Andalas Energy and Power Plc

('Andalas' or the 'Company')

Interim Results

Andalas Energy and Power Plc, the AIM listed Indonesian focused upstream oil and gas and power company (AIM: ADL), is pleased to announce its half-yearly report for the six months ended 31 October 2016.

Highlights:

- Readmission to AIM to focus on upstream oil, gas and power opportunities in Indonesia
- Milestone cooperation agreement with Pertamina, Indonesia's national energy company, provides Andalas with the opportunity to fast track our strategy to transform into a significant power producer
- Initial target of 250-500MW of installed capacity on five initial fields located close to infrastructure and markets
- Submission of first gas to power project of 2 x 30MW to be included in the Republic of Indonesia's Electricity Supply Business Plan ('RUPTL')
- Discussions ongoing with equipment vendors, industry participants and finance specialists with regards funding options
- Appointment of Dr Robert Arnott as Non-Executive Director to complement proven board and management team

Andalas Chairman, Paul Warwick, said: "The signing of the cooperation agreement with Pertamina during the period provides third party validation of the high standing of Andalas' management team within Indonesia's energy sector. Working closely with Pertamina, already much progress has been made and post period end we submitted our first 2 x 30MW gas to power project for inclusion in the RUPTL. Approval not only opens up multiple funding options for the development of the first project, but will also prove the model we have adopted to become a leading Indonesian focused energy company via the roll-out of an initial portfolio of 250-500MW of installed capacity."

The Interim Report will be available from the Company's website www.andalasenergy.co.uk shortly.

Chairman's Statement

Andalas Energy and Power's objective is to become a leading Indonesian focused energy company and since our readmission onto AIM in May 2016, we have advanced a strategy through which to achieve this. This strategy is based on four pillars: Market; Opportunity; Relationships; and Economics.

Market

Indonesia is the right focus for Andalas. Despite being the seventh largest producer of LNG in the world and the 28th in terms of oil production, there is an electricity crisis in Indonesia due to a relatively low electrification rate which, as recently as 2013, stood at 81%. This translates into as much as 60 million people in the country not having access to electricity. Such low rates of electrification and frequent power outages are widely believed to have held back the country's economic growth in the past. In response, the Government of Indonesia has set itself the target to add 35,000MW of new power generating capacity by 2019, a 60% increase in total domestic power generation capacity. A major hydrocarbon producer, an electricity crisis and a government with the appetite to do something about it, translates into a highly attractive opportunity for a management team with a highly specialised skillset and an in-depth knowledge of the country.

Opportunity

We intend to capitalise on these favourable market dynamics by developing a portfolio of at least five small (i.e. up to 100 MW) independent power producer projects ('IPPs') that are fired with gas supplied from proven but undeveloped gas fields. We have set ourselves an initial target of 250-500MW of installed capacity and since the Company's readmission onto AIM in May 2016, a number of milestones that are key to achieving this goal have been met.

Having a strategy that is deliverable is paramount. For a company of Andalas' current size minimising both risk and the time to first cash flows are key to protecting shareholders' interests. From the outset we adopted a business model which does not require Andalas to take on board undue levels of risk. We set out to avoid activities such as exploring for commercial quantities of oil and/or gas or having to rely on untested technologies. Instead our focus is on already discovered gas fields which can be monetised using proven technology.

Relationships

Andalas' management team has an unrivalled track record in Indonesia's energy sector and the ability to deliver. The management team have direct experience in the country with more than 25 years helping shape Indonesia's gas industry having led the development of a number of pivotal gas field and infrastructure projects. Among these was one of the most important value creation projects for Pertamina where our CEO, David Whitby, acted as lead negotiator for Pertamina in unitisation negotiations for the Suban gas field, which resulted in a multiple billion dollar return to Pertamina.

Building on this already pre-eminent team of people, during the period we further strengthened the Board with the appointment of Dr Robert Arnott as Non-Executive Director. With 30 years' experience in the oil and gas industry which has seen him successfully execute a number of high profile transactions, the Board believes Dr Arnott will continue to be highly instrumental in the Company's development going forward.

Having access to a suitable inventory of assets is crucial and with this in mind in September 2016, Andalas signed a cooperation agreement with Pertamina, a member of the Global Fortune 500 list of most valuable companies, which promises to bring scale to a strategy that is already designed to be fast tracked. As the national energy company, Pertamina not only plays a pivotal role in the country's vast oil and gas sector, but it also has an extensive inventory of discovered gas fields. It is easy to see why we believe Pertamina is the right partner for Andalas, of the 139 undeveloped gas fields that our screening identified in our target region, Pertamina is the licence holder for 52 fields, which together represent a significant portfolio of potential gas supply to feed gas-to-power generation. Our cooperation with Pertamina is therefore designed to give us access to an extensive portfolio of discovered gas assets in our target region, which allows us to propose projects from those gas fields that fully match our criteria for gas to power: near pipeline quality gas resources that can sustain an IPP for 10-15 years; and which is close to markets and infrastructure.

Delivering on our strategy will help make a significant contribution to solving Indonesia's power crisis at the local level, but equally important for Pertamina is that our concept provides a valuable route to market for its gas projects. Aggregating the gas required to feed our target of 500MW of IPP projects would result in the monetisation of a significant amount of gas, our estimates are that these projects would need to purchase circa 100million standard cubic feet of gas per day or 16,666BOEPD.

In line with the terms of the agreement, Andalas and Pertamina have been working together to identify a minimum of five undeveloped gas fields in the Sumatran provinces of Riau, Jambi and South Sumatra; and we have been preparing development and commercialisation plans for each identified field. Despite only signing the agreement in September 2016, excellent progress has already been made. A first project has not only been identified but after passing vigorous technical and commercial scrutiny, in December 2016 an application was submitted for its inclusion in the Republic of Indonesia's Electricity Supply Business Plan ('RUPTL'). We are currently working to obtain the required approval after which our first project will be presented to the Energy Minister for final sign-off. Once a project has been approved, exclusive joint development agreements to design, construct, fund and operate the project will be put in place.

Economics

Inclusion of our first project in the RUPTL will continue the rapid progress we have made since our readmission to AIM in May 2016. A desktop study performed by the Company highlights the potential returns of our IPP strategy. A 25MW IPP is expected to generate, at the project level, approximately US$57 million of gross free cash flow over a 15 year project life.

However, whilst the investment that Andalas has made to date would be justified by the origination of just one 2 x 30MW project alone, it is not our intention to stop there. The work completed by Andalas in 2016 has set a platform from which to scale the business, we have set a near term target of 5 projects with a total of 250-500MW, which we believe is eminently achievable, and as the economics above demonstrate would create a very significant business that would still have an enormous opportunity to continue to grow.

The value inherent in originating projects becomes increasingly tangible as we receive each government approval and progress the gas sales contract and the power purchase agreement negotiations. It is the value inherent in these projects that Andalas intends to use; by selling equity in the projects to third parties, Andalas expects to strengthen the consortium to supply, build, operate and maintain the projects. In addition, the sale of equity interests in a project is expected to contribute towards the capital that Andalas would be required to invest to bring it into production.

Indonesian electrification is perhaps the single largest infrastructure opportunity in the ASEAN region today. This may not yet be fully recognised in the eyes of the stock market, but this fact and Andalas' strategy has not gone un-noticed in the region. The industry participants we are currently speaking to, including power equipment suppliers and project finance specialists, all of whom understand the energy dynamic in Indonesia, see the inherent value in our strategy and respect the progress being made in progressing our strategy.

Financial Review

The period under review included a number of one-off expenses relating to the readmission of the Company to AIM in May 2016, which included share based payment expenses totalling US$794,000 (30 April 2016: US$348,000, 31 October 2015: US$Nil) in respect of share consideration and options and US$446,000 (30 April 2016: US$Nil, 31 October 2015: US$Nil) relating to IPO costs expensed following the completion of the Company's readmission to AIM in May 2016. Adjusting for these one-off costs the Group generated a loss in the period of US$1,816,000, Including all charges the loss for the period was US$3,151,000 (30 April 2016: US$4,673,000, 31 October 2015: US$1,890,000).

Furthermore, included in the $1,816,000 loss in the period was significant expenditure incurred in pursuing the Group's strategy in Indonesia that has been categorised as business development costs totalling $1,091,000, which included the continued development of Andalas' gas to power strategy of that resulted in the Company delivering the Pertamina cooperation agreement plus the identification of the first conceptual project and also performing due diligence work on a number of potential assets in Indonesia. Despite there being ongoing value to the Group, this business development and due diligence cost is required to be expensed.

Also included in the business development cost was an amount of US$173,000 in respect of the investment made by the Group at Tuba Obi East. This expenditure delivered approval from Pertamina and significant site preparation in advance of executing the planned work programme, however as previously reported to the market we continue to work with PT Akar Golindo, the operator, to seek to progress the revised work programme.

The Group held a cash balance of US$318,000 at 31 October 2016 (US$290,000 at 30 April 2016, 31 October 2015: US$1,182,000). In addition the Company had trade payables of US$737,000 at 31 October 2016 (US$1,799,000 at 30 April 2016, 31 October 2015: US$111,000), included in this amount is US$514,000 of payables to certain Directors, consultants and third parties that had either agreed to either receive equity settlement or cash at such time as the Company has greater cash resources at its disposal.

The Directors believe inclusion in the RUPTL, will significantly de-risk the First Project, thereby strengthening our position when discussing partnering or funding opportunities with third parties. Subsequent to the period end the Group therefore issued a loan note of £500,000 with a repayment date of 28 April 2017. The Board believes this will provide sufficient additional working capital to progress the Company's strategy without issuing further dilutive equity at this time. The Directors remain confident that the Group will continue to be able to finance its future working capital and development cost requirements beyond the period of twelve months from the date of this report.

During the period and principally in conjunction with the readmission to AIM on 13 May 2016, the Company issued a total of 1,775,020,674 shares at a price of 0.2 pence in settlement of the convertible loan note (£600,000 (US$856,000)), settlement of certain share issue costs and corporate finance fees and a further placing to raise cash of £1.72million (US$2.512million).

Outlook

The gas to power strategy we are employing in Indonesia is elegantly simple and scalable. Our first IPP will open the way for additional projects we already have in the pipeline, as we home in on the initial 250-500MW target of installed capacity we have set ourselves. Each new project that we originate as we scale towards this target has the potential to unlock significant value for shareholders, however this target does not represent the sum of our ambitions. We intend to continue adding projects to our portfolio beyond our initial target and in the process make a significant contribution towards addressing the country's power crisis at a local level. We believe we are in the right market, with the right opportunity, relationships and economic fundamentals to deliver value for all shareholders and I look forward to providing further updates on our progress in the months ahead during what promises to be an exciting period for the Company.

On behalf of the Board I would like to take this opportunity to thank our shareholders for their continued support over the last half year.

Paul Warwick
Non-Executive Chairman

31 January 2017

****ENDS****

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Market Abuse Regulations (EU) No. 596/2014

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). Upon the publication of this announcement via Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

Consolidated Statement of Comprehensive Income
For the six months ended 31 October 2016

	Note	(Unaudited) 6 Months to 31 October 2016 US$'000	(Unaudited) 6 Months to 31 October 2015 US$'000	(Audited) 12 Months to 30 April 2016 US$'000
Net gain from financial assets at fair value through profit or loss		-	-	(179)
Business development costs		(1,264)	-	(3,195)
Share based payments		(794)	-	-
AIM readmission costs		(446)	-	-
Other administration expenses		(552)	(1,840)	(970)
Total Administrative Expenses and Operating Loss		(3,056)	(1,840)	(4,344)
Finance income		-	2	4
Finance costs		(95)	(51)	(333)
		(95)	(49)	(329)
Loss before and after taxation attributable to owners of the parent		(3,151)	(1,889)	(4,673)
Total comprehensive loss for the period / year attributable to owners of the parent		(3,151)	(1,889)	(4,673)
Basic and diluted loss per share (US dollar cents)	3	(0.13)	(0.30)	(0.69)

Consolidated Statement of Financial Position
At 31 October 2016

	Note	(Unaudited) 31 October 2016 US$'000	(Unaudited) 31 October 2015 US$'000	(Audited) 30 April 2016 US$'000
Non-current assets				
Financial assets at fair value through profit or loss		-	179	-
Total non-current assets		**-**	**179**	**-**
Current assets				
Trade and other receivables		156	34	885
Cash and cash equivalents		318	1,182	290
Total current assets		**474**	**1,216**	**1,175**
Total assets		**474**	**1,395**	**1,175**
Current liabilities				
Trade and other payables		(737)	(111)	(1,799)
Borrowings		-	-	(876)
Total liabilities		**(737)**	**(111)**	**(2,675)**
Net (liabilities)/ assets		**(263)**	**1,284**	**(1,500)**
Equity attributable to the owners of the parent:				
Share premium	6	10,411	6,124	6,124
Accumulated deficit		(10,674)	(4,840)	(7,624)
Total (deficit)/equity		**(263)**	**1,284**	**(1,500)**

Consolidated Statement of Changes in Equity
For the six months ended 31 October 2016

	Share Premium	Accumulated Deficit	Total Equity
	US$'000	US$'000	US$'000
Balance at 1 May 2015 (audited)	3,616	(3,104)	512
Loss for the period	-	(1,889)	(1,889)
Total comprehensive loss for the period	-	(1,889)	(1,889)
Transactions with equity owners of the parent			
Share based payments	-	153	153
Proceeds from share issue	2,487	-	2,487
Consideration shares	194	-	194
Share issue costs	(173)	-	(173)
Balance at 31 October 2015 (unaudited)	6,124	(4,840)	1,284
Loss for the period	-	(2,784)	(2,784)
Total comprehensive income for the period	-	(2,784)	(2,784)
Balance at 30 April 2016 (audited)	6,124	(7,624)	(1,500)
Loss for the period	-	(3,151)	(3,151)
Total comprehensive loss for the period	-	(3,151)	(3,151)
Transactions with equity owners of the parent			
Share based payments	1,805	101	1,906
Shares issued in settlement of convertible loan note	856	-	856
Proceeds from share issue	2,441	-	2,441
Share issue costs	(815)	-	(815)
Balance at 31 October 2016 (unaudited)	10,411	(10,674)	(263)

Consolidated Statement of Cash Flows
For the six months ended 31 October 2016

	(Unaudited) 6 Months to 31 October 2016	(Unaudited) 6 Months to 31 October 2015	(Audited) 12 Months to 30 April 2016
	US$'000	US$'000	US$'000
Cash flows from operating activities			
Loss for the period	(3,151)	(1,889)	(4,673)
Adjustments for:			
Finance income	-	(2)	(4)
Finance cost	95	5	333
Exchange differences	-	46	-
Share based payment	794	347	527
Realised gain on sale of investments at fair value through profit or loss	-	-	179
Changes in working capital:			
Change in trade and other receivables	205	(12)	(863)
Change in trade and other payables	(7)	68	1,576
Net cash flows used in operating activities	(2,064)	(1,437)	(2,925)
Cash flows from investing activities			
Interest received	-	2	4
Net cash flows generated from investing activities	-	2	4
Cash flows from financing activities			
Finance costs	(7)	(5)	(10)
Proceeds from issue of share capital	2,478	2,487	2,487
Share issue costs	(269)	(173)	(173)
Proceeds from borrowings	-	-	704
Cost of borrowings	-	-	(87)
Net cash flows from financing activities	2,202	2,309	2,921
Net increase in cash and cash equivalents	138	874	-
Cash and cash equivalents at start of period	290	354	354
Effect of exchange rate fluctuations on cash balances	(110)	(46)	(64)
Cash and cash equivalents at end of period / year	318	1,182	290

Notes to the consolidated interim financial information
For the six months ended 31 October 2016

1. General information

The Company was incorporated on 19 September 2006 in the Isle of Man as a public limited company. The address of its registered office is IOMA House, Hope Street, Douglas, Isle of Man. CEB Resources changed its name to Andalas Energy and Power PLC on 3 December 2015. The Company is listed on AIM, which is operated by the London Stock Exchange.

2. Basis of preparation

Andalas Energy and Power plc (the "Company") is presenting unaudited financial statements as of and for the six months ended 31 October 2016. The consolidated interim financial statements of the Company for the six months ended 31 October 2016 comprise the results of the Company and its wholly owned subsidiary (together referred to as the "Group").

The consolidated interim financial information for the period 1 May 2016 to 31 October 2016 is unaudited. The comparatives for the full year ended 30 April 2016 do not represent the Company's full accounts for that year although they were derived from them. The auditor's report on those financial statements was unqualified but did contain an emphasis of matter paragraph in respect of the going concern status of the Group. It does not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2016 Annual Report.

As at the date of these financial statements, the ability of the Company, and therefore the group, to continue as a going concern will require further funding to be raised. The Directors believe inclusion in the RUPTL of our first project; will significantly de-risk the First Project, thereby strengthening our position when discussing partnering or funding opportunities with third parties. The Directors remain confident that the Group will be able to continue to finance its future working capital and development costs beyond the period of twelve months from the date of this report. However, there can be no guarantee that the required funds to meet working capital and development costs will be available to the Group within the necessary timeframe.

The financial information contained in this interim report does not constitute full accounts, which are available from the company's website www.andalasenergy.co.uk. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The consolidated interim financial statements have been prepared using the accounting policies which will be applied in the Group's financial statements for the year ended 30 April 2017. As allowed under the AIM rules the consolidated financial information has not been prepared in accordance with IAS 34.

The same accounting policies, presentation and methods of computation are followed in the interim consolidated financial statements as were applied in the Group's latest annual audited financial statements except that in the current financial year, the Group has adopted a number of revised Standards and Interpretations. However, none of these has had a material impact on the Group's reporting. In addition, the IASB has issued a number of IFRS and IFRIC amendments or interpretations since the last annual report was published. It is not expected that any of these will have a material impact on the Group but the Group continues to assess the potential implications of IFRS 9.

The interim consolidated financial statements were approved by the Board and authorised for issue on 31 January 2017.

3. Loss per share

The basic and diluted loss per share is calculated by dividing the loss for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period:

	6 months ended 31 October 2016 (unaudited)	6 months ended 31 October 2015 (unaudited)	Year ended 30 April 2016 (audited)
Loss attributable to ordinary shareholders of the Company ($'000s)	(3,151)	(1,889)	(4,673)
Weighted average number of shares in issue ('000s)	2,349,987	637,033	678,188
Basic loss per share (US cents)	(0.13)	(0.30)	(0.69)

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

4. Related party transactions

As at 31 October 2016 the following balances were included in trade payables and were outstanding in respect of Directors remuneration at the period end.

	Outstanding at 31 October 2016 (unaudited)	Outstanding at 30 October 2015 (unaudited)	Outstanding at 30 April 2016 (audited)
	$'000	$'000	$'000
David Whitby	-	-	99
Paul Warwick	30	-	24
Daniel Jorgensen	90	-	124
Ross Warner	-	-	80
Simon Gorringe	-	-	81
Robert Arnott	7	-	-
Total Key Management	127	-	408

The balances due to Daniel Jorgensen, Paul Warwick, Robert Arnott were accrued in accordance with their contracts pending full or partial conversion into equity at a future juncture. During the period to 31 October 2016 Paul Warwick and Daniel Jorgensen did not receive any cash remuneration, receiving only shares in lieu of their service during the period.

5. Share based payment

The following is a summary of the share options and warrants outstanding and exercisable as at 31 October 2016, 30 April 2016 and 30 April 2015 and the changes during each period:

	Number of options and warrants	Weighted average exercise price (Pence)
Outstanding and exercisable at 30 April 2015	**68,250,464**	**0.945**
Options granted as consideration	34,344,865	0.400
Outstanding and exercisable at 31 October 2015 and 30 April 2016	**102,595,329**	**0.762**
Warrants granted	42,000,000	0.200
Outstanding and exercisable at 31 October 2016	**144,595,329**	**0.600**

The above has been expressed in pence and not cents due to the terms of the options and warrants. The following share options or warrants were outstanding and exercisable in respect of the ordinary shares:

Grant Date	Expiry Date	1 May 2015	Issued	31 Oct 2015 & 30 Apr 2016	Issued	31 Oct 2016	Exercise Price
07.12.2013	07.12.2018	10,839,750	-	10,839,750	-	10,839,750	2.00 p
24.01.2014	24.01.2019	26,410,714	-	26,410,714	-	26,410,714	1.00 p
13.05.2016	13.05.2021	-	-	-	42,000,000	42,000,000	0.20p
Options							
07.12.2013	07.12.2018	6,000,000	-	6,000,000	-	6,000,000	2.00 p
04.02.2015	04.02.2017	25,000,000	-	25,000,000	-	25,000,000	0.175p
05.06.2015	05.06.2018	-	34,344,865	34,344,865	-	34,344,865	0.40p
		68,250,464	**34,344,865**	**102,595,329**	**42,000,000**	**144,595,329**	

The new options and warrants have been valued using the Black-Scholes valuation method and the assumptions used are detailed below. The expected future volatility has been determined by reference to the historical volatility:

Grant date	Share price at grant	Exercise price	Volatility	Option life	Dividend yield	Risk-free investment rate	Fair value per option
Current period							
13-05-16	0.2p	0.2p	124%	5 years	0%	3%	0.241 cents
Prior period							
05-06-15	0.4p	0.4p	124%	3 years	0%	3%	0.448 cents

The Group recognised $101,220 (30 April 2016: $153,954, 31 October 2015: $153,954) relating to equity-settled share based payment transactions during the period arising from Option or Warrant grant, of which $101,220 was expensed as interest cost because it related to the settlement of the convertible loan note (30 April 2016: $Nil, 31 October 2015: $Nil), of which $Nil (30 April 2016: $153,954, 31 October 2015: $153,954) was expensed as a pre-licence acquisition cost with $Nil being expensed in relation to Directors and consultants services (30 April 2016: $Nil, 31 October 2015: $Nil). Not included in the above table are 103,034,596 of unvested options (30 April 2016: 103,034,596, 31 October 2015: 103,034,596), that are held by certain Directors and consultants, which vest in three equal tranches relating to acquiring an economic interest in a first concession, an interest in a second concession and gross production from its interest in projects exceeding 400BOPED. As the triggers for the grant of the tranches have not occurred at the reporting date no share based payment charge arises.

For the share options and warrants outstanding as at 31 October 2016, the weighted average remaining contractual life is 2.39 years (30 April 2016: 2.02 years, 31 October 2015: 2.52 years).

6. Share capital

All shares are fully paid and each ordinary share carries one vote. No warrants have been exercised at the reporting date.

Allotted, called-up and fully paid:	Number	Pence per share	Share premium $'000s
Balance at 30 April 2015	**261,897,302**		**3,616**
06/05/2015 – equity placing	50,000,000	0.200	152
Cost of issue	-	-	(9)

05/06/2015 – equity placing	375,000,000	0.400	2,335
Cost of issue	-	-	(164)
11/06/2015 – consideration shares*	31,250,000	0.400	194
Balance at 31 October 2015 and 30 April 2016	**718,147,302**		**6,124**
13/05/2016 – equity placing	850,000,000	0.200	2,478
Cost of issue			(815)
13/05/2016 – loan note settlement	300,000,000	0.200	856
13/05/2016 – share based payments	549,389,762	0.200	1,568
31/05/2016 – equity placing	12,007,661	0.200	34
30/06/2016 – share based payments	63,623,250	0.200	166
Balance at 31 October 2016	**2,493,167,975**		**10,411**

* Non-cash item per the consolidated cash flow statement

At the period end the Company has the obligation to issue a further 93,750,000 shares subject to further milestones being achieved but as at the reporting date the milestones had not been met accordingly the Company had not recorded the obligation as a liability.

7. Events after the reporting date

On 31 January 2017 the Company issued a Loan Note with nominal par value of £500,000. No interest is charged over the term of the Loan Note, which has been issued at a 20% discount to nominal value, consequently the cash proceeds due to the Company following the issue of the Loan Note are £400,000. The note is repayable in cash on or before 28 April 2017 ('the Maturity Date'), if the Loan Note has not been repaid it can be converted into equity at the lower of the closing day bid price or a 20% discount to the VWAP in minimum tranches of £20,000. For every three conversion shares issued under a conversion notice the lender will receive one 18 month warrant with exercise price at a 100% premium to the conversion price.