

SIMEC Atlantis Energy Limited

Registration Number: 200517551R

Consolidated Interim Financial Statements

(unaudited)

For the six months ended 30 June 2021

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Chairman's Statement

SIMEC Atlantis Energy Limited (“SAE”) commenced 2021 under the leadership of our new Chief Executive Officer, Graham Reid. As the economy started to return to some semblance of normality, we have continued to make progress in all key areas of our business.

Power Station Conversion

The Uskmouth conversion project continues to progress and the statement of case response to the Welsh Government's decision to call the planning in was made earlier this year. This outlined the existing consents that the power station holds and emphasised the broader economic case for the facility. Natural Resources Wales (NRW) is undertaking a final peer review before it issues an interim permit for public consultation. This supports the technical case for the project and gives increased confidence in the ability of the SAE team to deliver this ‘first-of-a-kind’ project.

The global significance of this project was further underlined by the announcement of our partnership with Remediate (UK) Ltd, an integrated sustainable developer of patented technologies that utilise waste gases to deliver high value algae products. This technology has the potential to make the Uskmouth conversion project carbon negative and creates a high value economic product.

SAE's development of the detailed engineering design, fuel specification and CO₂ removal solution for the conversion of coal-fired power plants to burn low carbon waste derived fuel pellets on a carbon negative basis provides a significant contribution to the world's journey to net zero. Utilising end-of-waste plastics in the fuel pellets provides an important solution to the plastic waste issue. We look forward to moving ahead with the Uskmouth project following the grant of the permit from NRW and further developing a pipeline of coal-fired generation conversion projects globally to meaningfully contribute to the global challenges of carbon emissions and waste plastic pollution.

Marine Energy

MeyGen experienced interruption to generation during the first half of 2021. We expect the AR1500 turbine and Andritz turbine number 1 to be redeployed during Q4 of 2021, at which point 3 out of 4 turbines will be deployed and generating. Andritz turbine number 2 remains out of the water whilst waiting for long lead items, the delivery of which have been affected by COVID-19. Andritz turbine number 3 is deployed and has been generating successfully with above 95% availability since December 2018, continuing to prove the viability of tidal energy.

In Japan, the AR500 tidal turbine was recently recognised as an official power generation facility by the Ministry of Economy, Trade and Industry (METI), a key stakeholder in consenting renewable energy projects in Japan. The turbine tests, which were successfully passed during one of the strongest tides expected this year, follow an exhaustive process of inspection and verification of both the onshore facility and offshore equipment against national electrical standards.

Since January, the AR500 tidal turbine has generated over 100 MWh of power from the tidal flow in the Goto islands. It is the first large scale project of its kind in Japanese waters and continues to support Japan's ambition in further diversifying its energy supply towards renewable sources.

The Raz Blanchard project continues as planned through its development phase and we remain in close discussions with the French authorities around possible grants and feed in tariffs.

Hydro Power

SIMEC GHR Ltd (“GHR”), SAE’s hydro division, has now commissioned three of the four schemes that remained under construction and continues to develop the asset management and operations and maintenance side of its business. GHR is providing asset management services for most of the circa 50 schemes that it has constructed, predominantly under long term agreements.

Share Placement Agreement

In March 2021 the Company received the second tranche investment of £2,000,000 under the share placement agreement with New Technology Capital Group LLC announced in December 2020. On 28 September 2021 the Company terminated the share placement agreement with New Technology Capital Group LLC. No further funds will be drawn down pursuant to the agreement. The balance of funds due to New Technology Capital Group of £930,000 will be settled as required through the issue of new SAE shares in due course, under the surviving terms of the agreement.

Share Placing

On 28 September 2021 the Company announced a proposed placing at 2.5 pence per Ordinary Share to raise gross proceeds (before expenses) of approximately £2.5 million.

Further Funding

As noted in the recent going concern statement in SAE’s final results for the year ended 31 December 2020, 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 including the disposal of certain non-core assets within the Group.

Summary of Results

The overall loss before tax of £10.7 million for the six months ended 30 June 2021 compares to the loss of £6.2 million reported for the same period in 2020. There are a number of factors behind the increase. There was reduced revenue performance from the MeyGen project as a result of significant outages in three of its four turbines and which necessitated retrieval for onshore repair. 2021 results for the tidal turbine and engineering services division have seen a drop off following a very strong 2020, which benefitted from revenues on the phase 1 Japanese tidal project. GHR continued to deliver stable growth.

Overall, costs were in line with expectations, with increased contractors’ costs being incurred in the MeyGen retrievals and the ongoing Uskmouth development costs.

Depreciation, as expected, remains stable and is driven by the Uskmouth and MeyGen projects.

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

As noted above, in March 2021 the Company received the second tranche investment of £2,000,000 from a subscription for ordinary shares under the share placement deed announced in December 2020. On 28 July 2021 the Company issued 11,904,762 ordinary shares in relation to £500,000 of subscription under this share placement deed. On 20 August 2021 the Company issued 11,904,762 ordinary shares in relation to £500,000 of subscription under this share placement deed.

The unaudited consolidated cash position of the Group at 30 June 2021 was £3.6 million. Included in cash and cash equivalents in the statements of financial position is £1.5 million (2020: £1.4 million) of encumbered deposits. On 31 August 2021 £0.5m was released back to the Group.

On 28 September 2021, George Jay Hambro resigned his position on the Board. I would like to thank Jay for the contribution he made during his time on the Board.

A handwritten signature in black ink that reads "Duncan Black". The signature is written in a cursive style with a large, stylized 'D' and 'B'.

Duncan Black

Chairman

**Condensed consolidated statement of profit and loss and
other comprehensive income
For the six months ended 30 June 2021**

		Group	
		Six months ended	
	Note	30 June	30 June
		2021	2020
		£'000	£'000
Revenue		5,203	7,935
Other gains and losses		696	154
Employee benefits expense		(3,153)	(3,203)
Subcontractor costs		(4,237)	(2,251)
Depreciation and amortisation		(5,378)	(5,318)
Acquisition costs		-	-
Other operating expenses		(2,122)	(1,534)
Total expenses		<u>(14,922)</u>	<u>(12,306)</u>
Results from operating activities		<u>(8,991)</u>	<u>(4,217)</u>
Finance costs		(1,741)	(1,959)
Loss before tax		<u>(10,732)</u>	<u>(6,176)</u>
Tax (charge)/ credit		(943)	69
Loss for the period		<u>(11,675)</u>	<u>(6,107)</u>
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		34	4
Total comprehensive income for the period		<u>(11,641)</u>	<u>(6,103)</u>
Loss attributable to:			
Owners of the Group		(10,915)	(5,868)
Non-controlling interests		(760)	(239)
Total comprehensive income attributable to:			
Owners of the Group		(10,881)	(5,864)
Non-controlling interests		(760)	(239)
Loss per share (basic and diluted) (pence)	5	<u>(0.02)</u>	<u>(0.01)</u>

Condensed consolidated statement of financial position

As at 30 June 2021

	Group	
	30 June 2021 £'000	31 December 2020 £'000
Assets		
Property, plant and equipment	128,011	131,085
Intangible assets	14,575	15,434
Right-of-use assets	1,563	1,739
Investment in joint venture	511	511
Loan to joint venture	410	-
Non-current assets	145,070	148,769
Trade and other receivables	2,374	3,216
Inventory	861	861
Cash and cash equivalents	3,626	5,814
Current assets	6,861	9,891
Total assets	151,931	158,660
Liabilities		
Trade and other payables	9,245	8,055
Lease liabilities	231	327
Provisions	126	162
Loans and borrowings	3,751	5,488
Current liabilities	13,353	14,032
Lease liabilities	1,350	1,350
Provisions	14,925	14,879
Loans and borrowings	45,422	43,041
Deferred tax liabilities	4,504	3,582
Non-current liabilities	66,201	62,852
Total liabilities	79,554	76,884
Net assets	72,377	81,776
Equity		
Share capital	197,376	195,375
Capital reserve	12,665	12,665
Translation reserve	7,114	7,080
Share option reserve	901	787
Accumulated losses	(150,629)	(139,841)
Total equity attributable to owners of the Company	67,427	76,066
Non-controlling interests	4,950	5,710
Total equity	72,377	81,776

Condensed consolidated statement of changes in equity For the six months ended 30 June 2021

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 2020	188,018	12,665	7,079	740	(120,786)	87,716	6,315	94,031
Total comprehensive income for the period								
Loss for the period	–	–	–	–	(5,868)	(5,868)	(239)	(6,107)
Other comprehensive income	–	–	4	–	–	4	–	4
Total comprehensive income for the period	–	–	4	–	(5,868)	(5,864)	(239)	(6,103)
Transactions with owners								
Contributions and distributions								
Issue of share capital	–	–	–	–	–	–	–	–
Recognition of share-based payments	–	–	–	–	–	–	–	–
Transfer between reserves	–	–	–	–	–	–	–	–
Total transactions with owners	–	–	–	–	–	–	–	–
At 30 June 2020	188,018	12,665	7,083	740	(126,654)	81,852	6,076	87,928
Total comprehensive income for the period								
Loss for the period	–	–	–	–	(13,211)	(13,211)	(366)	(13,577)
Other comprehensive income	–	–	(3)	–	–	(3)	–	(3)
Total comprehensive income for the period	–	–	(3)	–	(13,211)	(13,214)	(366)	(13,580)
Transactions with owners								
Contributions and distributions								
Issue of share capital net of issue costs	7,357	–	–	–	–	7,357	–	7,357
Recognition of share-based payments	–	–	–	71	–	71	–	71
Transfer between reserves	–	–	–	(24)	24	–	–	–
Total transactions with owners	7,357	–	–	47	24	7,428	–	7,428
At 31 December 2020	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 net of issue costs	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

Condensed consolidated statement of cash flows For the six months ended 30 June 2021

	Group	
	Six months ended	
	30 June	30 June
	2021	2020
	£'000	£'000
Cash flows from operating activities		
Loss before tax for the period	(10,732)	(6,176)
Adjustments for:		
Grant income	(9)	(71)
Depreciation of property, plant and equipment	4,531	4,497
Amortisation of intangible asset	847	821
Interest income	(8)	(18)
Finance costs	1,741	1,959
Share-based payments	241	-
Provision movement	(35)	-
Net foreign exchange	190	(23)
Operating cash flows before movements in working capital	(3,234)	989
Movement in trade and other receivables	842	1,376
Movement in trade and other payables	819	1,625
Net cash used in operating activities	(1,573)	3,990
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,282)	(3,514)
Loan to joint venture	(410)	-
Net cash used in investing activities	(1,692)	(3,514)
Cash flows from financing activities		
Proceeds from grants received	9	1,509
Proceeds from issue of shares	2,250	4,000
Costs related to fund raising	(249)	-
Proceeds from borrowings	-	1,056
Repayment of borrowings	(383)	(961)
Deposits (pledged) / released	(18)	(492)
Payment of lease liabilities	(147)	(235)
Interest paid	(544)	(547)
Net cash from financing activities	918	4,330
Net (decrease)/increase in cash and cash balances	(2,347)	4,806
Cash and cash equivalents at beginning of period	4,315	3,602
Effect of foreign exchange on cash held in currency	141	-
Cash and cash equivalents at end of period	2,109	8,408

Included in cash and cash equivalents in the statements of financial position is £1.5 million (2020: £1.4 million) of encumbered deposits. On 31 August 2021 £0.5m was released back to the Group

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 2021, 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 28 September 2021.

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 2020 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 2020 were approved by the Board of Directors on 29 June 2021.

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 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 2020.

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 2020.

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 2020.

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 2020.

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 2022.

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 have acknowledged the need to secure 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 including the disposal of certain non-core assets within the Group.

On 28 September 2021 the Company announced a proposed placing at 2.5 pence per Ordinary Share to raise gross proceeds (before expenses) of approximately £2.5 million.

The Directors draw attention to the material uncertainties, highlighted in the 31 December 2020 consolidated financial statements, published on 29 June 2021, which may cast doubt upon the Group's ability to continue as a going concern:

- Access to related party loans from SIMEC UK Energy Holdings Ltd and SIMEC Group Ltd.
- Refinancing of the Abundance bonds due for repayment in June 2022.
- Timing of the repayment of EU grant funding.

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 2021, the diluted earnings per share is calculated on a loss attributable to owners of the Company of £10.9 million on the basic weighted average of 514,099,831 ordinary shares (30 June 2020: loss of £5.8 million and basic weighted average shares of 429,077,656). 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 (2020: nil).

6 Events after the reporting date

On 28 July 2021 the Company issued 11,904,762 ordinary shares in relation to £500,000 of subscription under the share placement deed announced to the market on 16 December 2020.

On 20 August 2021 the Company issued 11,904,762 ordinary shares in relation to £500,000 of subscription under the share placement deed announced to the market on 16 December 2020.

On 28 September 2021 the Company announced a proposed placing at 2.5 pence per Ordinary Share to raise gross proceeds (before expenses) of approximately £2.5 million.

On 28 September 2021 the Company terminated the share placing agreement with New Technology Capital Group LLC.

COMPANY INFORMATION

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