

SIMEC Atlantis Energy Limited

Registration Number: 200517551R

Consolidated Interim Financial Statements

For the six months ended 30 June 2019

Contents

Chairman's Statement	1
Consolidated Interim Financial Statements	3
Notes to the Consolidated Interim Financial Statements	7
Company Information	10

Chairman's Statement

The first six months of 2019 have been another extremely busy time for us here at Atlantis, and this is a constant theme as we continue to grow and develop into a diversified sustainable energy company of scale. Of particular note are two significant operational highlights which reflect the continued transformation of the Group: the first uninterrupted half year of generation at MeyGen Phase 1A in Scotland; and the completion of Phase 1 of the Front End Engineering Design ('FEED') for the ground-breaking conversion of the Uskmouth power station in Wales.

I am delighted to report the continued strong performance of the turbines at MeyGen Phase 1A. To date, over 21GWh of predictable renewable electricity has been exported to the grid for distribution to consumers. This equates to the average annual domestic electricity consumption of over 6,000 homes, or 5% of the annual electricity consumption of Aberdeen. The reliability of the array during 2019 has been excellent, and it has been incredibly rewarding to see the project enter this steady state phase of operations and consistently deliver generation in line with predictions. This sustained period of generation, which surpasses that of any other tidal stream project anywhere in the world, has yielded not only revenues but large volumes of performance data to help improve performance, optimise future system design, and provide confidence to future project financiers. We are continuing to investigate opportunities to further enhance the performance of the existing array with the potential for further turbine deployment, including the new AR2000 turbine and our subsea hub, which allows for significant cost savings through the connection of multiple turbines to a single export cable. These are key steps to our plans for a potentially much larger scale roll-out at the site, making use of our full 86MW consented capacity and demonstrating the viability of tidal stream energy as a cost effective, home grown solution for predictable and inexhaustible electricity supply.

In September, we were proud to make announcements around our partnership with Alderney Electricity Limited ('AEL'). The partnership with AEL is via Normandie Hydroliennes, our joint venture with the regional investment fund Normandie Participations and local manufacturer Efinor. The heads of terms with AEL seek to enter into a 25-year fixed price power purchase agreement covering a minimum annual load of 5GWh. This PPA will eventually underpin the financial investment case for our tidal power projects currently being developed in France where tidal power generated in French waters will be exported to the Channel Islands. In the same month, we also announced our ambitions to design, plan and consent the world's largest ocean powered data centre in Caithness, Scotland. The data centre, which will be operated by experienced third party data centre operators, will accelerate the buildout of the MeyGen site by providing a pathway to construction that is not reliant on the UK government's limited support schemes for renewable energy. This project will also help Scotland build up more data resilience domestically as well as providing access to much needed international data connections.

We continue to make good progress on our flagship Uskmouth power station conversion, where we have completed key FEED studies which confirm the combustion characteristics of the waste-derived energy pellet which will be used to fuel the converted plant. These energy pellets will be produced from waste materials which might otherwise have gone to landfill or waste incineration plants, and our aim is to show that this waste can instead be used to create a new and valuable fuel product which can be combusted efficiently in existing power stations in place of traditional fossil fuels. We see this as a cornerstone of the transition to a more sustainable energy future, enabling the rising penetration of intermittent renewables in our electricity mix by providing a

solution to baseload power demand. Now that we have completed the first phase of FEED the next stage is to commence larger scale combustion tests and invasive inspection works in preparation for tendering the full construction contract and the return to service of existing plant. To fund this expanded pre-financial close work scope, we are delighted that in August, we launched our third Abundance bond, with a targeted raise of up to £7 million, the proceeds from this issue will primarily be used to support the expanded works at Uskmouth as well as the development of our broader project portfolio of sustainable energy projects.

Both MeyGen and the Uskmouth project have created remarkable opportunities for the Atlantis team to forge new paths and demonstrate leadership in innovation and delivery of solutions for some of the challenges which face society today. We believe that our environmentally responsible and visionary approach to our energy needs goes hand in hand with a sustainable business model, which can only become more relevant as we become increasingly aware of our impact on the planet.

Summary of Results

The overall loss before tax of £12.4 million for the six months ended 30 June 2019 was 36 per cent higher than the loss of £9.1 million reported for the same period in 2018. This increase is largely attributable to the servicing costs and depreciation associated with the Uskmouth facility as we prepare the plant for conversion, as well as a full six month contribution of revenues, operational expenses, depreciation charges and finance costs from the first stage of MeyGen. In comparison, in the prior corresponding period MeyGen had only entered its operational phase at the end of Q1 2018. The operating costs at MeyGen during the first six months of 2019 have been in line with budget and reflect the steady state of the project in normal operations.

Revenues from the sale of power generated at MeyGen were £1.85 million compared to £1.19 million for the same period in 2018. This 55 per cent increase reflects a full six months of the turbines generating in 2019 compared with four in the previous year.

Depreciation has increased by £3 million, in line with expectations, due to the consolidation of Uskmouth from June 2018, and a full six months of MeyGen charges.

Finance costs in the current period also include a full six months of MeyGen and the second £5 million Abundance bond, issued in May 2018.

The unaudited consolidated cash position of the Atlantis Group at 30 June 2019 was £5.1 million.



John M Neill

Chairman

**Condensed consolidated statement of profit and loss and
other comprehensive income
For the six months ended 30 June 2019**

	Note	Group	
		30 June 2019 £'000	30 June 2018 £'000
Revenue		1,974	1,314
Other gains and losses		76	(92)
Employee benefits expense		(3,125)	(2,062)
Subcontractor costs		(1,739)	(356)
Depreciation and amortisation		(5,219)	(2,222)
Acquisition costs		(980)	-
Other operating expenses		(1,651)	(4,444)
Total expenses		<u>(12,714)</u>	<u>(9,084)</u>
Results from operating activities		<u>(10,664)</u>	<u>(7,862)</u>
Finance costs		(1,749)	(1,278)
Loss before tax		<u>(12,413)</u>	<u>(9,140)</u>
Tax credit		581	60
Loss for the period		<u>(11,832)</u>	<u>(9,080)</u>
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		-	(1)
Total comprehensive income for the period		<u>(11,832)</u>	<u>(9,081)</u>
Loss attributable to:			
Owners of the Group		(11,436)	(8,864)
Non-controlling interests		(396)	(216)
Total comprehensive income attributable to:			
Owners of the Group		(11,436)	(8,865)
Non-controlling interests		(396)	(216)
Loss per share (basic and diluted) (pence)	5	<u>(0.03)</u>	<u>(0.06)</u>

Condensed consolidated statement of financial position

As at 30 June 2019

	Group	
	30 June 2019 £'000	31 December 2018 £'000
Assets		
Property, plant and equipment	138,716	142,247
Intangible assets	31,987	32,753
Right-of-use assets	1,845	-
Non-current assets	172,548	175,000
Trade and other receivables	8,329	4,156
Inventory	863	986
Cash and cash equivalents	5,067	9,267
Current assets	14,259	14,409
Total assets	186,807	189,409
Liabilities		
Trade and other payables	6,479	8,523
Lease liabilities	379	-
Provisions	564	1,619
Loans and borrowings	3,585	2,765
Current liabilities	11,007	12,907
Loans and borrowings	39,127	38,855
Lease liabilities	1,477	-
Provisions	14,409	14,282
Deferred tax liabilities	3,221	3,802
Non-current liabilities	58,234	56,939
Total liabilities	69,241	69,846
Net assets	117,566	119,563
Equity		
Share capital	188,018	178,218
Capital reserve	12,665	12,665
Translation reserve	7,072	7,073
Share option reserve	2,461	3,224
Accumulated losses	(99,116)	(88,479)
Total equity attributable to owners of the Company	111,100	112,701
Non-controlling interests	6,466	6,862
Total equity	117,566	119,563

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2019

	Attributable to owners of the Company					Total £'000	Non- controlling interest £'000	Total £'000
	Share capital £'000	Capital reserve £'000	Translation reserve £'000	Share option reserve £'000	Accumulated losses £'000			
Group								
At 1 January 2018	95,030	12,665	7,161	3,477	(66,425)	51,908	8,327	60,235
Total comprehensive income for the period								
Loss for the period	–	–	–	–	(8,864)	(8,864)	(216)	(9,080)
Other comprehensive income	–	–	(1)	–	–	(1)	–	(1)
Total comprehensive income for the period	–	–	(1)	–	(8,864)	(8,865)	(216)	(9,081)
Transactions with owners								
Contributions and distributions								
Issue of share capital	83,188	–	–	–	–	83,188	–	83,188
Recognition of share-based payments	–	–	–	82	–	82	–	82
Transfer between reserves	–	–	(88)	(49)	137	–	–	–
Total transactions with owners	83,188	–	(88)	33	137	83,270	–	83,270
At 30 June 2018	178,218	12,665	7,072	3,510	(75,152)	126,313	8,111	134,424
Total comprehensive income for the period								
Loss for the period	–	–	–	–	(13,715)	(13,715)	(1,249)	(14,964)
Other comprehensive income	–	–	1	–	–	1	–	1
Total comprehensive income for the period	–	–	1	–	(13,715)	(13,714)	(1,249)	(14,963)
Transactions with owners								
Contributions and distributions								
Recognition of share-based payments	–	–	–	102	–	102	–	102
Transfer between reserves	–	–	–	(388)	388	–	–	–
Total transactions with owners	–	–	–	(286)	388	102	–	102
At 31 December 2018	178,218	12,665	7,073	3,224	(88,479)	112,701	6,862	119,563
Total comprehensive income for the period								
Loss for the period	–	–	–	–	(11,436)	(11,436)	(396)	(11,832)
Other comprehensive income	–	–	(1)	–	–	(1)	–	(1)
Total comprehensive income for the period	–	–	(1)	–	(11,436)	(11,437)	(396)	(11,833)
Transactions with owners								
Contributions and distributions								
Issue of share capital	9,800	–	–	–	–	9,800	–	9,800
Recognition of share-based payments	–	–	–	36	–	36	–	36
Transfer between reserves	–	–	–	(799)	799	–	–	–
Total transactions with owners	9,800	–	–	(763)	799	9,836	–	9,836
At 30 June 2019	188,018	12,665	7,072	2,461	(99,116)	111,100	6,466	117,566

Condensed consolidated statement of cash flows

For the six months ended 30 June 2019

	Group	
	Six months ended	
	30 June	30 June
	2019	2018
	£'000	£'000
Cash flows from operating activities		
Loss before tax for the period	(12,413)	(9,140)
Adjustments for:		
Depreciation of property, plant and equipment	4,454	1,471
Amortisation of intangible asset	765	751
Interest income	(7)	(2)
Finance costs	1,749	1,278
Share-based payments	36	82
Provision movement	(1,054)	(442)
Net foreign exchange	3	28
Operating cash flows before movements in working capital	(6,467)	(5,974)
Movement in trade and other receivables	857	(538)
Movement in trade and other payables	(1,946)	1,592
Net cash used in operating activities	(7,556)	(4,920)
Cash flows from investing activities		
Purchase of property, plant and equipment	(751)	(445)
Acquisition of subsidiary, net of cash acquired	-	57
Net cash used in investing activities	(751)	(388)
Cash flows from financing activities		
Proceeds from grants received	-	16
Proceeds from issue of shares	5,030	20,000
Costs related to fund raising	(260)	(897)
Proceeds from borrowings	-	4,970
Repayment of borrowings	(65)	(1,220)
Deposits (pledged) / released	(1)	850
Payment of lease liabilities	(204)	-
Interest paid	(394)	(296)
Net cash from financing activities	4,106	23,423
Net (decrease) / increase in cash and cash balances	(4,201)	18,115
Cash and cash equivalents at beginning of period	8,351	3,801
Cash and cash equivalents at end of period	4,150	21,916

Included in cash and cash equivalents in the statements of financial position is £0.9 million of encumbered deposits.

Notes to the Consolidated Interim Financial Statements

The condensed consolidated statement of financial position of SIMEC Atlantis Energy Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the Group for the six-month period then ended and certain explanatory notes (the “Consolidated Interim Financial Statements”), were approved by the Board of Directors for issue on 18 September 2019.

These notes form an integral part of the Consolidated Interim Financial Statements.

The Consolidated Interim Financial Statements do not comprise statutory accounts of the Group within the meaning in the provisions of the Singapore Companies Act, Chapter 50. The Group’s statutory accounts for the year ended 31 December 2018 were prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)) and International Financial Reporting Standards (IFRS). SFRS(I)s are issued by the Accounting Standards Council Singapore, which comprise standards and interpretations that are equivalent to IFRS issued by the International Accounting Standards Board. All references to SFRS(I)s and IFRSs are subsequently referred to as IFRS in these financial statements unless otherwise specified.

The Group’s statutory accounts for the year ended 31 December 2018 were approved by the Board of Directors on 27 June 2019 and have been reported by the Group’s auditors.

1 Domicile and activities

SIMEC Atlantis Energy Limited (the “Company”) is a company incorporated in Singapore. The Company’s registered office address is 80 Raffles Place, Level 36, Singapore 048624. The principal place of business is Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9QG, United Kingdom.

The principal activity of the Group is to develop and operate as a global sustainable energy provider. The Company is an inventor, developer, owner, marketer and licensor of technology, intellectual property, trademarks, products and services and an investment holding company.

2 Significant accounting policies

Basis of preparation

The Consolidated Interim Financial Statements have been prepared in accordance with the AIM Rules for Companies and are therefore not required to comply with International Accounting Standard 34 *Interim Financial Reporting* to maintain compliance with IFRS. In all other respects, the financial statements are drawn up in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2018.

The Consolidated Interim Financial Statements, which do not include the full disclosures of the type normally included in a complete set of financial statements, are to be read in conjunction with the last issued consolidated financial statements of the Group as at and for the year ended 31 December 2018.

Accounting policies

The accounting policies and method of computation used in the Consolidated Interim Financial Statements are consistent with those applied in the last issued consolidated financial statements of the Group for the year ended 31 December 2018, other than standards applied for the first time in 2019.

IFRS 16 Leases

The company has applied IFRS16 from 1 January 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS17. The Group has land, office premises and seabed leases.

Policy applicable from 1 January 2019

Leases are recognised as a right-of-use (“ROU”) asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Following the application of IFRS16 as at 1 January 2019, the Group recognised ROU assets and lease liabilities totalling £2.0 million.

3 Critical accounting judgements and key sources of estimation uncertainty

In preparing this set of Consolidated Interim Financial Statements, 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 that applied to the consolidated financial statements for the year ended 31 December 2018.

4 Going concern basis

The Group has prepared financial forecasts for a period beyond 30 September 2020, including sensitivity analysis. These forecasts, which take into account the ongoing committed costs of the Group, demonstrate that the Company is able to operate within its available cash and funding balances for a period beyond 30 September 2020. The forecasts indicate that the Group is projected to operate within its available cash facilities for the forecast period although mitigating action may be required to be taken in advance of periods when cash and cash equivalents available for use are forecast to be limited.

While the Directors cannot envisage all possible circumstances that may impact the Group in the future, the Directors believe that, taking account of the forecasts, future plans and available cash resources, the Group will have sufficient resources to support the Company to meet all ongoing working capital and committed capital expenditure requirements as they fall due.

5 Other notes

- (i) In March 2019, the Company raised over £5 million, before expenses, through the placing of 31.4 million new ordinary shares at a placing price of 16 pence per share. Simultaneously Atlantis issued 31.4 million consideration shares at 16 pence per share (£5 million) to SIMEC UK Energy Holdings Limited (“SIMEC”). As a result of the subsequent change to the proposed transaction to acquire the Green Highland Renewables Group, payment for these consideration shares will be received from SIMEC over the coming months.

During the period £0.2 million of expenses were incurred incidental to the issuance of shares.

- (ii) In respect of the six months to 30 June 2019, the diluted earnings per share is calculated on a loss of £11.8 million on the basic weighted average of 399,200,964 ordinary shares (30 June 2018: loss of £9.1 million and basic weighted average shares of 147,193,508). Share options were excluded from the diluted weighted average number of ordinary shares calculations as their effect would have been anti-dilutive. No dividends has been declared (2018: nil).

COMPANY INFORMATION

NON-EXECUTIVE DIRECTORS

John Mitchell Neill
Mark Edward Monckton Elborne
George Jay Hambro
Ian Raymond Wakelin
John Anthony Clifford Woodley

JOINT BROKER

J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

EXECUTIVE DIRECTORS

Timothy James Cornelius
Andrew Luke Dagley

AUDITOR

KPMG LLP
16 Raffles Quay #25-00
Hong Leong Building
Singapore 048581

REGISTERED OFFICE AND COMPANY NUMBER

80 Raffles Place
Level 36
Singapore 048624
Company Number: 200517551R

REGISTRAR

Boardroom Corporate & Advisory Services
Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

COMPANY SECRETARY

Gwendolin Lee Soo Fern
c/o 50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

DEPOSITARY

Link Market Services Trustees Limited
The Registry
34 Beckenham Road
Beckenham BR3 4TU

NOMINATED ADVISER AND JOINT BROKER

Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
London E14 5RB

GUERNSEY BRANCH REGISTER

Link Market Services (Guernsey) Limited
Mont Crevelt House
Bulwer Avenue
St Sampson
Guernsey GY2 4LH

WEBSITE

www.simecatlantis.com