



**SIMEC ATLANTIS
ENERGY**

SIMEC ATLANTIS ENERGY LIMITED

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

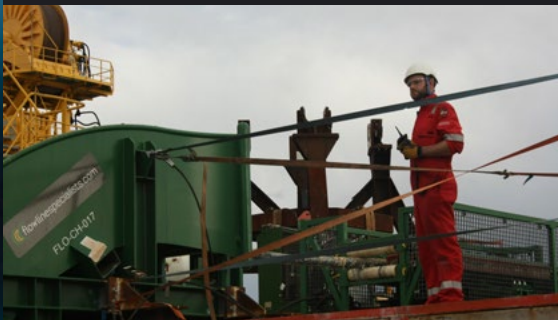


CONTENTS

	PAGE
Chairman's Statement	1
Consolidated Interim Financial Statements	3
Notes to the Consolidated Interim Financial Statements	7
Company Information	12



Enroute to the MeyGen site



Offloading 1.5MW Tidal Turbine



Uskmouth Power Station



Uskmouth Power Turbine Hall showing 121 MW Turbines

CHAIRMAN'S STATEMENT



Chairman

John Neill

“We are committed to building a diversified and cash generative project portfolio to supplement turbine sales and consultancy revenues for a sustainable business for the future.”



This autumn, as I reflect on the first six months of 2018, it is a story of growth and transformation for the Group. Our change of name to SIMEC Atlantis Energy Limited (“Atlantis” or the “Company”) exemplifies this transformation and our new relationship with the SIMEC group as our largest shareholder. In this regard, SIMEC now has two representatives on the Atlantis Board of Directors and I welcome Jay Hambro and Mark Elborne and look forward to their contributions ensuring a successful future. I would also like to take this opportunity to give my sincere thanks to our outgoing Directors, Ian Cobban, Mike Lloyd and Duncan Black for their service to the Board. Each has played his part in shaping the Company – from Mike’s stewardship of the technical committee, Ian’s offshore experience to Duncan’s wide-ranging expertise in both executive and non-executive roles.

The most significant immediate effect of the SIMEC transaction is our diversification into a new form of sustainable baseload energy using combustible pellets made from compressed waste materials which would otherwise go to landfills. As of 15 June 2018, the Atlantis Group now includes SIMEC Uskmouth Power Limited (“SUP”), the owner of a large power station in South Wales. It is our intent to convert this power station to produce 220MW of net output using waste derived pellets as its fuel instead of coal. As the pellets are created from waste, this results in a much lower fuel price than either the original coal or other conversion options such as traditional biomass, and should enable the plant to continue to operate economically for another 20 years. By carrying out this conversion we believe we can create value for our shareholders whilst meeting a demand for secure baseload power, as other fossil fuel generators face closure. Furthermore, the plant’s consumption of the waste derived pellets ensures that materials that are unsuitable for recycling can be repurposed as a useful fuel product. A successful conversion at Uskmouth can form the blueprint for other power stations that otherwise face obsolescence, providing instead an extended period of valuable service in compliance with up-to-date emissions regulations.

As well as initiating our first pellet conversion project, the SIMEC transaction grants Atlantis a right of first offer over other renewable energy assets in the SIMEC pipeline. These assets include operational hydropower projects and development schemes for pumped hydro storage. We are working with SIMEC to identify assets that may be suitable for transfer to the Atlantis portfolio.

Tidal power still forms the bedrock of that portfolio, and our operational project at MeyGen continues to generate power and export to the grid. In April we chalked up our fastest gigawatt hour of generation yet, speeding from 5GWh of total generation to 6GWh in less than three weeks. This was equivalent to a total load factor of over 36%, and our data tells us that we can improve on this as we continue to work with the turbine suppliers to implement improvements in reliability and efficiency. Our rate of learning has been just as impressive, and we are using that to refine our plans for further build-out at the MeyGen site and for new projects globally. We can plot a trajectory to significant reductions in the cost of tidal energy which will allow us to compete with more established renewables for a fraction of the previous subsidy support.

The overall loss for the six-month period reflects the significant investment that we have made to reposition Atlantis for growth as well as the transition of MeyGen Phase 1A into its 25-year commercial operating phase. At times of growth and development we value more than ever the support of our shareholders and investors, and in this period we were delighted to see another £5 million bond placement fully subscribed and a further £20 million of new equity raised from new and existing shareholders. With the benefit of this support, we are committed to building a diversified and cash generative project portfolio to supplement turbine sales and consultancy revenues for a sustainable business for the future.

CHAIRMAN'S STATEMENT

SUMMARY OF FINANCIAL RESULTS

As a result of both the capital raise and SUP acquisition the net assets of the Atlantis Group increased during the period from 31 December 2017 by over £74 million.

Revenue recognised in the period of £1.3 million relates to sales of power generated by the MeyGen 1A project in its operating phase. Total expenses for the period of £9.1 million includes both SUP acquisition costs and MeyGen costs associated with power sales being recognised.

Together with the capital raise from the market and bond issue, total cash from financing activities for the period, net of loan repayments was £23.4 million.

The unaudited consolidated cash position of the Atlantis Group at 30 June 2018 was £22.8 million.

The significant progress in the first half of 2018 has only been possible due to the support of all of our stakeholders, alongside the efforts of our employees during the period, who, as always, are critical to our continuing success.



John Neill
Chairman

23 September 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	Group	
		Six months ended	
		30 June 2018 £'000	30 June 2017 £'000
Revenue		1,314	-
Other gains and losses		(92)	3,130
Employee benefits expenses		(2,062)	(2,440)
Subcontractor costs		(356)	(1,013)
Depreciation and amortisation expenses		(2,222)	(763)
Research and development costs		-	(78)
Other operating expenses		(4,444)	(1,510)
Total expenses		(9,084)	(5,804)
Loss from operating activities		(7,862)	(2,674)
Finance costs		(1,278)	(508)
Share of results of equity-accounted investee		-	(37)
Loss before tax		(9,140)	(3,219)
Income tax expense		60	-
Loss for the period		(9,080)	(3,219)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(1)	(3)
Total comprehensive income for the period		(9,081)	(3,222)
Loss attributable to:			
Owners of the Company		(8,864)	(3,542)
Non-controlling interest		(216)	323
Total comprehensive income attributable to:			
Owners of the Company		(8,865)	(3,545)
Non-controlling interest		(216)	323
Loss per share (basic and diluted) (pence)	6	(0.06)	(0.03)

The accompanying notes form an integral part of these Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Group	
	30 June 2018 £'000	31 December 2017 £'000
ASSETS		
Property, plant and equipment	145,546	66,678
Intangible assets	33,524	34,291
Loan to joint venture	168	168
Non-current assets	179,238	101,137
Trade and other receivables	5,283	3,415
Inventory	986	-
Cash and cash equivalents	22,844	5,579
Current assets	29,113	8,994
Total assets	208,351	110,131
LIABILITIES		
Trade and other payables	10,289	5,212
Provisions	1,764	2,206
Loans and borrowings	4,640	5,524
Current liabilities	16,693	12,942
Loans and borrowings	39,196	32,385
Provisions	14,176	1,314
Deferred tax liabilities	3,862	3,255
Non-current liabilities	57,234	36,954
Total liabilities	73,927	49,896
Net assets	134,424	60,235
EQUITY		
Share capital	178,218	95,030
Capital reserve	12,665	12,665
Translation reserve	7,072	7,161
Share option reserve	3,510	3,477
Accumulated losses	(75,152)	(66,425)
Total equity attributable to owners of the Company	126,313	51,908
Non-controlling interests	8,111	8,327
Total equity	134,424	60,235

The accompanying notes form an integral part of these Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to owners of the Company						Total £'000	Non- controlling interest £'000	Total £'000
	Share capital £'000	Capital reserve £'000	Translation reserve £'000	Option fee £'000	Share option reserve £'000	Accumulated losses £'000			
Group									
At 1 January 2017	91,220	12,665	7,167	6	3,191	(55,666)	58,583	8,048	66,631
Total comprehensive income for the period									
Loss for the period	-	-	-	-	-	(3,542)	(3,542)	323	(3,219)
Other comprehensive income	-	-	(3)	-	-	-	(3)	-	(3)
Total comprehensive income for the period	-	-	(3)	-	-	(3,542)	(3,545)	323	(3,222)
Transactions with owners									
Contributions and distributions									
Issuance of shares	3,810	-	-	-	-	-	3,810	-	3,810
Recognition of share-based payments	-	-	-	-	202	-	202	-	202
Total transactions with owners	3,810	-	-	-	202	-	4,012	-	4,012
At 30 June 2017	95,030	12,665	7,164	6	3,393	(59,208)	59,050	8,371	67,421
Total comprehensive income for the period									
Loss for the period	-	-	-	-	-	(7,301)	(7,301)	(44)	(7,345)
Other comprehensive income	-	-	(3)	-	-	-	(3)	-	(3)
Total comprehensive income for the period	-	-	(3)	-	-	(7,301)	(7,304)	(44)	(7,348)
Transactions with owners									
Contributions and distributions									
Recognition of share-based payments	-	-	-	-	162	-	162	-	162
Transfer between reserves	-	-	-	(6)	(78)	84	-	-	-
Total transactions with owners	-	-	-	(6)	84	84	162	-	162
At 31 December 2017	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

The accompanying notes form an integral part of these Consolidated Interim Financial Statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Group	
	Six months ended	
	30 June 2018 £'000	30 June 2017 £'000
Cash flows from operating activities		
Loss for the period	(9,140)	(3,219)
Adjustments for:		
Depreciation of plant and equipment	1,471	21
Amortisation of intangible asset	751	742
Interest income	(2)	(78)
Finance costs	1,278	508
Share-based payments	82	202
Provision movement	(442)	(227)
Share of results of equity-accounted investee	-	37
Grant income	-	(1,840)
Net foreign exchange loss	28	14
Operating cash flows before movements in working capital	(5,974)	(3,840)
Movement in trade and other receivables	(538)	137
Movement in trade and other payables	1,592	(786)
Net cash used in operating activities	(4,920)	(4,489)
Investing activities		
Purchase of property, plant and equipment	(445)	(6,532)
Expenditure on project development	-	(8)
Acquisition of subsidiary, net cash acquired	57	-
Net cash used in investing activities	(388)	(6,540)
Financing activities		
Proceeds from grants received	16	4,226
Proceeds from issue of shares	20,000	4,050
Costs related to fund raising	(897)	(240)
Proceeds from borrowings	4,970	-
Repayment of borrowings	(1,220)	(300)
Deposits released/(pledged)	850	(132)
Interest paid	(296)	-
Net cash from financing activities	23,423	7,604
Net increase/(decrease) in cash and cash balances	18,115	(3,425)
Cash and cash equivalents at beginning of period	3,801	8,586
Cash and cash equivalents at end of period	21,916	5,161

See note 5 for details of the non-cash business combination transaction.

Included in cash and cash equivalents in the statement of financial position is £928k of encumbered deposits.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

The condensed consolidated statement of financial position of SIMEC Atlantis Energy Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2018, 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 20 September 2018.

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 2017 were prepared in accordance with the provisions of the Singapore Companies Act and International Financial Reporting Standards (“IFRS”). The Group’s statutory accounts were approved by the Board of Directors on 16 June 2018 and have been reported by the Group’s auditors.

1. DOMICILE AND ACTIVITIES

SIMEC Atlantis Energy Limited is incorporated in Singapore with its registered office at 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 that of pioneering the development of tidal current power as the most reliable, economic and secure form of renewable energy. The Company is an inventor, developer, owner, marketer and licensor of technology, intellectual property, trademarks, products and services, and is 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 and adopted by the European Union.

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 2017.

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 2017.

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 2017, except at detailed below.

As a result of the business combination detailed in note 5, the following accounting policies have been adopted:

Property, plant and equipment

The Group has acquired a new class of assets, Power Plant, as a result of business combinations.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

Any revaluation increase is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such power plant, land and buildings, and plant and machinery is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation is charged to the statement of profit or loss using the straight-line method over the estimated useful life of the asset on the following basis:

Power Plant	4-6%
Freehold Buildings	2-10%
Motor Vehicles	25%

Inventory

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises all direct expenditure and those attributable cost overheads that have been incurred in bringing the inventories to their present location and condition.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing this set of Consolidated Interim Financial Statements, except as detailed below 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 2017.

Acquisition accounting

In reviewing whether the transaction is a business combination, management have determined that control of SUP has been taken through the purchase of its entire share capital. Whilst SIMEC UK Energy Holdings Limited ("SIMEC") have acquired 49.9% of the Company's share capital through the issue of consideration and other shares, management do not believe SIMEC have control over the Group due to contractual arrangements in place to maintain the independence of the Company. On this basis, the business combination has been accounted for using the acquisition method.

When the Group completes a business combination, the fair values of the identifiable assets and liabilities acquired, including intangible assets, are recognised at their fair value. The determination of the fair value of acquired assets and liabilities is based, to a considerable extent, on management's judgement.

Management's review of the carrying value of the identifiable assets and liabilities acquired, including separately identifiable intangible assets, resulted in no fair value adjustments and subsequently no goodwill or bargain purchase price (see note 5).

It is the view of management that the market price consideration for SUP is currently the most appropriate reflection of the fair value of the net assets acquired.

At each reporting date and as the SUP conversion project moves through the FEED process towards financial close, during which it is anticipated that the risk profile of the project will reduce, management will review the valuation of the Power Plant.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

4. GOING CONCERN BASIS OF PREPARATION

The Group has prepared financial forecasts for a period beyond 30 September 2019, 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 2019. 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. ACQUISITION OF SIMEC USKMOUTH POWER LIMITED

On 15 June 2018, pursuant to a sale and purchase agreement dated 14 December 2017, the Company successfully completed the acquisition of the whole of the issued share capital of SUP, a company incorporated in the United Kingdom, from SIMEC, a member of the GFG Alliance. The acquisition was undertaken to create a diversified renewable energy platform and it is proposed that the 220MW of capacity at the SUP power station in Wales will be converted to use a waste derived energy pellet as fuel.

Consideration for the purchase was the issuance by the Company of new shares to SIMEC, such that immediately following the issuance of such shares, SIMEC became a 49.99% shareholder of the Company and Group. On the basis of the Company's share placing price of 35 pence per share, which completed concurrently with the share issue, the fair value of the shares issued was £53.4 million.

The acquisition-related costs amounting to £4.2 million excluded from the consideration transferred were included in the cost of investment. £3.6 million of expenses were recognised as administrative expenses in the consolidated statement of comprehensive income in 2018. The balance of £0.6 million was incurred during 2017.

The acquired business contributed losses and revenue amounting to £0.4 million and £nil respectively to the Group's results for the period from 15 June 2018 to 30 June 2018.

Had SUP been consolidated from 1 January 2018, then the Group's consolidated revenue and consolidated loss before tax for the period to 30 June 2018 would have been £1.4 million and £12.6 million respectively.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

5. ACQUISITION OF SIMEC USKMOUTH POWER LIMITED continued

A purchase price allocation was conducted to determine the valuation of the acquisition. No fair value adjustments were identified and no goodwill or bargain purchase price arose during the business combination. The following summarises the identifiable assets acquired and liabilities at the acquisition date at their provisional fair value:

	Book and Provisional Fair Value £'000
Non-current assets	
Property, plant and equipment	80,117
Current assets	
Inventory	986
Trade and other receivables	1,330
Cash	57
Current liabilities	
Trade and other payables	(4,138)
Non-current liabilities	
Loans and borrowings	(12,087)
Provisions	(12,840)
Total net assets	53,425
Purchase consideration shares issued	
Cash held in subsidiary	57
Cash inflow on acquisition	57

Fair values are described as provisional due to the proximity of the acquisition to the period end.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

6. OTHER NOTES

(i) In the period from April to June 2018, the Group, via a newly incorporated, wholly owned, subsidiary company Atlantis Future Energy plc, raised £5.0 million through a bond issuance.

(ii) On 21 May 2018, the Company raised £20 million, before expenses, through the placing of 57.1 million new ordinary shares at a placing price of 35 pence per share.

On 15 June 2018, the Company issued 183 million new ordinary shares at a placing price of 35 pence per share, of which 152.6 million were consideration shares and 30.4 million were loan completion shares, both of which are linked to the acquisition of SUP.

During the period, £897k of expenses were incurred incidental to the issuance of shares.

(iii) In respect of the six months to 30 June 2018, the diluted earnings per share is calculated on a loss of £9,051k on the basic weighted average of 147,193,508 ordinary shares. In respect of the six months to 30 June 2017, the diluted earnings per share is calculated on the loss of £3,542k on the basic weighted average of 118,547,160 shares. Share options were excluded from the diluted weighted average number of ordinary share calculations as their effect would have been anti-dilutive. No dividends have been declared (2017: nil).

7. EVENTS AFTER THE REPORTING PERIOD

On 3 July 2018, one of the subsidiary companies, Atlantis Resources (Scotland) Limited, repaid £3.8 million of secured long term loans using proceeds from the bond issuance mentioned above.

COMPANY INFORMATION

NON-EXECUTIVE DIRECTORS

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

EXECUTIVE DIRECTORS

Timothy James Cornelius
Andrew Luke Dagley

REGISTERED OFFICE AND COMPANY NUMBER

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

COMPANY SECRETARY

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

NOMINATED ADVISER AND JOINT BROKER

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

JOINT BROKER

Macquarie Group
28 Ropemaker Street
London EC2Y 9HD

AUDITOR

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

REGISTRAR

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

DEPOSITARY

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

GUERNSEY BRANCH REGISTER

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

WEBSITE

www.simecatlantis.com



**SIMEC ATLANTIS
ENERGY**

www.simecatlantis.com

Registered Office and Company Number

80 Raffles Place, Level 36, Singapore 048624

Company Number: 200517551R