

SIMEC Atlantis Energy Limited

Registration Number: 200517551R

Consolidated Interim Financial Statements

(unaudited)

For the six months ended 30 June 2022

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Chairman's Statement

SIMEC Atlantis Energy Limited ("SAE") moved in to 2022 having made significant structural changes to the business with a clear focus on delivering on our strategy for developing alternative energy solutions.

Uskmouth Energy Park

Following our termination of the Uskmouth Power Station conversion project, the Group has decided to redevelop the site into a sustainable energy park. In May we were very pleased to announce the first phase of this redevelopment with an agreement with Energy Optimisation Solutions to establish a 230MW Battery Energy Storage System (BESS) facility at the site. This project is proceeding on schedule with the first key milestone achieved in August 2022 and financial close expected in the first quarter of 2023. We are exploring opportunities to further develop the sustainable energy park at the Uskmouth site and maximise value to shareholders.

We are also looking at opportunities to leverage the expertise gained in the development of our Uskmouth conversion project at potential sites in eastern Europe. While the war in Ukraine has created immediate energy supply challenges, it has also highlighted the importance of diversifying energy sources and improving energy security across Europe. This will improve the attractiveness of our proposition to repurpose existing power generation facilities to utilise waste derived fuel pellets in place of coal. We look forward to bringing forward these projects for development in due course.

Marine Energy

MeyGen Phase 1

The MeyGen operating array has made significant progress this year with the successful redeployment of the AR1500 turbine in March and one of the Andritz turbines in September following a period of technical challenges for the project so that at the date of this report three of the four MeyGen turbines are in full operation.

The project remains on schedule to re-deploy the final turbine in March 2023. This turbine will be retrofitted with a wet mate connection system, which more than halves the costs of future turbine recoveries and deployments.

This will return the Phase 1 array to full power, demonstrating tidal technology at commercial scale in support of the 28MW Phase 2 development.

MeyGen Phase 2

In November 2021, the UK Government announced "ring fenced" funding support for tidal power and a commitment for ongoing support for the development of the tidal power sector. We were very pleased to announce that MeyGen had successfully secured a Contract for Difference (CfD) in the Allocation Round 4 announced by the UK government on 7th July which guarantees MeyGen Phase 2 a power price of £178.54 (£/MWh) for 15 years and will allow SAE to deliver 28MW of clean, predictable power. The award represented the highest capacity allocation to a single site and will create the world's largest tidal array of 34MW, reaffirming MeyGen as the global home of tidal stream energy. We are working to achieve financial close for this next phase in 2024 with operation expected to start in 2027.

The MeyGen project remains a key priority for the group and we look forwards to further develop the site through future CfD rounds.

Funding

As noted in the recent going concern statement in SAE's final results for the year ended 31 December 2021, as SAE continues to develop its key projects, it remains dependent upon external financing.

The Directors' assessment of going concern is described at Note 4 below. In concluding on the appropriateness of the going concern basis for preparation of the financial statements, the Directors have acknowledged the need for further funding in the short term to support continuing Group operations and the development of key projects.

The Board is considering a range of funding options for the Group.

Summary of Results

The overall loss before tax of £8.6 million for the six months ended 30 June 2022 compares to a loss of £10.7 million reported for the same period in 2021. The reduction in loss compared to the corresponding period last year was mainly as a result of the restructuring implemented during the second half of 2021 that resulted in a significant reduction in costs and various asset impairments. However, the results were adversely impacted by the service outages of three of the four turbines at MeyGen during the first half of this year. The position is expected to improve during the second half of the year with contributions from the two turbines that have been successfully redeployed in March and September. The results for the interim period also exclude GHR, the hydro projects development business that was disposed of in December 2021.

Finance costs in the current period are materially in line with the same period last year.

The unaudited consolidated cash position of the Group at 30 June 2022 was £4.1 million (30 June 2021: £3.8 million). Included in cash and cash equivalents in the statement of financial position are encumbered deposits of £0.8 million (30 June 2021: £1.5 million).



Duncan Black

Chairman

**Condensed consolidated statement of profit and loss and
other comprehensive income
For the six months ended 30 June 2022**

		Group	
		Six months ended	
	Note	30 June 2022 £'000	30 June 2021 £'000
Revenue		1,266	5,203
Other gains and losses		2,167	696
Employee benefits expense		(1,323)	(3,153)
Subcontractor costs		(3,067)	(4,237)
Depreciation and amortisation		(4,037)	(5,378)
Acquisition costs		-	-
Other operating expenses		(1,675)	(2,154)
Total expenses		(10,102)	(14,922)
Results from operating activities		(6,669)	(8,991)
Finance costs		(1,933)	(1,741)
Loss before tax		(8,602)	(10,732)
Tax (charge)/ credit		(1)	(943)
Loss for the period		(8,603)	(11,675)
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		16	34
Total comprehensive income for the period		(8,587)	(11,641)
Loss attributable to:			
Owners of the Group		(7,859)	(10,915)
Non-controlling interests		(744)	(760)
Total comprehensive income attributable to:		(7,843)	(10,881)
Owners of the Group		(7,843)	(10,881)
Non-controlling interests		(744)	(760)
Loss per share (basic and diluted) (pence)	5	(0.01)	(0.01)

Condensed consolidated statement of financial position

As at 30 June 2022

	Group	
	30 June	31 December
	2022	2021
	£'000	£'000
Assets		
Property, plant and equipment	72,788	76,795
Intangible assets	4,160	4,180
Right-of-use assets	976	779
Investment in joint venture	405	405
Loan to joint venture	358	334
Non-current assets	78,687	82,493
Trade and other receivables	1,907	1,606
Inventory	-	-
Cash and cash equivalents	4,142	3,771
Current assets	6,049	5,377
Total assets	84,736	87,870
Liabilities		
Trade and other payables	(6,924)	(7,115)
Lease liabilities	(77)	(60)
Provisions	(89)	(172)
Loans and borrowings	(10,429)	(6,942)
Current liabilities	(17,519)	(14,289)
Lease liabilities	(895)	(698)
Provisions	(14,781)	(13,546)
Loans and borrowings	(42,626)	(41,878)
Deferred tax liabilities	(761)	(771)
Non-current liabilities	(59,063)	(56,893)
Total liabilities	(76,582)	(71,182)
Net assets	8,154	16,688
Equity		
Share capital	201,496	201,496
Capital reserve	12,665	12,665
Translation reserve	7,137	7,121
Share option reserve	379	576
Accumulated losses	(214,519)	(206,910)
Total equity attributable to owners of the Company	7,158	14,948
Non-controlling interests	996	1,739
Total equity	8,154	16,687

Condensed consolidated statement of changes in equity For the six months ended 30 June 2022

Group	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			
At 1 January 2021	195,375	12,665	7,080	787	(139,841)	76,066	5,710	81,776
Total comprehensive income for the period								
Loss for the period	–	–	–	–	(10,915)	(10,915)	(760)	(11,675)
Other comprehensive income	–	–	34	–	–	34	–	34
Total comprehensive income for the period	–	–	34	–	(10,915)	(10,881)	(760)	(11,641)
Transactions with owners								
Contributions and distributions								
Issue of share capital	2,001	–	–	–	–	2,001	–	2,001
Recognition of share-based payments	–	–	–	241	–	241	–	241
Transfer between reserves	–	–	–	(127)	127	–	–	–
Total transactions with owners	2,001	–	–	114	127	2,242	–	2,242
At 30 June 2021	197,376	12,665	7,114	901	(150,629)	67,427	4,950	72,377
Total comprehensive income for the period								
Loss for the period	–	–	–	–	(56,708)	(56,708)	(3,211)	(59,919)
Other comprehensive income	–	–	7	–	–	7	–	7
Total comprehensive income for the period	–	–	7	–	(56,708)	(56,701)	(3,211)	(59,912)
Transactions with owners								
Contributions and distributions								
Issue of share capital net of issue costs	4,120	–	–	–	–	4,120	–	4,120
Recognition of share-based payments	–	–	–	102	–	102	–	102
Transfer between reserves	–	–	–	(426)	426	–	–	–
Total transactions with owners	4,120	–	–	(324)	426	4,222	–	4,222
At 31 December 2021	201,496	12,665	7,121	577	(206,911)	14,948	1,739	16,687
Total comprehensive income for the period								
Loss for the period	–	–	–	–	(7,859)	(7,859)	(744)	(8,603)
Other comprehensive income	–	–	16	–	–	16	–	16
Total comprehensive income for the period	–	–	16	–	(7,859)	(7,843)	(744)	(8,587)
Transactions with owners								
Contributions and distributions								
Issue of share capital net of issue costs	–	–	–	–	–	–	–	–
Recognition of share-based payments	–	–	–	53	–	53	–	53
Transfer between reserves	–	–	–	(251)	251	–	–	–
Total transactions with owners	–	–	–	198	251	53	–	53
At 30 June 2022	201,496	12,665	7,137	379	(214,519)	7,158	996	8,154

Condensed consolidated statement of cash flows

For the six months ended 30 June 2022

	Group	
	Six months ended	
	30 June	30 June
	2022	2021
	£'000	£'000
Cash flows from operating activities		
Loss before tax for the period	(8,602)	(10,732)
Adjustments for:		
Grant income	(31)	(9)
Depreciation of property, plant and equipment	4,018	4,531
Amortisation of intangible asset	19	847
Interest income	(10)	(8)
Finance costs	1,933	1,741
Share-based payments	53	241
Provision movement	(84)	(35)
Net foreign exchange	103	190
Operating cash flows before movements in working capital	(2,601)	(3,234)
Movement in trade and other receivables	(301)	842
Movement in trade and other payables	(354)	819
Net cash used in operating activities	(3,256)	(1,573)
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(1,282)
Loan to joint venture	(24)	(410)
Proceeds from disposal of scrap	1,155	-
Net cash used in investing activities	1,131	(1,692)
Cash flows from financing activities		
Proceeds from grants received	31	9
Proceeds from issue of shares	-	2,250
Costs related to fund raising	-	(249)
Proceeds from borrowings	2,500	-
Repayment of borrowings	-	(383)
Deposits (pledged) / released	(1)	(18)
Payment of lease liabilities	(31)	(147)
Interest paid		(544)
Net cash from financing activities	2,499	918
Net (decrease)/increase in cash and cash balances	375	(2,347)
Cash and cash equivalents at beginning of period	3,004	4,315
Effect of foreign exchange on cash held in currency	(4)	141
Cash and cash equivalents at end of period	3,375	2,109

Included in cash and cash equivalents in the statements of financial position is £0.8 million (2020: £1.5 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 2022, 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 the 29th September 2022.

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 2021 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 2021 were approved by the Board of Directors on 28 June 2022.

1 Domicile and activities

SIMEC Atlantis Energy Limited (the “Company”) is a company incorporated in Singapore. The Company’s registered office address is c/o Level 4, 21 Merchant Road, #04-01, Singapore 058267. The principal place of business is 26 Dublin Street, Edinburgh, EH3 6NN, 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 2021.

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 2021.

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 2021.

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 2021.

4 Going concern basis

In adopting the going concern basis for preparing the Interim Financial Statements, the Board has considered the Group's business activities, together with factors likely to affect its future development, its performance and principal risks and uncertainties. The Board has undertaken the assessment of the going concern assumptions using financial forecasts for the period to 31 December 2023.

The Directors cannot envisage all possible circumstances that may impact the Group in the future. However, after reviewing the current liquidity position, financial forecasts, stress testing of risks and taking account of future plans and available cash resources, the Directors have a reasonable expectation that 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. As a result, the Board continues to adopt the going concern basis of accounting in preparing the Interim Financial Statements. In arriving at this assessment the Directors are of the view that new funding will come from the securitisation of the annual income from the BESS project which will support Group operations, meet debt repayment commitments and continue the development of key projects.

The Directors draw attention to the material uncertainties, highlighted in the 31 December 2021 consolidated financial statements, published on 28 June 2022, which may cast doubt upon the Group's ability to continue as a going concern:

- Successful development of a BESS project at the Uskmouth site;
- The possible need to agree deferral of debt repayments due in March 2023 with Abundance bond holders if the company is unsuccessful in refinancing or otherwise repaying the bonds; and
- Any requirement for the repayment of EU grant funding and the timing thereof.

The Interim Financial Statements do not include any adjustments that would result if the Group were unable to continue as a going concern.

5 Other notes

In respect of the six months to 30 June 2022, the diluted earnings per share is calculated on a loss attributable to owners of the Company of £7.9 million on the basic weighted average of 722,812,335 ordinary shares (30 June 2021: loss of £10.9 million and basic weighted average shares of 514,099,831). Share options were excluded from the diluted weighted average number of ordinary shares calculations as their effect would have been anti-dilutive. No dividend has been declared (2021: nil).

6 Events after the reporting date

On 7th July 2022, the Group secured a Contract for Difference (CfD) allocation from the UK government guaranteeing £178.54 (£/MWh), for 15 years for 28MW of clean, predictable power from the MeyGen site.

On the 26th August 2022 the Group received an initial £6 million payment having achieved the first milestone in connection with the development of a Battery Energy Storage System at the Uskmouth site, of which £2 million was used to repay an outstanding loan to SIMEC.

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