

ANDES ENERGIA PLC
(“Andes” or the “Company” or with its subsidiaries the “Group”)

ANDES ENERGIA PLC - UNAUDITED 2013 INTERIM RESULTS

Andes (AIM: AEN; BCBA: AEN), the Latin American E&P group, announces its unaudited interim results for the six month period ending 30 June 2013.

Operational highlights

- Acquisition of Kilwer S.A. (“Kilwer”) and Ketsal S.A. (“Ketsal”)
- Conversion of loan notes issued on acquisition of Kilwer and Ketsal
- New management team
- JV agreement with company with interests in Brazil
- Acquisition of MGM International S.R.L. (“MGM”)
- Current production approximately 1,400 bopd

Nicolas Mallo Huergo, Chairman, said: “During the period we completed successfully the acquisitions of Kilwer, Ketsal and MGM and entered into a JV agreement with a Brazilian company with exploration and production assets in Brazil. We now have a diversified portfolio of exploration, development and production assets with significant hydrocarbon potential represented chiefly by our 600 million boe of risked prospective resource and 19.6 million bbls of 2P reserves. Our current production is 1,400 bopd and we continue to develop our portfolio of assets, which we believe has significant potential for future conventional and unconventional production. The new management team has the experience and technical capability to take us through the next stage of our development and growth.”.

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Note to Editors:

Andes is a Latin American oil and gas group, with interests in Argentina, Colombia, Brazil and Paraguay. The Company's focus is on the oil and gas sector in South America, which it believes offers premium assets at undervalued prices.

Chief Executive Officer's Review

Alejandro Jotayan, CEO, commented: "During the period, we successfully completed several transactions in Latin America, making the company more stable through the diversification of our asset portfolio. We have expanded our interests into Brazil and we continue to work on the development of our assets together with our partners with a hundred percent success record for new wells drilled. Both strategies, organic and inorganic growth, have produced an increase in production (6 times 2012 production) and a self-financing company with positive cash flow and highly prospective resources potential. We expect to continue to pursue the same objectives for the balance of the year in order to further increase Andes's production."

Oil and Gas interests

Argentina

As part of our exploratory commitments in Ñirihau Sur, Chubut Province, a first stage geochemical survey was conducted. The objective of this program was to detect surface hydrocarbon seepage and its concentration and composition on a regional scale; this has been accomplished successfully. All soil gas samples collected by Andes were analysed by Geofrontier in Dallas, Texas, USA. The results were highly promising and in particular, a high concentration of methane and ethane was detected in an area in the northeast of the block, which indicates the presence of hydrocarbons underground.

As part of the farm-out agreement with YPF in May 2013 the MdVx-1 well (Mirador del Valle x-1) in the El Manzano West block was successfully drilled and cased at depth of 1,740 metres (5,708 ft). Several oil shows were detected in the lower Neuquén formation and the petro physical assessment has enabled us to develop a completion program and we are waiting currently for the availability of a completion rig and fracturing equipment.

In June 2013 a 49.92% interest was acquired in a JV that operates the Chañares Herrados and Puesto Cercado producing oilfields. Following the acquisition a well intervention program was undertaken with the main aim to stimulate producing layers and perforate new horizons. As a result of this work production from the two wells, which have been worked over, has increased by 134 bopd. We are planning to continue and expand this work over program.

During the month of June the wells EMa4 and EMx2 in the El Manzano West block were intervened with the aim to stimulate the producing horizons of the Agrío formation. As a result of this work production has increased by 90 bopd. We are currently reinterpreting 3d seismic data to define a new drilling site to develop the Agrío formation.

After a oil discovery from Cycle 2 of the Rayoso formation in the Chachahuen block, in which Andes has a 20% working interest, appraisal drilling was conducted by YPF following which fourteen wells were drilled and completed. All wells came on stream successfully. The current average production is 750 bopd (net to Andes 150 bopd). The comprehensive data gathered from these wells is being used to define a development plan.

Colombia

After signing eight exploration contracts in December of 2012, Andes has developed a geological program to study the blocks. Permission has been granted to access the blocks (LLA 12 and VMM 8), in respect of which the company is carried on the Phase 1 works, after carrying out an environmental study. In the last six months several discoveries have been made by other operators in surrounding blocks, de-risking significantly Andes's portfolio. Five of the eight blocks have been farmed-out and the remaining three are currently under consideration for farm-in by large operators in the region. In February of 2013 Andes established a branch office in Colombia.

Brazil

In May of 2013, the company signed a JV with Imetame Energia, a Brazilian E&P company with a proven track record as operator in different basins in the country. Imetame participated in the 2013 Brazil bidding round and was awarded 7 blocks in the Potiguar, the Sergipe-Alagoas and the Reconcavo basins. Our partner has recently formalised the seven block contracts with the ANP (the local authority that regulates the industry) and will request the assignment of 50% of the working interest to Andes by them. Andes has recently established a branch office in Brazil.

Paraguay

As part of its exploration commitment, Andes conducted a geochemical survey in the Repatriacion block, which lies in the Chaco-Parana basin. The object of this survey was to detect surface hydrocarbon seepage and determine its concentration and composition on a regional scale, which has been accomplished successfully. A total of 300 soil gas samples were collected by Andes in pre-evacuated glass vials and shipped to the laboratory. Samples were analyzed by GeoFrontiers, Dallas, Texas, USA for C1 to C4 hydrocarbon gas concentrations. The results of this regional survey were very promising with positive indication of both oil and gas. These results will be integrated with the geological framework and 2D seismic, which is currently being reprocessed.

Andes has applied for two additional concessions to the local authorities and the response should be received before the end of the current year.

Alejandro Jotayan
Chief Executive Officer

30 September 2013

Group income statement for the six months ended 30 June 2013

	Unaudited 30-Jun-13	Unaudited **30-Jun-12	Audited 31-Dec-12
	US\$	US\$	US\$
Continuing Operations			
Revenue	4,322,179	1,733,084	4,828,669
Cost of sales	<u>(3,023,683)</u>	<u>(799,144)</u>	<u>(3,046,631)</u>
Gross profit	1,298,496	933,940	1,782,038
Other operating income	1,125,938	-	1,226,485
Distribution costs	(277,577)	(70,200)	(254,668)
Administrative expenses before exceptional items	<u>(2,772,255)</u>	<u>(2,518,811)</u>	<u>(5,621,145)</u>
Operating loss	(625,398)	(1,655,071)	(2,867,290)
Finance income	215,701	235,069	221,794
Finance costs	<u>(2,725,606)</u>	<u>(921,585)</u>	<u>(1,768,936)</u>
Loss before taxation	(3,135,303)	(2,341,587)	(4,414,432)
Taxation	<u>72,637</u>	<u>(482,074)</u>	<u>(253,069)</u>
Loss for the year from continuing operations	(3,062,666)	(2,823,661)	(4,667,501)
Profit/(loss) for the year from discontinued operations	<u>-</u>	<u>1,915,063</u>	<u>(22,349,603)</u>
Loss for the period	<u>(3,062,666)</u>	<u>(908,598)</u>	<u>(27,017,104)</u>
Total (loss)/profit attributable to:			
Equity holders of the parent			
- Continuing operations	(3,062,666)	(2,823,661)	(4,667,501)
- Discontinued operations	<u>-</u>	<u>1,313,684</u>	<u>(22,932,355)</u>
	(3,062,666)	(1,509,977)	(27,599,856)
Non-controlling interests	<u>-</u>	<u>601,379</u>	<u>582,752</u>
	<u>(3,062,666)</u>	<u>(908,598)</u>	<u>(27,017,104)</u>
Basic and diluted (loss)/earnings per ordinary share (see note 3)	Cents	Cents	Cents
From continuing operations	(0.94)	(1.45)	(2.34)
From discontinued operations	<u>-</u>	<u>0.67</u>	<u>(11.48)</u>
	<u>(0.94)</u>	<u>(0.78)</u>	<u>(13.82)</u>

** Restated to recognise a deferred tax provision on the acquisition of Andes Hidrocarborus Investments S.A. in the six month period ending 30 June 2012

Consolidated statement of financial position as at 30 June 2013

	Unaudited 30-Jun-13 US\$	Unaudited */**30-Jun-12 US\$	Audited 31-Dec-12 US\$
Non-current assets			
Intangible assets	365,140,328	223,695,604	166,313,678
Property, plant and equipment	1,276,536	130,872,949	1,156,319
Investments	-	3,108,715	-
Available for sale financial assets	-	2,507,385	-
Trade and other receivables	8,022,099	1,180,596	5,164,306
Deferred income tax assets	1,271,778	10,775,229	155,331
Total non-current assets	375,710,741	372,140,478	172,789,634
Current assets			
Inventories	361,395	8,175,917	348,839
Investments	-	3,146,954	-
Available for sale financial assets	514,511	5,423,329	584,780
Trade and other receivables	10,390,105	37,654,397	6,347,407
Cash and cash equivalents	10,216,119	4,838,285	178,557
Total current assets	21,482,130	59,238,882	7,459,583
Current liabilities			
Trade and other payables	16,736,032	70,158,565	8,584,262
Financial liabilities	16,973,861	47,169,750	6,774,009
Provisions	-	12,142,863	145,827
Current tax liabilities	45,591	46,793	48,590
Total current liabilities	33,755,484	129,517,971	15,552,688
Non-current liabilities			
Trade and other payables	23,895,786	11,875,300	9,026,006
Financial liabilities	36,004,801	391,128	165,399
Deferred income tax liabilities	77,759,745	45,339,150	33,723,598
Total non-current liabilities	137,660,332	57,605,578	42,915,003
Net assets	225,777,055	244,255,811	121,781,526
Capital and reserves			
Called up share capital	82,148,112	51,614,944	34,814,262
Share premium account	1,169,765	44,955,208	1,111,325
Profit and loss account	42,330,005	(42,358,929)	45,192,174
Merger reserve	133,363,077	121,683,049	55,487,493
Reverse acquisition reserve	-	42,045,342	-
Warrant reserve	1,817,356	-	1,817,356
Translation reserve	(35,051,260)	(34,523,078)	(16,641,084)
Equity attributable to equity holders of the parent	225,777,055	183,416,536	121,781,526
Non-controlling interests	-	60,838,275	-
Total equity	225,777,055	244,254,811	121,781,526

*Restated to reflect the prior year adjustment to recognise a deferred tax provision on the acquisitions of AEN Energy Holdings SPC and Grecoil y Cia. S.A. in 2011

** Restated to recognise a deferred tax provision on the acquisition of Andes Hidrocarborus Investments S.A. in the six month period ending 30 Jun 2012

Consolidated statement of changes in equity for the six months ended 30 June 2013

Capital and reserves	Share capital	Share premium	Profit and loss	Other reserves	Owners of the parent	Non-controlling interests	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 1 January 2012 as restated*	32,770,723	43,910,038	(40,933,087)	77,462,023	113,209,697	63,400,417	176,610,114
Loss for the period as restated**	-	-	(1,509,977)	-	(1,509,977)	601,379	(908,598)
Translation differences	-	-	-	(3,744,203)	(3,744,203)	(3,086,370)	(6,830,573)
Total comprehensive loss for the period	-	-	(1,509,977)	(3,744,203)	(5,254,180)	(2,484,991)	(7,739,171)
Issue of ordinary shares	18,844,221	1,045,170	-	55,487,493	75,376,884	-	75,376,884
Fair value of share based payments	-	-	84,135	-	84,135	-	84,135
Dividends	-	-	-	-	-	(77,151)	(77,151)
At 30 June 2012	51,614,944	44,955,208	(42,358,929)	129,205,313	183,416,536	60,838,275	244,254,811
Loss for the period	-	-	(26,089,879)	-	(26,089,879)	(18,627)	(26,108,506)
Recycled foreign exchange on demerger	-	-	-	26,530,021	26,530,021	-	26,530,021
Translation differences	-	-	-	(8,648,027)	(8,648,027)	-	(8,648,027)
Total comprehensive loss for the period	-	-	(26,089,879)	17,881,994	(8,207,885)	(18,627)	(8,226,512)
Issue of ordinary shares	24,917	66,155	-	-	91,072	-	91,072
Fair value of share based payments	-	-	289,151	-	289,151	-	289,151
Dividends	-	-	-	-	-	19,607	19,607
Issue of warrants	-	-	-	1,817,356	1,817,356	-	1,817,356
Reduction of capital and demerger	(16,825,599)	(43,910,038)	113,351,831	(108,240,898)	(55,624,704)	(60,839,255)	(116,463,959)
At 31 December 2012	34,814,262	1,111,325	45,192,174	40,663,765	121,781,526	-	121,781,526
Loss for the period	-	-	(3,062,666)	-	(3,062,666)	-	(3,062,666)
Translation differences	-	-	-	(18,410,176)	(18,410,176)	-	(18,410,176)
Total comprehensive loss for the period	-	-	(3,062,666)	(18,410,176)	(21,472,842)	-	(21,472,842)
Issue of ordinary shares	47,333,850	58,440	-	77,875,584	125,267,874	-	125,267,874
Fair value of share based payments	-	-	200,497	-	200,497	-	200,497
At 30 June 2013	82,148,112	1,169,765	42,330,005	100,129,173	225,777,055	-	225,777,055

Other reserves	Merger reserve	Warrant reserve	Reverse acquisition reserve	Translation reserve	Total other reserves
	US\$	US\$	US\$	US\$	US\$
At 1 January 2012 as restated*	66,195,556	-	42,045,342	(30,778,875)	77,462,023
Translation differences	-	-	-	(3,744,203)	(3,744,203)
Total comprehensive loss for the period	-	-	-	(3,744,203)	(3,744,203)
Issue of ordinary shares	55,487,493	-	-	-	55,487,493
At 30 June 2012	121,683,049	-	42,045,342	(34,523,078)	129,205,313
Recycled foreign exchange on demerger	-	-	-	26,530,021	26,530,021
Translation differences	-	-	-	(8,648,027)	(8,648,027)
Total comprehensive profit for the period	-	-	-	17,881,994	17,881,994
Issue of warrants	-	1,817,356	-	-	1,817,356
Reduction of capital and demerger	(66,195,556)	-	(42,045,342)	-	(108,240,898)
At 31 December 2012	55,487,493	1,817,356	-	(16,641,084)	40,663,765
Translation differences	-	-	-	(18,410,176)	(18,410,176)
Total comprehensive loss for the period	-	-	-	(18,410,176)	(18,410,176)
Issue of ordinary shares	77,875,584	-	-	-	77,875,584
At 30 June 2013	133,363,077	1,817,356	-	(35,051,260)	100,129,173

*Restated to reflect the prior year adjustment to recognise a deferred tax provision on the acquisitions of AEN Energy Holdings SPC and Grecoil y Cia. S.A. in 2011

** Restated to recognise a deferred tax provision on the acquisition of Andes Hidrocarburos Investments S.A. in the six month period ending 30 Jun 2012

Consolidated cash flow statement for the six months ended 30 June 2013

	Unaudited 30-Jun-13 US\$	Unaudited **30-Jun-12 US\$	Audited 31-Dec-12 US\$
Cash flow from continuing operations			
Cash generated from operations (see note 4)	180,945	1,282,899	2,847,391
Interest paid	-	-	(737,345)
Taxation	(2,921)	-	(925,465)
Cash flows from operating activities	<u>178,024</u>	<u>1,282,899</u>	<u>1,184,581</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	(208,823)	(227,371)	(195,357)
Purchase of exploration assets	-	-	(397,642)
Purchase of investments	-	(1,181,510)	(18,502)
Acquisition of subsidiaries	-	-	8,761
Net cash used in investing activities	<u>(208,823)</u>	<u>(1,408,881)</u>	<u>(602,740)</u>
Cash flows from financing activities			
Repayments of borrowings	-	(1,691,388)	(2,233,947)
Funds from borrowing	10,131,579	-	109,649
Proceeds from issue of shares	86,103	2,330,057	1,484,632
Net cash generated from/(used in) from financing activities	<u>10,217,682</u>	<u>638,669</u>	<u>(639,666)</u>
Effect of foreign exchange rate changes	(149,321)	(130,279)	71,960
Net increase in cash and cash equivalents from continuing operations	<u>10,037,562</u>	<u>382,408</u>	<u>14,135</u>
Cash generated from discontinued operations			
Operating activities	-	17,936,851	12,348,812
Investing activities	-	(3,401,449)	(3,131,091)
Financing activities	-	(17,849,903)	(13,598,773)
Cash and cash equivalents transferred on demerger	-	-	(4,291,462)
Effect of foreign exchange rate changes	-	(1,510,262)	(443,704)
Net decrease in cash and cash equivalents from discontinued operations	<u>-</u>	<u>(4,824,763)</u>	<u>(9,116,218)</u>
Net increase/(decrease) in cash and cash equivalents	10,037,562	(4,442,355)	(9,102,083)
Cash and cash equivalents at the beginning of the year	178,557	9,280,640	9,280,640
Cash and cash equivalents at the end of the year	<u>10,216,119</u>	<u>4,838,285</u>	<u>178,557</u>

Notes

1. Basis of preparation

The Group consolidates the financial statements of the Company and its subsidiary undertakings.

The financial information has been prepared under the historical cost convention in accordance with International Financial Reporting Standards (IFRSs). The financial information set out in this half-yearly report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The same accounting policies, presentation and methods of computation are followed in this interim condensed consolidated report as were applied in the Group's annual financial statements for the year ended 31 December 2012. The auditor's report on those financial statements was unqualified and did not contain any statements under section 498(2) or section 498(3) of the Companies Act 2006.

2. Segmental analysis

In the opinion of the Board the operations of Andes comprise one class of business, oil and gas exploration, development and production and the sale of hydrocarbons and related activities. An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses and whose results are regularly reviewed by the Board. The Board considers and reviews operating segments by reference to geographic location. Whilst the Group now holds interests in licences in Argentina, Colombia, Brazil and Paraguay, during the period under review the primary reportable geographic segment was Argentina and the results and the assets of the other segments (including unallocated items) are immaterial.

3. (Loss)/ earnings per share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) for the period attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. The basic and diluted earnings/(loss) per share are the same as there are no instruments that have a dilutive effect on earnings. Adjusted basic and diluted earnings/(loss) per share are presented after adjustment of exceptional items.

	30-Jun-13	30-Jun-12	31-Dec-12
	Cents	Cents	Cents
Continuing operations:			
Basic and diluted loss per share	(0.94)	(1.45)	(2.34)
Discontinued operations:			
Basic and diluted earnings/(loss) per share	-	0.67	(11.48)
Continuing and discontinued operations:			
Basic and diluted loss per share	(0.94)	(0.78)	(13.82)
Continuing operations:	US\$	US\$	US\$
Loss for the financial year attributable to equity holders	(3,062,666)	(2,823,661)	(4,667,501)
Discontinued operations:	US\$	US\$	US\$
Profit/(loss) for the financial year attributable to equity holders	0	1,313,684	(22,932,355)
Continued and discontinued operations:	US\$	US\$	US\$
Loss for the financial year attributable to equity holders	(3,062,666)	(1,509,977)	(27,599,856)
	No.	No.	No.
Weighted average number of shares	324,982,866	195,131,535	199,809,930
Effect of dilutive warrants	-	-	-
Diluted weighted average number of shares	324,982,866	195,131,535	199,809,930

4. Cash generated from operations

	30-Jun-13	**30-Jun-12	31-Dec-12
	US\$	US\$	US\$
Continuing operations			
Loss for the year before taxation	(3,135,303)	(2,341,587)	(4,414,432)
Adjustments for:			
Depreciation	319,498	42,344	336,386
Revaluation of investments	34,203	8,772	10,954
Increase in inventories	(44,573)	(56,417)	(232,805)
(Increase)/decrease in trade and other receivables	(6,981,096)	2,425,089	(2,679,871)
Increase in creditors and other payables	7,268,017	449,257	7,860,217
Finance costs	2,725,606	921,585	1,768,936
Finance income	(215,701)	(235,069)	(221,794)
Movement provisions	(139,833)	-	157,389
Share based payments	200,497	59,844	262,411
Acquisition of subsidiaries	149,630	9,081	-
Net cash generated from operating activities	<u>180,945</u>	<u>1,282,899</u>	<u>2,847,391</u>

5. Other

A copy of the interim report will be made available on Andes's website at www.andesenergiapl.com.ar