



ADVANCEENERGY

UNAUDITED INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2020

ADVANCE ENERGY PLC
UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 OCTOBER 2020

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Chairman's Statement

Dear Shareholders,

We are pleased to report that the Company has made significant progress in the half-year to 31 October 2020 and in the period since then in carrying out its strategy to grow through acquisition or farm-in to non-operated interests in upstream oil and gas projects where there is an opportunity to add significant value in the short to medium term.

In particular, we are delighted to have agreed a potentially transformative transaction with Carnarvon Petroleum Limited to acquire up to a 50% indirect interest in the Buffalo Oil Field in Timor-Leste. This asset reflects our stated strategy perfectly. The teams at Advance Energy and Carnarvon believe the Buffalo Oil Field holds material unrealised value that can be unlocked through redevelopment.

The Buffalo Oil Field is a proven oil field that produced 21 MMbbls over 5 years in the early 2000s. Subject, *inter alia*, to raising the necessary finance and securing the requisite shareholder approval for the transaction, the Company's planned subscription in the Joint Venture Company for a consideration of up to US\$20 million will be applied to funding the drilling of the B-10 appraisal well and certain PSC related costs, to appraise the independently certified 2C (probable contingent) oil resource of 31.1 MMbbls, with the intention for drilling to take place in late 2021.

The transaction is classified as a reverse takeover pursuant to the AIM Rules for Companies and accordingly the Company's shares were temporarily suspended from trading on AIM, and will remain suspended from trading on AIM until such time as either an Admission Document setting out details of the proposed Transaction is published or confirmation is given that the Transaction is not proceeding. We are confident that we can convey the compelling and value accretive nature of this transaction to the market as we seek, *inter alia*, to raise the funds that will enable the deal to proceed.

Meanwhile, we continue to build on our ambitious growth strategy and are in the early stages of negotiating a possible participation in other projects. So with this in mind, we view Buffalo as the first stepping stone to our growth ambitions of becoming a mid-cap player in the next few years, and would hope to conclude at least one other transaction this calendar year.

The accounts for the six months naturally do not reflect this progress, consisting as they do just of the corporate expenditure in the period of \$631,000 and an accounting loss of the same amount. Whilst we show a net liability position of \$317,000 on the balance sheet at 31 October 2020, this has been managed by the deferral of much of the expenditure, including directors' fees, and a capital raise of \$410,000 (before costs) in November 2020.

The interests of the Directors and other members of the Advance Energy team are fully aligned with those of other shareholders, and we intend to demonstrate our confidence in the Buffalo transaction and aligning our interests even more closely through participation in the placing. We look forward to updating the market with the publication of the Admission Document and a Notice of EGM in the coming weeks.

Mark Rollins
Non-Executive Chairman
25 January 2021

Interim Consolidated Statement of Comprehensive Income

		Unaudited Six months ended 31 Oct 2020	Audited Year ended 30 Apr 2020	Unaudited Six months ended 31 Oct 2019
	Notes	\$'000	\$'000	\$'000
Investment income/(losses):				
Unrealised losses on investments		-	(604)	-
Impairment of exploration asset		-	(267)	-
		-	(871)	-
Asset evaluation and operating expenses	4	-	(23)	(83)
Other administrative expenses	4	(643)	(293)	(419)
Net loss before Finance Costs and Taxation		(643)	(1,187)	(502)
Finance costs		12	(44)	(26)
Loss before tax		(631)	(1,231)	(528)
Tax expense		-	-	-
Loss after tax		(631)	(1,231)	(528)
Total comprehensive loss after tax		(631)	(1,231)	(528)
Total comprehensive loss		(631)	(1,231)	(528)
Basic and diluted loss per share attributable to owners of the parent during the year (expressed in US cents per share)	6	(0.04)	(0.11)	(0.06)

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

Interim Consolidated Statement of Financial Position

	Notes	Unaudited 31 Oct 2020 \$'000	Audited 30 Apr 2020 \$'000	Unaudited 31 Oct 2019 \$'000
Non-current assets				
Financial asset at fair value through profit or loss		-	-	604
Other investments		-	-	267
		-	-	871
Current assets				
Other receivables		14	15	88
Cash and cash equivalents		261	562	42
		275	577	130
Total assets		275	577	1,001
Current liabilities				
Trade and other payables	7	(592)	(323)	(1,005)
Total liabilities		(592)	(323)	(1,005)
Net assets				
		(317)	254	(4)
Equity attributable to equity holders of the company				
Share premium		18,665	18,665	17,630
Accumulated deficit		(18,982)	(18,411)	(17,634)
Total shareholder funds		(317)	254	(4)

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

Interim Consolidated Statement of Changes in Equity

	Share premium \$'000s	Accumulated deficit \$'000s	Total equity \$'000s
Balance at 1 May 2019	16,878	(17,131)	(253)
Loss for the period to 31 October 2019 (unaudited)	-	(528)	(528)
Total comprehensive loss	-	(528)	(528)
<i>Transactions with equity shareholders of the parent:</i>			
Share based payments – options	-	25	25
Proceeds from shares issued	831	-	831
Cost of share issue	(79)	-	(79)
Balance at 31 October 2019 (unaudited)	17,630	(17,634)	(4)
Loss for the period to 30 April 2020	-	(703)	(703)
Total comprehensive loss	-	(703)	(703)
<i>Transactions with equity shareholders of the parent:</i>			
Share based payments – warrants	49	(49)	-
Share based payments – options	-	(25)	(25)
Proceeds from shares issued	1,002	-	1,002
Cost of share issue	(16)	-	(16)
Balance at 30 April 2020 (audited)	18,665	(18,411)	254
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 – warrants	-	60	60
Balance at 31 October 2020 (unaudited)	18,665	(18,982)	(317)

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

Interim Consolidated Cash Flow Statement

	Notes	Unaudited 31 Oct 2020 \$'000	Audited 30 Apr 2020 \$'000	Unaudited 31 Oct 2019 \$'000
Cash flows from operating activities:				
Loss before tax		(631)	(1,231)	(528)
Adjustments for:				
Share-based payment	5	240	-	25
Impairment of intangible asset		-	267	-
Change in working capital items:				
Movement in other receivables		1	59	4
Movement in trade and other payables		89	(529)	136
Net cash used in operations		(301)	(1,434)	(363)
Cash flows from investing activities				
Cost of financial asset at fair value		-	-	(604)
Net cash flows from investing activities		-	-	(604)
Cash flows from financing activities				
Proceeds from issue of share capital		-	1,833	831
Share issue costs		-	(95)	(79)
Net cash flows from financing activities		-	1,738	752
Net increase in cash and cash equivalents		(301)	304	(216)
Effect of exchange rate changes		-	-	-
Cash and cash equivalents at beginning of period		562	258	258
Cash and cash equivalents at end of period		261	562	42

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 is a public limited company incorporated and domiciled in the Isle of Man whose shares are publicly traded on the AIM market of the London Stock Exchange.

The Company and its subsidiary, Resolute Oil & Gas (UK) Limited, are collectively referred to as the Group.

The principal activity of the Group during the period was the acquisition and development of oil and gas assets.

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 2020, 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 2020.

The interims 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 2020 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 2020 are available upon request from the Company's registered office at 55 Athol Street, Douglas, Isle of Man or the Company 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 25 January 2021.

3 Going concern

The Group had negative \$317,000 net assets at 31 October 2020. The Group currently has limited cash resources and will therefore need to secure additional financing to complete the acquisition shown in note 10 and provide for general working capital.

On 12 November 2020, the Company raised £300,000 (gross), equivalent to \$401,000, by way of a placing of 136,363,636 new ordinary shares of no par value in the Company at a price of 0.22 pence per share (see note 10).

The Group intends to raise the additional funding to finance future acquisitions and provide for general working capital needs by way of additional capital through the issue of further ordinary shares. The Directors believe that the Group will be successful in raising the necessary finance.

Notes to the Interim Consolidated Financial Statements (continued)

Accordingly, the Directors have a reasonable expectation that the Company and the Group will continue in operational existence for the foreseeable future, and for a period of at least 12 months from the date of signing of these financial statements.

Whilst the Directors are confident of being able to raise such funding if required, there is no certainty that such funding will be available and/or the terms of such funding. The financial statements do not include the adjustments that would result if the Company and the Group were unable to continue as a going concern.

4 Expenses

Administration fees and expenses consist of the following:

	Unaudited Six months ended 31 Oct 2020 \$'000	Audited Year ended 30 Apr 2020 \$'000	Unaudited Six months ended 31 Oct 2019 \$'000
Corporate overheads:			
- Directors fees	408	(146)	221
- Professional fees	174	241	116
- Audit fees	12	32	-
- Bad debt write off	-	117	34
- Administration costs	49	49	48
	643	293	419
Asset evaluation and operating expenses:			
- Office costs	-	13	13
- Consulting and farm-in expenses	-	(36)	28
- Travel and accommodation	-	46	42
	-	23	83
Total expenses	643	316	502

5 Directors remuneration

The remuneration of those in office during the period ended 31 October 2020 was as follows:

	Unaudited Six months ended 31 Oct 2020 \$'000	Audited Year ended 30 Apr 2020 \$'000	Unaudited Six months ended 31 Oct 2019 \$'000
Salaries paid in cash	156	413	223
Accrued entitlement to shares and warrants	240	-	-
Directors' health insurance	12	3	-
Waiver of fees	-	(562)	-
	408	(146)	223

Notes to the Interim Consolidated Financial Statements (continued)

Ross Warner (Non-Executive Director) is entitled to a fixed monthly fee of \$5,000 payable in cash. Mark Rollins (Chairman) and Leslie Peterkin (Chief Executive Officer) are entitled to a fixed monthly fee of \$5,000 and \$10,000 respectively payable in cash, and \$10,000 payable in shares each. Stephen West (Chief Financial Officer) is entitled to a fixed monthly fee of £4,082 payable in cash together with an amount of warrants in the Company calculated on a monthly basis by dividing £8,165 by the Company's mid-market price on the date of determination, being no later than the last day of each month ("Director Warrants"). The Director Warrants accrue monthly, have an exercise price of zero, expire five years from the issue date and vest three months from the issue date.

The accrued entitlement of shares and warrants includes a prior accrual of \$60,000.

The accrued shares are recorded in note 8 and the accrued share based payment expense is as shown above. The corresponding warrants cost is recorded in Consolidated Statement of Changes in Equity.

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 2020	Audited Outstanding at 30 Apr 2020	Unaudited Outstanding at 31 Oct 2019
Loss attributable to owners of the Group (USD thousands)	(631)	(1,231)	(528)
Weighted average number of ordinary shares in issue (thousands)	1,560,637	1,107,577	890,057
Loss per share (US cents)	(0.04)	(0.11)	(0.06)

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

7 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 2020	Audited Outstanding at 30 Apr 2020	Unaudited Outstanding at 31 Oct 2019
Trade payables	315	299	523
Accruals and other payables	277	24	482
	592	323	1,005

Notes to the Interim Consolidated Financial Statements (continued)

8 Shares in issue

The number of shares in issue throughout the period was 1,560,636,834. In addition to the shares in issue, as described in note 5, Mark Rollins and Leslie Peterkin receive part of their remuneration in new shares in lieu of cash. As at 31 October 2020, they each had an entitlement to receive 43,980,136 shares. Stephen West receives part of his remuneration in the form of zero cost warrants. As at 31 October 2020, he was entitled to receive 24,994,042 warrants.

The notional number of shares in issue taking into account the above entitlements and assuming the warrants are exercised would be 1,673,591,148. The Company intends to issue the shares and warrants to the directors in accordance with their entitlement in conjunction with a later capital-raising event.

In addition, after the period end new shares were issued for cash and to settle certain third party creditors, as described in note 10.

9 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 2020 (30 April 2020: None).

There are 81,250,000 unvested options issued to the current directors and consultants that are due to vest in 2021.

There are 10,790,608 of unvested zero cost warrants to the current directors that are yet to vest.

10 Subsequent events

Placing and Issue of Equity

On 12 November 2020, the Company raised £300,000 (gross), equivalent to \$401,000, by way of a placing of 136,363,636 new ordinary shares of no par value in the Company at a price of 0.22 pence per share. The funds are being used to progress new venture opportunities and for general working capital purposes.

In addition, the Company issued 21,416,515 ordinary shares to various creditors to settle liabilities amounting to \$69,000. The total number of shares in issue as at the date of this report is 1,718,416,985.

Reverse Takeover Transaction and Suspension of Trading

On 17 December 2020, the Company created a new wholly owned subsidiary, Advance Energy TL Limited ("AETL"), with which it entered into a subscription agreement with Timor-Leste Petroleum Pty Ltd ("CVNA") (a subsidiary of Carnarvon Petroleum Limited (ASX:CVN, "Carnarvon")) pursuant to which AETL will subscribe for equity such that AETL holds up to 50% of the total equity interest in Carnarvon Petroleum Timor, Unipessoal Lda (a subsidiary of CVNA incorporated in Timor-Leste) for a consideration of up to US\$20 million.

The transaction is classified as a reverse takeover pursuant to the AIM Rules for Companies and accordingly the Company's shares were temporarily suspended from trading on AIM as of 17 December 2020 and will remain suspended from trading on AIM until such time as either an Admission Document setting out details of the proposed transaction is published or confirmation is given that the transaction is not proceeding.