b>
Loss for the period to 31 October 2020 (unaudited)	-	-	(631)	(631)
Total comprehensive loss	-	-	(631)	(631)
<i>Transactions with equity shareholders of the parent:</i>				
Share based payments	-	-	60	60
<b>Balance at 31 October 2020 (unaudited)</b>	<b>18,665</b>	-	<b>(18,982)</b>	<b>(317)</b>
Loss for the period to 30 April 2021	-	-	(2,283)	(2,283)
Total comprehensive loss	-	-	(2,283)	(2,283)
<i>Transactions with equity shareholders of the parent:</i>				
Proceeds from shares issued	31,589	-	-	31,589
Cost of share issues	(2,598)	-	-	(2,598)
Share based payments	-	1,039	-	1,039
<b>Balance at 30 April 2021 (audited)</b>	<b>47,656</b>	<b>1,039</b>	<b>(21,265)</b>	<b>27,430</b>
Loss for the period to 31 October 2021 (unaudited)	-	-	(2,506)	(2,506)
Total comprehensive loss	-	-	(2,506)	(2,506)
<i>Transactions with equity shareholders of the parent:</i>				
Share based payments	-	788	-	788
<b>Balance at 31 October 2021 (unaudited)</b>	<b>47,656</b>	<b>1,827</b>	<b>(23,771)</b>	<b>25,712</b>

The accompanying notes from an integral part of these consolidated financial statements.

## Interim Consolidated Cash Flow Statement

	Notes	Unaudited 31 Oct 2021 \$'000	Audited 30 Apr 2021 \$'000	Unaudited 31 Oct 2020 \$'000
<b>Cash flows from operating activities:</b>				
Loss before tax		(2,506)	(2,854)	(631)
<b>Adjustments for:</b>				
Share of net loss of associate		149	12	-
Share-based payment		788	1,039	240
<b>Change in working capital items:</b>				
Movement in other receivables		50	(188)	1
Movement in trade and other payables		(720)	815	89
<b>Net cash used in operations</b>		<b>(2,239)</b>	<b>(1,176)</b>	<b>(301)</b>
<b>Cash flows from investing activities</b>				
Investment in associate		-	(20,274)	-
Purchase of property, plant & equipment		(3)	-	-
<b>Net cash flows from investing activities</b>		<b>(3)</b>	<b>(20,274)</b>	<b>-</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of share capital		-	31,589	-
Share issue costs		-	(2,598)	-
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>28,991</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>(2,242)</b>	<b>7,541</b>	<b>(301)</b>
Effect of exchange rate changes		-	-	-
Cash and cash equivalents at beginning of period		8,103	562	562
<b>Cash and cash equivalents at end of period</b>		<b>5,861</b>	<b>8,103</b>	<b>261</b>

The accompanying notes from an integral part of these consolidated financial statements.



## **Notes to the Interim Consolidated Financial Statements**

### **1 Reporting entity**

Advance Energy plc (the “Company”) is domiciled in the Isle of Man. The Company’s registered office is at 55 Athol Street, Douglas, Isle of Man IM1 1LA. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily involved in the E&P business, currently focussed on the Democratic Republic of Timor-Leste. The Company is listed on AIM of the London Stock Exchange.

### **2 Basis of accounting**

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. These interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 30 April 2021, which were prepared in accordance with IFRSs as adopted by the European Union. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those disclosed in the Group’s statutory financial statements for the year ended 30 April 2021.

The interim conciliated financial statements are presented in US Dollars unless otherwise indicated.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial period beginning on or after 1 May 2021 that would be expected to have a material impact on the Group.

The consolidated financial statements of the Group as at and for the year ended 30 April 2021 are available upon request from the Company’s registered office at 55 Athol Street, Douglas, Isle of Man or the Company’s website <https://www.advanceplc.com>

These interim consolidated financial statements have been approved and authorised for issue by the Company’s Board of directors on 18 January 2022.

### **3 Going concern**

The Directors have assessed the Company and Group’s ability to continue as a going concern and are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Company, therefore, continues to adopt the going concern basis in preparing its interim consolidated financial statements.

## Notes to the Interim Consolidated Financial Statements (continued)

### 4 Expenses

Administration fees and expenses consist of the following:

	Unaudited Six months ended 31 Oct 2021 \$'000	Audited Year ended 30 Apr 2021 \$'000	Unaudited Six months ended 31 Oct 2020 \$'000
<i>Corporate overheads:</i>			
Directors' fees	1,266	1,100	408
Professional fees	708	1,047	174
Audit fees	27	69	12
Administration costs	55	104	49
Employee costs	202	219	-
	<b>2,258</b>	<b>2,539</b>	<b>643</b>
<i>Asset evaluation and operating expenses:</i>			
Office costs	30	30	-
Consulting and farm-in expenses	-	6	-
Travel and accommodation	20	11	-
	<b>50</b>	<b>47</b>	<b>-</b>
<b>Total expenses</b>	<b>2,308</b>	<b>2,586</b>	<b>643</b>

### 5 Directors' remuneration

The remuneration of those in office during the period ended 31 October 2021 was as follows:

	Unaudited Six months ended 31 Oct 2021 \$'000	Audited Year ended 30 Apr 2021 \$'000	Unaudited Six months ended 31 Oct 2020 \$'000
Salaries paid in cash	582	409	156
Accrued entitlement to shares and warrants	673	667	240
Directors' health insurance	11	24	12
	<b>1,266</b>	<b>1,100</b>	<b>408</b>

Mark Rollins (Chairman) and Leslie Peterkin (Chief Executive Officer) are entitled to a fixed monthly fee of \$16,000 and \$31,250 respectively payable in cash. Stephen West (Chief Financial Officer) is entitled to a fixed monthly fee of £16,500 payable in cash. The Non-executive directors, Ross Warner, Stephen Whyte and Larry Bottomley are entitled to a fixed monthly fee of \$5,000 each payable in cash.

Share options and warrants with a value of \$115,000 issued to employees accrued during the 6-month period to 31 October 2021. In the year to 30 April 2021, the warrants issued to employees and advisors accrued with a value of \$372,000.

## Notes to the Interim Consolidated Financial Statements (continued)

### 6 Earnings per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	Unaudited Outstanding at 31 Oct 2021	Audited Outstanding at 30 Apr 2021	Unaudited Outstanding at 31 Oct 2020
Loss attributable to owners of the Group (USD thousands)	(2,506)	(2,854)	(631)
Weighted average number of ordinary shares in issue (thousands)	1,027,614	188,796	1,560,637
Loss per share (US cents)	(0.24)	(1.51)	(0.04)

In accordance with International Accounting Standard 33 'Earnings per share', no diluted earnings per share is presented as the Group is loss making.

### 7 Other investments

On 19 April 2021, Advance Energy plc, via its wholly owned subsidiary Advance Energy TL Limited, acquired a 50% equity interest in Carnarvon Petroleum Timor Unipessoal Lda ("Carnarvon Petroleum Timor") which in turn is the holder of a 100% working interest in, and the contractor of, the Buffalo Production Sharing Contract ("PSC").

Details of the purchase consideration and the net assets acquired are as follows:

#### Purchase consideration

	2021 US\$'000
Cash paid	20,000
Purchase costs	274
<b>Total</b>	<b>20,274</b>

Carnarvon Petroleum Timor owns the Buffalo Oil Field re-development project located in the Buffalo PSC Contract Area (the "Buffalo Project") and is the Contractor and Operator of the Buffalo PSC. The rights attached to this have been fair valued by Advance Energy in determining the purchase price apportionment.

#### Equity investment in associate

	Unaudited Six months ended 31 Oct 2021 \$'000	Audited Year ended 30 Apr 2021 \$'000	Unaudited Six months ended 31 Oct 2020 \$'000
Carrying value at beginning of year	20,262	-	-
Additions	-	20,274	-
Share of losses post acquisition	(149)	(12)	-
<b>Carrying value at year end</b>	<b>20,113</b>	<b>20,262</b>	<b>-</b>

## Notes to the Interim Consolidated Financial Statements (continued)

### 8 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

	Unaudited Outstanding at 31 Oct 2021 US\$'000	Audited Outstanding at 30 Apr 2021 US\$'000	Unaudited Outstanding at 31 Oct 2020 US\$'000
Trade payables	166	517	315
Accruals and other payables	252	621	277
	<b>418</b>	<b>1,138</b>	<b>592</b>

### 9 Shares in issue

The number of shares in issue throughout the period was 1,027,613,961. The number of options and warrants on issue at the start of the period was 161,259,504. During the period no additional options and warrants were issued. Warrants for 4,083,995 shares expired during the period.

Options and warrants in issue:

	Outstanding at 30 April 2021	Issued/(Expired) during the period	Outstanding at 31 October 2021
Options			
Issued Pre 1/2/2020	450,000	-	450,000
Issued 1/2/2020	13,750,000	-	13,750,000
Issued 8/7/2020	2,500,000	-	2,500,000
Issued 19/4/2021*	83,710,000	-	83,710,000
	<b>100,410,000</b>	-	<b>100,410,000</b>
Warrants			
Issued pre 1/2/2020	11,390,680	(4,083,995)	7,306,685
Issued 10/12/2020	54,545	-	54,545
Issued during FY 2021 – employee	3,851,159	-	3,851,159
Issued during FY 2021 – advisor	45,553,120	-	45,553,120
	<b>60,849,504</b>	<b>(4,083,995)</b>	<b>56,765,509</b>
<b>Total options and warrants</b>	<b>161,259,504</b>	<b>(4,083,995)</b>	<b>157,175,509</b>

\*The options issued on 19 April 2021 vest on 1 January 2022 and 1 January 2023 in equal amounts.

The notional number of shares in issue considering the above entitlements and assuming the warrants are exercised would be 1,184,789,470.

## Notes to the Interim Consolidated Financial Statements (continued)

### 10 Commitments and contingencies

There were no capital commitments authorised by the Directors or contracted other than those provided for in these financial statements as at 31 October 2021 (30 April 2021: None).

### 11 Subsequent events

#### Cash call from the associate company

On 15 November 2021 and 22 December 2021, the Company received notices of cash calls amounting to \$1,681,000 and \$1,748,000 respectively from the associate entity Carnarvon Petroleum Timor to provide financing to cover costs relating to the Buffalo-10 well being drilled in the Buffalo field.