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Phoenix Global Resources PLC
13 September 2019

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Phoenix Global Resources plc

('Phoenix' or 'the company')

UNAUDITED INTERIM RESULTS FOR THE SIX-MONTH PERIOD TO 30 JUNE 2019

Phoenix Global Resources (AIM: PGR; BCBA: PGR), the upstream oil and gas company offering its investors direct exposure to Argentina's Vaca Muerta shale formation and other unconventional resources, is pleased to announce its unaudited interim results for the six-month period ended 30 June 2019.

Operational highlights

- First two unconventional horizontal wells at Mata Mora online with production rates of up to 1,000 bopd per well in initial testing
  Extended well tests continuing with production choked back on both wells to allow for enhanced downhole analysis
- Total of 77,508 barrels of light crude produced from the Mata Mora wells during July (34,356 barrels) and August (43,152 barrels)
- Initial unconventional vertical Agrio well drilled at the Puesto Rojas area as part of the current development campaign, three further wells drilled post-period
- Average daily production of 9,630 boepd (H2 2018: 10,080 boepd and H1 2018: 10,776 boepd)

2019 interim results highlights

- Revenues of US$68.6 million (H1 2018: US$92.9 million)
- Realised oil price of US$52.23/ bbl (H1 2017: US$60.34/ bbl (before hedging)) reflecting lower Brent prices and the effect of Peso devaluation on local benchmark pricing
- Operating loss of US$32.9 million (H1 2018: loss of US$ 19.9 million)
- Reported EBITDAX[1] loss of US$5.2 million (H1 2018: US$18.5 million gain)
- H1 2019 adjusted EBITDAX of US$13.0 million (H1 2018: US$ 18.5 million), excluding loss on termination of licences

Outlook

- Intention to apply for unconventional development concession at Mata Mora on conclusion of extended well testing
- Post-period realised oil prices temporarily reduced in Dollar terms following government decree to manage impact of recent currency devaluation on end consumer

Javier Vallesi, COO, said:

"We are encouraged by the initial results from the company's first two horizontal unconventional wells at Mata Mora. The wells represent an important milestone in Phoenix's development as an unconventional oil and gas production company focused on the Vaca Muerta and other unconventional resources in Argentina.

In addition to the progress made at Mata Mora, our work at Puesto Rojas continues following the award of the first ever unconventional development concession in Mendoza province. We have successfully drilled four unconventional vertical wells of an eight-well programme targeting the folded Agrio formation, with each well being drilled to plan and on time. I look forward to providing further updates as the completions campaign for the wells commences later in the year."

Notes:

[1] EBITDAX represents earnings before interest, taxes, depreciation, amortisation and exploration expenses. EBITDAX is reconciled on the income statement. Adjusted EBITDAX is stated before/ after adjustment for specific identified items.

For further information, please contact:

Phoenix Global Resources plc	Kevin Dennehy, CFO	T: +54 11 5258 7500
Shore Capital Joint broker and nominated advisor	Antonio Bossi David Coaten	T: +44 20 7408 4090
Panmure Gordon Joint broker	Charles Lesser	T: +44 20 7886 2500
Camarco Financial PR	Billy Clegg Owen Roberts James Crothers	T: +44 20 3757 4980

Qualified Person Review

In accordance with AIM guidance for mining, oil and gas companies, Mr. Javier Vallesi and Mr. Greg Easley have reviewed the information contained in this announcement. Mr. Vallesi, Chief Operating Officer of the group, is a petroleum engineer with over 22 years of experience in the oil and gas industry and is a member of the Argentinian Institute of Oil and Gas. Mr. Easley, Senior Manager - Reservoir and Engineering, is a petroleum engineer with over 10 years of experience in the oil and gas industry, is a licenced Professional Engineer in the State of Texas and is a member of the Society of Petroleum Engineers.

About Phoenix

Phoenix Global Resources is an independent oil and gas exploration and production company focused on Argentina and listed on both the London Stock Exchange (AIM: PGR) and the Buenos Aires Stock Exchange (BCBA: PGR). The Company has over 1.8 million licenced working interest acres in Argentina (of which over 0.7 million are operated), 57.1 million boe of working interest 2P reserves and average working interest production of 10,249 boepd in 2018. Phoenix has significant exposure to the unconventional opportunity in Argentina through its approximately 700,000 working interest acres with Vaca Muerta and other unconventional potential.

Operations Review

Licences and business development

In February 2019, the company signed a joint venture contract with GyP, the Neuquén province owned oil and gas company, for the exploration, development and production of the Corralera Noroeste area. In July 2019, the contract received final approval from the province of Neuquén. The concession is adjacent to the company's existing Corralera Sur and Corralera Noreste concessions and together the three areas cover approximately 82,000 acres with Vaca Muerta exposure. The confirmation of the Corralera Noroeste licence by the province unifies all the areas that comprise Corralera under Phoenix operatorship with GyP as a 10% partner.

The Corralera block neighbours the Filo Morado concession where the operator, YPF, has recently commenced horizontal unconventional completions as part of the appraisal programme.

Drilling and completions activity

Mata Mora
In late June, flowback operations began from both the MMx-1001 and MMx-1002 wells at Mata Mora. Drilling of both Mata Mora wells concluded earlier in the year and the wells were unconventionally completed in the La Cocina horizon of the Vaca Muerta formation in June 2019.

The wells were drilled from a single pad with each well having a lateral section of more than 2,000 metres. The wells were successfully geo-steered with more than 90% of each lateral maintained within a seven metre window in the Vaca Muerta formation. The wells were simultaneously completed using the latest high-intensity zipper-fracturing design that was specifically selected based on learnings from Vaca Muerta lateral wells drilled by other operators in nearby offset locations.

In testing to date, each Mata Mora well has seen production rates of approximately 1,000 boepd with reservoir pressure in excess of 9,900 psi. Oil is continuing to displace water during the ongoing flowback process though the wells have been choked back while downhole testing has continued, resulting in lower average production rates from the wells. The company is in the process of evaluating the results of the wells as flowback continues as part of an extended well test.

These two wells satisfy the company's initial commitment for the licence.

At the conclusion of the extended testing phase for the wells, the company will be entitled to apply for an unconventional exploitation concession for the Mata Mora block. That application will include a commitment for a pilot development programme for Mata Mora.

During the month of August 2019, a total of 43,152 barrels of light crude were produced with API gravity of 36.5 degrees from the two Mata Mora lateral wells. In total, the two wells have produced 77,508 barrels (gross) in July and August 2019.

Puesto Rojas Area
The previously drilled CDM-3004 vertical well was completed in April and, after a short flowback phase, was placed on production. This was the final well of those drilled in the Puesto Rojas appraisal campaign to be completed. CDM-3004 was designed to test the upper Agrio in the fold position where the unconventional completions of previous wells targeted the lower Agrio in the fold position. All the wells drilled at Puesto Rojas as part of the recent unconventional vertical appraisal campaign were producing at a combined average daily rate at 30 June of 552 bopd.

The first vertical well of the 2019 unconventional Agrio development campaign, CDM-3011, was spud in June and subsequently reached its planned terminal depth at 1,449 metres. The well is the first of eight unconventional vertical wells that are planned in the current campaign. Following conclusion of drilling at CDM-3011 in July, the CDM-3025 well was drilled from the same pad. The rig was then moved to drill the CDM-3014 in August. Water facilities to serve the wells are now under construction with all three wells planned for unconventional completion in the Agrio formation beginning in September.

On completion of the initial three wells at Cerro del Medio, the rig was moved to the Mallin Largo field that lies to the west of the Cerro del Medio field in the central portion of the Puesto Rojas concession. The MLx.1001 well was spud in late August and is the first test of the folded Agrio formation on the western side of the structure. The well reached terminal depth in early September.

Partner operated activity
YPF - Chachahuen
Drilling activity in the Chachahuen area continues with 16 wells drilled in total during H1 2019. A total of five conventional production wells were spud at Chachahuen Sur and a previously drilled production well was converted for use as a water injector. The conversion of selected production wells to injection wells is part of the ongoing waterflood project aimed at stabilising production and, together with the lower levels of new production drilling, reflects the maturity of the concession.

Work has continued at the prospective Cerro Morado Este concession with a total of eight wells spud in the first half of 2019. The objective of these wells is the delineation of the block to identify the areas with highest potential for development.

Drilling work also continues on the exploration portions of the Chachahuen concession itself where three wells in total were spud in 2019. One of these wells has been abandoned as unsuccessful, with a second well due to be abandoned. The final well was awaiting completion at the period end.

Other partner operated activity
Malargüe
In May the Province of Mendoza ratified its decision to deny the second exploration permit for the Malargüe area, in which the company participates in on a non-operated basis. During the first exploration period one well was drilled on the block and was deemed a dry hole. The block, whilst large in terms of acreage, was judged to have prospects for unconventional resources in a relatively small area of the overall licence.

No reserves had been assessed for the block and it contributed no production to the company in the period.

Q2 2019 production
Total Phoenix production (net WI)
Average total daily production volumes in Q2 2019 compared to full year 2018 and the previous two quarters were as follows:

Production (boepd)			
FY 2018	**Q2 2019**	**Q1 2019**	Q4 2018
10,256	**9,621**	**9,636**	9,885

Analysed by area, the production was as follows:

Neuquina basin

Production (boepd)			
FY 2018	**Q2 2019**	**Q1 2019**	Q4 2018
4,471	**3,865**	**3,985**	4,112

Neuquina basin production was down for the quarter mainly due to natural decline at Puesto Rojas not yet offset by new production from the folded Agrio development programme. At Chachahuen Sur the focus remains on enhanced recovery through waterflood to arrest or slow natural decline while delineation drilling continues at Cerro Morado Este.

Puesto Rojas Area

Production (boepd)			

FY 2018	**Q2 2019**	**Q1 2019**	Q4 2018
1,822	**1,542**	**1,583**	1,668

Operator: PGR

In Q2, a workover was performed on the CDM-3007 well bringing the total number of workovers at Puesto Rojas in the period to six.

The workover on CDM-3007 involved swab tests performed to determine the production contributions of each of the Vaca Muerta layers penetrated by the well in preparation for possible horizontal unconventional drilling in the future. The tests also allowed the better optimisation of the production equipment on the well with production increasing from 42 bopd to a peak rate of 106 bopd following the workover. All production from CDM-3007 is derived from the Vaca Muerta formation.

A further workover was performed on CDM-3023 in July where the Vaca Muerta layers were isolated and each layer tested for flow rates. A downhole pump was then installed to produce the Vaca Muerta, Cahchao, and Agrio formations similar to CDM-3007.

The CDM-3004 well was unconventionally completed in the period and reached peak production of 182 bopd. Adjustments were made to the downhole pump with the objective of increasing production to be more in line with other folded Agrio wells that are currently producing an average 220 bopd each.

Chachahuen Sur and Cerro Morado Este

Production (boepd)			
FY 2018	**Q2 2019**	**Q1 2019**	Q4 2018
2,348	**2,154**	**2,249**	2,276

Operator YPF

Production at Chachahuen Sur was slightly down in Q2 2019 reflecting natural decline not offset by enhanced recovery from waterflood. Minimal new wells were drilled at Chachahuen Sur with drilling activity in the period focused on exploration wells as part of the ongoing work commitment in the exploration portions of the concession.

In total, YPF drilled eight new wells in Q2 2019 comprising two delineation wells at Cerro Morado Este, three exploration wells as part of ongoing licence commitments and three new wells at Chachahuen Sur to complete the work commitments associated with the development concession.

One capital workover related to enhanced production was performed in the period as part of the long-term water injection pattern conformance program aimed at maintaining production and slowing decline on the existing production wells.

Other Areas

At La Brea, the LBr-4 well was worked over as part of a return to production of this concession following remediation work on certain portions of the in-field gathering network. Following the necessary clearances for the recommencement of production operations, the Agrio interval at LBr-4 was reperforated and stimulated in preparation for a likely future unconventional completion test. After completion, the well returned to production at 72 bopd.

Austral basin

Production (boepd)			
FY 2018	**Q2 2019**	**Q1 2019**	Q4 2018
3,960	**3,963**	**3,787**	4,033

Production was up in the Austral basin with increases driven by the company's increase in working interest at the Tierra del Fuego concessions.

Santa Cruz Sur

Production (boepd)			
FY 2018	**Q2 2019**	**Q1 2019**	Q4 2018
3,024	**2,618**	**2,648**	2,896

Operator: ROCH S.A.

The production decrease at Santa Cruz Sur was driven largely by natural declines at Campo Bremen and Oceano, slightly offset by restorations in production at Chorillos. In the quarter, 11 minor pulling jobs for well repairs were performed along with two workovers.

Tierra del Fuego

Production (boepd)			
FY 2018	**Q2 2019**	**Q1 2019**	Q4 2018
936	**1,345**	**1,138**	1,137

Operator: ROCH S.A.

The production increase at Tierra del Fuego was largely driven by the company's increase in working interest in the area. One minor pulling job and five workovers have been performed in this area in the year to date.

The continued development plans for both Santa Cruz Sur and Tierra del Fuego remain under discussion between Phoenix and the asset operator, ROCH S.A.

Cuyana basin

Production (boepd)			
FY 2018	**Q2 2019**	**Q1 2019**	Q4 2018
1,818	**1,789**	**1,864**	1,794

There was limited activity in Cuyana basin in the period. The focus of activity at the mature Atamisqui and Tupungato fields was on maintaining production or slowing decline through workover and other routine well intervention.

In May 2019, Chañares Energia S.A., the operator of Cha ñares Herrados, was notified by the Province of Mendoza of its decision to rescind the exploitation concession based on unfulfilled work commitments. The company had the right, but not the obligation, to participate in new wells proposed by the operator. Chañares Energia S.A. will continue to operate the block and the company will participate in the wells that it has a working interest in until such time as the area is awarded to a new concessionaire.

Financial review

	H1 2019 US$M	H1 2018 US$M	FY 2018 US$M
Revenue	68.6	92.9	177.0
Gross profit	1.6	10.1	21.3
Operating loss	(32.9)	(19.9)	(34.9)

EBITDAX	(5.2)	18.5	39.2
Loss for the period	(34.9)	(41.9)	(78.3)
Net assets	301.1	347.0	336.2
Net cash flow from operating activities	(19.6)	3.9	20.2
Investment in fixed assets	50.8	54.7	139.1

Income Statement

Revenue and gross margin
Revenue for the six-month period was US$68.6 million (H1 2018: US$92.9 million), comprising revenue from oil sales of US$59.7 million (H1 2018: US$81.5 million) and revenue from gas sales of US$8.9 million (H1 2018: US$11.3 million).

The reduction in oil revenue between periods resulted from a combination of a reduction in the realised price per barrel and a lower sales volumes period-on-period.

The average realised oil sales price in the six months to 30 June 2019 was US$52.23/bbl, a 13% decline on the average price of US$60.34/bbl observed in the six months to 30 June 2018. Realised prices achieved by the company are indirectly linked to Brent. The average Brent crude price fell period-on-period by 7%, from an average of US$71/bbl observed in H1 2018 to an average of US$66/bbl in H1 2019, contributing to overall fall in realised prices observed.

The larger reduction (than Brent) in the realised price has resulted from two main factors. First, an export retention tax was implemented by the Argentinian government on 3 September 2018. This tax resulted in a discount being applied to domestic crude prices based on export parity, and equated to an approximate downward impact of 10% on prices in H1 2019. The second factor is the foreign exchange effects on local prices. The devaluation of the Peso by around 70% across Q2 and Q3 2018 caused the discount between Brent and local prices to widen, directly impacting realised revenues.

Average daily oil sales in the period were 6,312 bopd compared to 7,467 bopd in H1 2018. The majority of the reduction in oil sales was observed at the Neuquina basin and resulted from natural decline not offset by production from new wells. At Puesto Rojas the company's focus in the period has been on the completion of the 2018 unconventional completions campaign, which analysed the Vaca Muerta horizons at the block. Four new wells drilled as part of the campaign were completed at the start of 2019, with the fifth (CDM-3004) completed in April 2019. The five new wells were producing at a combined average daily rate of 552 bopd at 30 June 2019. The FY19 development campaign began in Q2 2019 and is expected to contribute additional sales volumes in H2 2019.

The reduction in oil sales at Puesto Rojas was somewhat offset by the 137 bopd increase in sales at the Austral basin resulting from the company's acquisition of an additional 4.4% share in the Rio Cullen and Las Violetas area, increasing the company's working interest in the concession to 16.9972%. This increase in ownership also resulted in an increase in gas revenues by approximately US$0.5million in the period.

Overall, gas revenues declined in the period by US$2.4 million, driven by a reduction in the realised price from an average of US$4.20/MMcf in H1 2018 to an average of US$ 3.45/ MMcf in H1 2019. The higher price observed in the prior period resulted from a cold spike in the weather during Q2 2018 which increased demand. In H2 2018 the gas market became oversupplied, predominately caused by the continued development of the Vaca Muerta bringing new supply streams onto the market. This change in economics has reduced the seasonal variations in the gas curve, and consequently the higher prices previously obtained during the winter months have not been realised in H1 2019.

Operating costs were largely consistent period-on-period at $18.37/boe in H1 2019 compared to $18.64/boe in H1 2018. Operating costs at the Neuquina basin rose marginally in the period as conventional wells experienced natural decline and new unconventional wells have not yet reached peak rates. The fall in production resulted in the fixed element of production costs being spread over lower volumes, resulting in higher operating costs on a per barrel basis. The increase at Neuquina was offset by a reduction in cost at the Austral basin caused by higher production volumes resulting from the company's increased interest in the Rio Cullen and Las Violetas area.

Depreciation declined US$7.3 million in the period from US$34.7 million in H1 2018 to US$27.3 million in H1 2019. The decline resulted from lower production volumes and an increase in the reserves base from the 2018 reserves report used to calculate the per-boe rate in 2019.

Other operating costs
A non-recurring operating loss of US$18.2 million was realised in H1 2019 related to termination of two licences. The key driver was the termination of the Chañares Herrados exploitation concession. In May 2019, the Province of Mendoza issued a decree terminating the concession, which was held by the company's JV partner, Chañares Energía S.A., as a result of its failure to fulfil work commitments. The company has no intention of participating in the re-tender process for the licence and will cease to hold any rights in the block once a new concessionaire is appointed. The carrying value of the Chañares Herrados asset has consequently been written off at 30 June 2019 and a corresponding US$15.8 million non-cash loss has been recognised. It is noted that a new concessionaire had not been identified at the reporting date. The company therefore continues to participate in the concession and the six-month results from Chañares Herrados are included within gross margin for the period.

An additional US$2.3 million non-cash loss was recorded in respect of the Vega Grande concession in the Neuquina basin. The area is not part of the company's core operations and is currently not producing. Management therefore made the decision not to request the extension of the licence for the concession when it comes due in H2 2019.

Excluding the non-recurring loss on licence termination realised in the period, other operating costs fell from US$30.0 million in H1 2018 to US$16.4 million in H1 2019. Other operating costs in H1 2018 included the impact of hedging losses of US$10.0 million (H1 2019: US$ nil) and exploration expenses of US$3.7 million (H1 2019: US$0.4 million), which caused a higher expense in the prior year.

Finance income and costs
Net finance costs were consistent period-on-period at US$10.0 million in H1 2019 compared to US$10.9 million in H1 2018. The decline in cost was driven by a reduction in the net FX loss realised in the period. The FX losses primarily arise on Peso denominated balances held by the company. The significant devaluation of the Peso in Q2 2018 caused large FX balances to be recognised in the prior period. The stabilisation of the Peso during H1 2019 has reduced the net FX loss realised.

Taxation
A US$8.0 million taxation credit was recognised in H1 2019, compared to a US$11.1 million taxation charge in H1 2018. The main driver of the taxation credit in the current period is the tax benefit from loss before tax for the period. In the prior period the benefit from losses was offset by charges arising as a result of the large Peso devaluation in Q2 2018. The stabilisation of the Peso during H1 2019 has meant these charges were not replicated in the current period.

Balance Sheet
At 30 June 2019 the group had net assets of US$301.1 million, a decrease of US$35.0 million compared to 31 December 2018.

During the period, property, plant and equipment declined by US$38.5 million due to the termination of the Chañares Herrados licence resulting in a write-off of US$15.8 million and DD&A of US$27.3 million offset by US$21.5 million of additions. Additions to property, plant and equipment predominately related to the current unconventional drilling campaign ongoing at Puesto Rojas, ongoing drilling investment at Chachahuen and the acquisition of an additional 4.4% share in the Rio Cullen and Las Violetas concessions.

A US$16.5 million reclassification of assets to be disclosed as 'held for sale' was also made. The reclassification relates to certain non-core assets where board approval for sale has been obtained and the company has engaged in an active program for sale of the assets within the next 12 months.

Intangible assets increased by US$26.3 million in the period predominately as a result of the conclusion of drilling and completion of the MMx-1001 well and the drilling and completion of the MMx-1002 well at Mata Mora.

Variances were also observed in the working capital balances in comparison to 31 December 2018. Trade receivables increased by US$4.5 million to US$40.0 million at 30 June 2019 due to an increase in the VAT asset resulting from the large increase in capital expenditure at Mata Mora, offset by a slight decline in revenue receivables. Inventories increased by US$3.5 million to US$20.7 million at 30 June 2019. This increase is mainly due to the high volume of drilling supplies being held in anticipation of the continuation of the upcoming drilling campaign at Puesto Rojas. Trade and other payables declined by US$8.9 million to US$45.7 million at 30 June 2019. At 31 December 2018, the company was part way through the FY18 unconventional completions campaign at Puesto Rojas, which concluded during the period. The next phase began in June 2019 meaning there was comparatively less activity at period end.

Funding status and going concern

At 30 June 2019 the group had cash on hand of US$20.5 million (31 December 2018: US$21.1 million). Total borrowings in the period increased by US$65.1 million from US$200.3 million at 31 December 2018 to US$265.4 million at 30 June 2019. The increase resulted from the drawdown of an additional US$58.0 million of funds from the revolving convertible credit facility in place with Mercuria and the capitalisation of US$7.1 million of accrued interest. Funds advanced under the credit facilities have been used to invest in exploration, evaluation and development work across the company's core license areas and to satisfy an element of general corporate costs.

The company is currently evaluating options for financing its ongoing exploration, evaluation and development activity. Accordingly, Mercuria Energy Group Limited, has provided the company with a letter of support that states that it will provide sufficient funds for the company to meet its obligations over a period of at least 12 months from the date of this condensed consolidated interim report or until such time as the company has secured sufficient financing to fund its planned appraisal activities and meet its other obligations, whichever is sooner.

Current political and economic climate

The presidential elections are due to take place in Argentina on 27 October 2019. On 11 August 2019 the primary elections took place, the result of which saw the Peronist Frente de Todos party securing 47.65% of the electoral vote; a 15.57% margin over the Macri administration. This result was unanticipated by the investing community and global markets with a dramatic fall occurring in both the Merval index and US Dollar: Peso exchange rate following the announcement.

In an aim to reduce pressure on consumers in the short-term, the government passed a decree on 16 August 2019 which fixes the crude oil and gasoline prices for 90 days. The decree sets a Brent reference price of US$59/bbl and a US Dollar: Peso exchange rate of 45.19. On 30 August 2019, a new decree was issued which modified the exchange rate set in the original decree to 46.69.

Although the fixed Brent price is broadly consistent with the current floating price, the US Dollar: Peso exchange rate set of 46.69 is around 17% lower than the current floating rate of exchange of 56.1 (at 12 September 2019). This has had a direct impact on the company due to the fact that all domestic oil sales contracts are linked to the Peso, meaning that realised revenues in Q319 have reduced. This decline has however been partially offset by lower Peso denominated costs.

Board and corporate governance update

Martin Bachmann was appointed to the board as a non-executive director with effect from 2 September 2019. Martin, a trained geophysicist, was a member of Wintershall's board of executive directors for 10 years and brings over 35 years' experience in the oil and gas sector to the company. We are delighted to welcome him to the board.

Following a review of his external board commitments, Garrett Soden has decided to step down from the Board with effect from 12 September 2019 in order to comply with UK corporate governance guidelines. We would like to thank Garrett for his contribution over the last two years since joining at the time of the reverse takeover and wish him all the best for the future. David Jackson will be replacing Garrett as chair of the audit committee.

Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge:

a) The condensed consolidated financial information for the period ended 30 June 2019 has been prepared in accordance with IAS 34 'Interim Financial Reporting';

b) The interim results report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the six months and description of principal risks and uncertainties for the remaining six months of the year); and

c) The interim results include a fair review of the business and of any required related party disclosures.

On behalf of the Board
Kevin Dennehy
Chief financial officer
13 September 2019

Independent review report to Phoenix Global Resources plc

Report on the consolidated interim financial statements

Our conclusion

We have reviewed Phoenix Global Resources plc's unaudited condensed consolidated interim financial information (the "interim financial statements") in the Interim results of Phoenix Global Resources plc for the six-month period ended 30 June 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

What we have reviewed

The interim financial statements comprise:

- the unaudited consolidated statement of financial position as at 30 June 2019;

- the unaudited consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the unaudited consolidated statement of cash flows for the period then ended;
- the unaudited consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim results for the six-month period to 30 June 2019 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim results for the six-month period to 30 June 2019, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim results for the six-month period to 30 June 2019 in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

Our responsibility is to express a conclusion on the interim financial statements in the Interim results for the six-month period to 30 June 2019 based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the AIM Rules for Companies and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim results for the six-month period to 30 June 2019 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
13 September 2019

Unaudited consolidated income statement

For the period ended 30 June 2019

	Note	Six months to 30 June 2019 US$'000	Six months to 30 June 2018 US$'000	Year to 31 December 2018 US$'000
Revenue	2,3	68,617	92,876	176,972
Cost of sales	4	(66,986)	(82,746)	(155,638)
Gross profit		1,631	10,130	21,334
Exploration expenses		(426)	(3,678)	(9,359)
Loss on termination of licences	5,6	(18,180)	-	-
Selling and distribution expenses		(2,937)	(2,916)	(5,758)
Administrative expenses		(12,086)	(11,679)	(24,561)
Other operating expense		(909)	(11,744)	(16,568)
Operating loss		(32,907)	(19,887)	(34,912)
Presented as:				
Adjusted EBITDAX		13,030	18,449	39,173
Non-recurring expenses		(18,180)	-	-
EBITDAX		(5,150)	18,449	39,173
Depreciation, depletion and amortisation		(27,331)	(34,658)	(64,726)
Exploration cost written off		(426)	(3,678)	(9,359)
Operating loss		(32,907)	(19,887)	(34,912)
Finance income		675	2,923	4,098
Finance costs		(10,717)	(13,811)	(30,702)
Loss before taxation		(42,949)	(30,775)	(61,516)
Taxation	8	8,025	(11,112)	(16,797)
Loss for the period		(34,924)	(41,887)	(78,313)
Loss per ordinary share		US$	US$	US$
Basic and diluted loss per share		(0.01)	(0.02)	(0.03)

The above unaudited consolidated income statement should be read in conjunction with the accompanying notes.

Unaudited consolidated statement of comprehensive income

For the period ended 30 June 2019

	Six months to 30 June 2019 US$'000	Six months to 30 June 2018 US$'000	Year to 31 December 2018 US$'000
Loss for the year	**(34,924)**	(41,887)	(78,313)
Translation differences	**-**	408	(361)
Total comprehensive loss for the year	**(34,924)**	(41,479)	(78,674)

The above items will not be subsequently reclassified to profit and loss. There are no impairment losses on revalued assets recognised directly in equity.

The above unaudited consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Unaudited consolidated statement of financial position

At 30 June 2019

	Note	30 June 2019 US$'000	30 June 2018 US$'000	31 December 2018 US$'000
Non-current assets				
Property, plant and equipment	5	**327,704**	353,190	366,191
Intangible assets and goodwill	6	**287,352**	225,179	261,010
Other receivables		**2,895**	3,371	5,085
Deferred tax assets	9	**10,207**	15,150	9,001
Total non-current assets		**628,158**	596,890	641,287
Current assets				
Assets held for sale		**17,069**	-	-
Inventories		**20,731**	17,131	17,279
Trade and other receivables		**37,117**	36,869	30,407
Cash and cash equivalents		**20,476**	10,099	21,085
Total current assets		**95,393**	64,099	68,771
Total assets		**723,551**	660,989	710,058
Non-current liabilities				
Trade and other payables		**2,626**	5,546	3,256
Borrowings	7	**185,341**	108,461	135,919
Deferred tax liabilities	9	**91,818**	96,171	99,374
Provisions		**16,258**	17,344	16,236
Total non-current liabilities		**296,043**	227,522	254,785
Current liabilities				
Liabilities held for sale		**447**	-	-
Trade and other payables		**43,065**	61,762	51,410
Income tax liability		**1,528**	1,262	1,595
Borrowings	7	**80,009**	23,417	64,365
Provisions		**1,326**	-	1,733
Total current liabilities		**126,375**	86,441	119,103
Total liabilities		**422,418**	313,963	373,888
Net assets		**301,133**	347,026	336,170
Equity				
Share capital and share premium		**457,198**	435,908	457,198
Other reserves		**(112,150)**	(115,891)	(112,150)
Retained earnings		**(43,915)**	27,009	(8,878)
Total equity		**301,133**	347,026	336,170

The above unaudited consolidated statement of financial position should be read in conjunction with the accompanying notes.

Unaudited consolidated statement of changes in equity

For the period ended 30 June 2019

Capital and reserves	Called up share capital US$'000	Share premium account US$'000	Retained earnings US$'000	Other reserves US$'000	Total equity US$'000
At 1 January 2018	**329,877**	**-**	**68,896**	**(116,299)**	**282,474**
Loss for the period	-	-	(41,887)	-	(41,887)
Other comprehensive income	-	-	-	408	408
Total comprehensive (loss)/ profit for the period	-	-	(41,887)	408	(41,479)
Debt to equity conversion	27,027	72,973	-	-	100,000
Issue of ordinary shares	2,114	3,917	-	-	6,031
At 30 June 2018	**359,018**	**76,890**	**27,009**	**(115,891)**	**347,026**
At 1 January 2019	**364,175**	**93,023**	**(8,878)**	**(112,150)**	**336,170**

Loss for the period	-	-	(34,924)	-	(34,924)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the period	-	-	(34,924)	-	(34,924)
Fair value of share based payments	-	-	613	-	613
Settlement of share based payments	-	-	(154)	-	(154)
Acquisition of treasury shares	-	-	(572)	-	(572)
At 30 June 2019	**364,175**	**93,023**	**(43,915)**	**(112,150)**	**301,133**

Other reserves	Merger reserve US$'000	Warrant reserve US$'000	Translation reserve US$'000	Total other reserves US$'000
At 1 January 2018	**(116,510)**	**2,105**	**(1,894)**	**(116,299)**
Other comprehensive income	-	-	408	408
At 30 June 2018	**(116,510)**	**2,105**	**(1,486)**	**(115,891)**
At 1 January 2019	**(112,000)**	**2,105**	**(2,255)**	**(112,150)**
Other comprehensive income	-	-	-	-
At 30 June 2019	**(112,000)**	**2,105**	**(2,255)**	**(112,150)**

The above statement of consolidated changes in equity should be read in conjunction with the accompanying notes.

Unaudited consolidated statement of cash flows

For the period ended 30 June 2019

	Note	Six months to 30 June 2019 US$'000	Six months to 30 June 2018 US$'000	Year to 31 December 2018 US$'000
Cash flows from operating activities				
Cash (used in)/ generated from operations	10	**(19,487)**	4,689	21,014
Income taxes paid		**(75)**	(829)	(842)
Net cash (outflow)/ inflow from operating activities		**(19,562)**	3,860	20,172
Cash flows from investing activities				
Payments for property, plant and equipment		**(19,158)**	(37,964)	(80,531)
Payments for intangible assets		**(19,169)**	(16,534)	(43,188)
Proceeds from sale of non current assets		**-**	-	39
Recovery of restricted cash		**266**	-	377
Net cash outflow from investing activities		**(38,061)**	(54,498)	(123,303)
Cash flows from financing activities				
Proceeds from issue of shares and other equity instruments		**-**	4,854	4,925
Proceeds from borrowings		**58,000**	40,340	116,210
Repayment of borrowings		**-**	(3,612)	(7556)
Interest paid		**(735)**	(1,801)	(8,852)
Lease payments		**(211)**	-	-
Net cash inflow from financing activities		**57,054**	39,781	104,727
Net (decrease)/ increase in cash and cash equivalents		**(569)**	(10,857)	1,596
Cash and cash equivalents at the beginning of the financial year		**21,085**	23,696	23,696
Effects of exchange rates on cash and cash equivalents		**(40)**	(2,740)	(4,207)
Cash and cash equivalents at end of period		**20,476**	10,099	21,085

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the unaudited consolidated financial information

1. Basis of preparation

General information

The company is a Public Limited Company (plc) incorporated in England and Wales and is domiciled in the United Kingdom. The Registered Office address is 6th Floor, King's House, 10 Haymarket, London SW1Y 4BP. The company is listed on the AIM market of the London Stock Exchange and maintains a secondary listing on the Buenos Aires Stock Exchange.

The principal activities of the company and its subsidiaries (together 'the group') are the exploration for and the development and production of oil and gas in Argentina.

Basis of preparation

This unaudited condensed consolidated interim financial information for the six-months ended 30 June 2019 has been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union. This condensed consolidated financial information should be read in conjunction with the group's annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The financial information for the period ended 30 June 2019 contained within this condensed consolidated financial information does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The information within was derived from the statutory accounts for the year ended 31 December 2018, a copy of which has been delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of an emphasis of matter and did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006.

The annual financial statements for the year ended 31 December 2018 are available on the company's website at www.phoenixglobalresources.com.

The group's business activities, together with factors likely to affect its future development, performance and position are set out in the operational and financial review sections of this report. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the financial review section.

This condensed consolidated financial information has been prepared on the going concern basis. To date, the funding required to support the activities of the group has been provided by subsidiaries of Mercuria Energy Group. The group is currently assessing funding options to finance the next stage of its operations. Whilst that funding assessment is ongoing, a letter of support has been received from Mercuria Energy Group Limited that states its intention to make funds available to the group for a period of not less than 12 months from the date of this interim condensed consolidated financial information or until such time as sufficient funding to support the business plan for 2020 has been secured.

The going concern basis of preparation of this interim condensed consolidated financial information is based on the letter of support that has been received as the directors have a reasonable expectation that the group has access to adequate resources to continue in operational existence for the foreseeable future. Consequently, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated financial information, 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.

Principal risks and uncertainties

In preparing the condensed consolidated financial information management is required to consider the principal risks and uncertainties facing the group. In management's opinion the principal risks and uncertainties facing the group are unchanged since the preparation of the consolidated financial statements for the year ended 31 December 2018. Those risks and uncertainties, together with management's response to them are described in the Risk Review section of the Annual Report and Accounts 2018.

Accounting policies

The accounting policies applied in this condensed consolidated financial information are consistent with those applied in preparing the financial statements for the year ended 31 December 2018 with the exception of those set out below:

Non-current assets held for sale

Non-current assets or disposal groups classified as held for sale are measured at the lower of their net book value and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management views the trigger for recognition either as signature of a sales and purchase agreement or board approval. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets classified as held for sale and the corresponding liabilities are classified in current assets and liabilities on a separate line in the balance sheet.

New accounting standards adopted in the period

IFRS 16: Leases

IFRS 16 became effective for accounting periods that started on or after 1 January 2019 and the group adopted the standard retrospectively from this date.

The group has assessed its lease and rental arrangements, and arrangements where regular payments of consistent amounts are paid to a supplier of goods or services, in line with the rules of the new standard. This assessment concluded that the group does not lease significant assets in either quantum or value. The principal lease agreements that the group is party to relate to office space in London, Houston and Buenos Aires and to minor items of office equipment such as photocopiers and map plotters. The group also rents certain low value operational items but such items are typically not covered by contracts and their use is committed to on a monthly basis through purchase orders. As a result, the impact of adopting the new standard has had an immaterial effect on the financial statements of the group.

On adoption of IFRS 16 the group was required to recognise lease liabilities on the balance sheet in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These leases all relate to office space. The liabilities were measured at the present value of the remaining lease payments, discounted using the group's incremental borrowing rate as of 1 January 2019. The borrowing rate applied to the lease liabilities was 6.33%. The impact on the balance sheet at 1 January 2019 is disclosed in the table below. As permitted under the standard, the group has not restated the comparative figures for the 2018 reporting period.

Unaudited	US$'000
Operating lease commitments held at 31 December 2018:	**800**
Impact of discounting using the incremental borrowing rate on transition	(120)
Adjustments resulting from different treatment of certain lease clauses	133
Lease liability recognised at 1 January 2019	**813**
Of which:	
Current lease liabilities	368
Non-current lease liabilities	445

The corresponding US$0.8 million right-of-use asset has been included within property in property, plant and equipment on the balance sheet. The asset will be depreciated on a straight-line basis over the life of the underlying lease contracts.

2. Segment information

The group's executive management team comprising the interim chair of the executive committee, the chief financial officer and the chief operating officer has been determined collectively as the chief operating decision maker for the group. The information reported to the group's executive management team for the purposes of resource allocation and assessment of segment performance is currently focused on the basins in which the group operates. The strategy of the group is focused on the development of the Vaca Muerta shale and other unconventional opportunities in the Neuquina basin while optimising conventional production from that basin. In addition, the group is present in the Austral basin in south Argentina where its operations with its partner, Roch S.A., are targeted at exploiting oil and gas resources in the group's licence areas within the basin. The group also has production activities in the Cuyana basin. Segments that are not currently material to the operations or result of the group are aggregated within 'Corporate - unallocated'.

The Neuquina, Austral and Cuyana basins have been determined by the group to represent the reportable segments of the business based on the level of activity across these basins and the information provided to the executive management team.

The group's executive management primarily uses a measure of earnings before interest, tax, depreciation and exploration expenses (EBITDAX) to assess the performance of the operating segments. However, the executive management team also receives information about segment revenue and capital expenditure on a monthly basis.

First half 2019 **Unaudited**	Neuquina basin US$'000	Austral basin US$'000	Cuyana basin US$'000	Corporate/ unallocated US$'000	Total US$'000
Revenue	**31,833**	**20,416**	**16,368**	**-**	**68,617**
Loss for the period	**(2,695)**	**(4,527)**	**(15,079)**	**(12,623)**	**(34,924)**
Add: depreciation, depletion and amortisation	16,267	7,799	2,605	660	27,331
Add: exploration costs written off	377	49	-	-	426
Less: finance income	-	-	-	(675)	(675)
Add: finance costs	297	93	72	10,255	10,717
Add: taxation	-	-	-	(8,025)	(8,025)
EBITDAX	**14,246**	**3,414**	**(12,402)**	**(10,408)**	**(5,150)**
Oil revenues	**31,769**	**11,533**	**16,368**	**-**	**59,670**
bbls sold	626,695	204,879	310,845	-	1,142,419
Realised price (US$/bbl)	50.69	56.29	52.66	-	52.23
Gas revenues	**63**	**8,884**	**-**	**-**	**8,947**
MMcf sold	31	2,566	-	-	2,597
Realised price (US$/MMcf)	2.03	3.46	-	-	3.45
Capital expenditure					
Property, plant and equipment	13,323	6,381	636	1,136	21,476
Intangible exploration and evaluation assets	28,967	272	51	2	29,292
Total capital expenditure	**42,290**	**6,653**	**687**	**1,138**	**50,768**

First half 2018 **Unaudited**	Neuquina basin US$'000	Austral basin US$'000	Cuyana basin US$'000	Corporate/ unallocated US$'000	Total US$'000
Revenue	**47,949**	**22,637**	**22,290**	**-**	**92,876**
Profit/(loss) for the period	**4,584**	**7**	**2,074**	**(48,552)**	**(41,887)**
Add: depreciation, depletion and amortisation	23,480	5,940	4,868	370	34,658
Add: exploration costs written off	323	3,165	-	190	3,678
Less: finance income	-	-	-	(2,923)	(2,923)
Add: finance costs	-	-	-	13,811	13,811
Add: taxation	-	-	-	11,112	11,112
EBITDAX	**28,387**	**9,112**	**6,942**	**(25,992)**	**18,449**
Oil revenues	**47,935**	**11,318**	**22,291**	**-**	**81,544**
bbls sold	805,817	179,432	366,192	-	1,351,441
Realised price (US$/bbl)	59.49	63.08	60.87	-	60.34
Gas revenues	**14**	**11,318**	**-**	**-**	**11,332**
MMcf sold	3	2,696	-	-	2,699
Realised price (US$/MMcf)	4.56	4.20	-	-	4.20
Capital expenditure					
Property, plant and equipment	28,272	6,165	2,527	1,217	38,181
Intangible exploration and evaluation assets	16,418	93	23	-	16,534
Total capital expenditure	**44,690**	**6,258**	**2,550**	**1,217**	**54,715**

Exploration costs incurred in the Austral basin of US$3.2 million related to the company's share of costs related to the unsuccessful Orkeke well drilled by the company's partner, ROCH S.A., during 2018.

Substantially all the company's gas production operations are in the Austral basin where ROCH S.A. is the operator.

There are no intersegment revenues in either period presented. All revenues represent sales made by the group to external customers with the majority of sales made in Argentina. Substantially all the group's oil production is sold to the Argentinian state-owned oil company, YPF. More than half of gas production is sold to Grupo Albanesi.

3. Total revenue

Unaudited	**Six months to 30 June 2019** **US$'000**	Six months to 30 June 2018 US$'000	Year to 31 December 2018 US$'000
Crude oil revenue	**59,670**	81,544	154,475
Gas revenue	**8,947**	11,332	22,497
Total revenue	**68,617**	92,876	176,972

4. Cost of sales

Unaudited	**Six months to 30 June 2019 US$'000**	Six months to 30 June 2018 US$'000	Year to 31 December 2018 US$'000
Production costs	**40,180**	47,733	89,892
Depreciation of oil and gas assets	**27,331**	34,658	64,726
Movements in crude inventory	**(525)**	355	1,020
Total cost of sales	**66,986**	82,746	155,638

5. Property, plant and equipment

Non-current assets - unaudited	Property, fixtures, equipment and vehicles US$'000	Development and production assets US$'000	Assets under construction US$'000	Total US$'000
At 1 January 2019				
Cost	9,431	694,747	6,070	710,248
Accumulated depreciation and impairment	(5,680)	(338,377)	-	(344,057)
Net book amount	3,751	356,370	6,070	366,191
Period ended 30 June 2019				
Opening net book amount	3,751	356,370	6,070	366,191
Additions	1,208	9,025	11,243	21,476
Transfers	-	12,742	(12,742)	-
Transfer to assets held for sale	(327)	(66,117)	-	(66,444)
Disposal of assets - cost	-	(53,334)	-	(53,334)
Exploration costs written off	-	(333)	-	(333)
Depreciation charge	(871)	(26,460)	-	(27,331)
Transfer to assets held for sale - accumulated DD&A	309	49,682	-	49,991
Disposal of assets - accumulated DD&A	-	37,488	-	37,488
Closing net book amount	4,070	319,063	4,571	327,704
At 30 June 2019				
Cost	10,312	596,730	4,571	611,613
Accumulated depreciation and impairment	(6,242)	(277,667)	-	(283,909)
Net book amount	4,070	319,063	4,571	327,704

In May 2019, the Province of Mendoza issued a decree terminating the concession for the Chañares Herrados block held by the company's JV partner, Chañares Energía S.A., as a result of their failure to fulfil work commitments. The decree took immediate effect and the company has no intention of participating in the re-tender process. The carrying value of the asset has consequently been written off at 30 June 2019, causing a US$15.8 million loss to be realised in the Cuyana segment.

Assets held for sale relate to certain non-core assets in the Austral basin. Board approval for the sale of these assets has been given and the company has engaged in an active program for the sale of the assets within 12 months of the reporting date.

An amount of US$0.8 million has been capitalised to property, fixtures, equipment and vehicles in the period in relation to the right-of-use asset calculated on the adoption of IFRS 16 in the period. The asset will be depreciated on a straight-line basis over the life of the underlying lease contracts.

Additions to property, plant and equipment in the period ended 30 June 2019 include US$ nil of interest capitalised in respect of qualifying assets (H1 2018: US$0.2 million). The total amount of interest capitalised within property, plant and equipment at 30 June 2019 is US$2.8 million (2018: US$2.8 million).

Non-current assets - unaudited	Property, fixtures, equipment and vehicles US$'000	Development and production assets US$'000	Assets under construction US$'000	Total US$'000
At 1 January 2018				
Cost	7,320	583,103	18,241	608,664
Accumulated depreciation and impairment	(4,608)	(249,811)	-	(254,419)
Net book amount	2,712	333,292	18,241	354,245
Period ended 30 June 2018				
Opening net book amount	2,712	333,292	18,241	354,245
Transfers to intangibles	-	(1,414)	-	(1,414)
Transfers	1,825	37,481	(39,306)	-
Additions	896	-	37,285	38,181
Exploration costs written off	-	(3,165)	-	(3,165)
Depreciation charge	(1,774)	(32,883)	-	(34,657)
Closing net book amount	3,659	333,311	16,220	353,190
At 30 June 2018				
Cost	10,041	616,005	16,220	642,266
Accumulated depreciation and impairment	(6,382)	(282,694)	-	(289,076)
Net book amount	3,659	333,311	16,220	353,190

Exploration costs written off in 2018 of US$3.2 million include the company's share of costs related to the unsuccessful Orkeke well drilled by the company's partner, ROCH S.A., in the Austral basin.

6. Intangible assets

Exploration and evaluation assets are primarily the group's licence interests in exploration and appraisal assets located in Argentina. The exploration and evaluation assets consist of both conventional and unconventional oil and gas properties.

Non-current assets - unaudited	Goodwill US$'000	Exploration and evaluation assets US$'000	Total US$'000
At 1 January 2019			
Cost	260,007	225,172	485,179
Accumulated amortisation and impairment	(224,169)	-	(224,169)
Net book amount	35,838	225,172	261,010
Period ended 30 June 2019			
Opening net book amount	35,838	225,172	261,010
Additions	-	29,292	29,292
Transfer to assets held for sale	-	(616)	(616)
Disposals	-	(2,334)	(2,334)
Closing net book amount	35,838	251,514	287,352
At 30 June 2019			
Cost	260,007	251,514	511,521
Accumulated amortisation and impairment	(224,169)	-	(224,169)
Net book amount	35,838	251,514	287,352

Additions to intangible assets during the period predominately relate to the conclusion of the drilling of the MMx-1001 well and the drilling of the MMx-1002 well at Mata Mora.

A US$2.3 million loss on relinquishment has been recognised in respect to the Vega Grande concession in the Neuquina basin. The licence area is not part of the company's core operations and is currently not producing. Management has therefore made the decision not to request the extension of the concession when it comes due for renewal in H2 2019.

Non-current assets - unaudited	Goodwill US$'000	Exploration and evaluation assets US$'000	Total US$'000
At 1 January 2018			
Cost	260,007	171,393	431,400
Accumulated amortisation and impairment	(224,169)	-	(224,169)
Net book amount	35,838	171,393	207,231
Period ended 30 June 2018			
Opening net book amount	35,838	171,393	207,231
Additions	-	16,534	16,534
Transfer from property, plant and equipment	-	1,414	1,414
Closing net book amount	35,838	189,341	225,179
At 30 June 2018			
Cost	260,007	189,341	449,348
Accumulated amortisation and impairment	(224,169)	-	(224,169)
Net book amount	35,838	189,341	225,179

Additions to intangible assets in 2018 related to costs associated with securing the group's interests in the Mata Mora and Corralera blocks and increasing its working interest participation from 27% to 90%.

Impairment tests for exploration and evaluation assets

Exploration and evaluation assets are subject to impairment testing prior to reclassification as tangible fixed assets where commercially viable reserves are confirmed. Where commercially viable reserves are not encountered at the end of the exploration phase for an area the accumulated exploration costs are written off in the income statement.

Impairment tests for goodwill

Goodwill is monitored by management at the level of the operating segments identified in note 2.

All of the goodwill was allocated to the Neuquina basin as presented below.

At 30 June 2019 and 31 December 2018	Neuquina basin US$'000
Chachahuen	15,223
Corralera	16,780
Mata Mora	3,835
Total	35,838

No goodwill was recognised prior to 2017. All goodwill presented relates to the allocation of technical goodwill arising as a result of accounting for deferred tax on the business combination that completed on 10 August 2017.

7. Borrowings

	30 June 2019			30 December 2018		
Unaudited	Current US$'000	Non-current US$'000	**Total US$'000**	Current US$'000	Non-current US$'000	**Total US$'000**
Secured						
Bank loans	17,407	-	**17,407**	17,523	-	**17,523**
Total secured borrowings	17,407	-	**17,407**	17,523	-	**17,523**

Unsecured						
Bank loans	710	-	**710**	709	-	**709**
Loans from related parties	61,836	185,341	**247,177**	46,090	135,919	**182,009**
Other loans	56	-	**56**	43	-	**43**
Total unsecured borrowings	62,602	185,341	**247,943**	46,842	135,919	**182,761**
Total borrowings	80,009	185,341	**265,350**	64,365	135,919	**200,284**

Secured liabilities and assets pledged as security

Secured liabilities relate to US Dollar denominated loans totalling US$17.4 million with interest rates ranging from 5.45%-9.25% (FY18: US$17.5 million).

Loans from related parties

The related party loan at 30 June 2019 relates to a convertible rolling credit facility ('RCF') provided to the group by Mercuria Energy Netherlands B.V., a subsidiary of the Mercuria Energy Group Limited ('Mercuria').

In February 2018, US$100.0 million of the original Mercuria facility was converted to equity in the company at a price of £0.37 per share. At the same time the facility was restructured as a new convertible rolling credit facility ('RCF') in the amount of US$160.0 million with an additional US$100.0 million of new funds made available to the company.

In December 2018, Mercuria advanced an additional US$25.0 million as a Facility B element to the RCF. In February 2019, a further US$50.0 million was made available under this Facility B element of the RCF. The original loan of US$160.0 million became Facility A.

In May 2019, the amended convertible RCF was further extended to add a Facility C commitment of US$40 million.

All funds drawn down under the amended convertible RCF facility bear interest at three-month LIBOR+4% and are repayable by 31 December 2021.

Mercuria Group has the right to convert all or part of the outstanding principal of Facility A into additional new ordinary shares of the company at a price of £0.45 per share. This conversion right can be exercised at any time from 30 June 2018 until 10 business days prior to the maturity of Facility A. A similar conversion feature exists in relation to Facility B at a price of £0.28 per share exercisable from 30 June 2019 until 10 business days prior to the maturity date and in relation to Facility C at a price of £0.23 per share at any time from 30 June 2020 until 10 business days prior to the maturity date.

The amended convertible RCF provides for a grace period (interest and principal) from 1 January 2019 to 29 February 2020 and the loan will be amortised in equal quarterly repayment instalments from 31 March 2020 until maturity. The rights to convert Facility B and Facility C are subject to appropriate shareholder resolutions, in relation to the authority to allot and disapplication of pre-emption rights in relation to such shares, having been approved.

8. Income tax expense

Income tax expense - unaudited	Period to 30 June 2019 US$'000	Period to 30 June 2018 US$'000	Year to 31 December 2018 US$'000
Current tax			
Current tax (expense) / credit on profits for the year	**(737)**	(176)	201
Total current tax expense	**(737)**	(176)	201
Deferred income tax			
Increase / (decrease) in deferred tax	**8,762**	(10,936)	(16,998)
Total deferred tax benefit / (expense)	**8,762**	(10,936)	(16,998)
Income tax benefit / (expense)	**8,025**	(11,112)	(16,797)

Reconciliation of income tax expense to notional tax charge calculated using corporate tax rate :

Unaudited	Period to 30 June 2019 US$'000	Period to 30 June 2018 US$'000	Year to 31 December 2018 US$'000
Loss from continuing operations before income tax expense	**(42,949)**	(30,775)	(61,516)
Tax at the Argentina tax rate of 30% (2018: 30%)	**12,885**	9,233	18,455
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Effect of currency translation on tax values	**4,070**	(13,367)	(26,556)
Effect of change in tax rate	**(1,539)**	889	3,400
Expenses not deductible for taxation	**(159)**	(1,670)	343
Deferred tax assets not recognised	**(3,648)**	(6,954)	(10,904)
Fiscal assessment	**-**	919	-
Inflation adjustment	**(3,972)**	-	-
Other	**388**	(162)	(1,535)
Total income tax benefit/ (expense)	**8,025**	(11,112)	(16,797)

The corporate income tax rate in Argentina in 2019 is 30% (2018: 30%) and applies to profits earned and losses suffered in the period to 30 June 2019.

Under the December 2017 tax reform plan implemented by the Argentina tax authorities (AFIP), the corporate income tax rate will be maintained at 30% until 31 December 2019 and will be further reduced to 25% for years ended 31 December 2020 and forward.

The reduction in the corporate income tax rate articulated in the tax reform plan relates only to profits reinvested in Argentina. An additional tax is applied to dividends to revert the aggregate tax rate in respect of the profits used to make the dividend to 35%.

9. Deferred tax balances

Deferred tax assets

Unaudited	30 June 2019 US$'000	30 June 2018 US$'000	31 December 2018 US$'000
Tax losses	3,716	5,295	2,525
Provisions	2,934	7,635	3,055

Others	12,092	7,172	7,151
Total deferred tax assets	18,742	20,102	12,731

Argentina tax law does not contain the concept of tax groups and therefore deferred tax assets and liabilities cannot be offset between and among companies registered in Argentina and falling under the control of the same shareholder. Outside of Argentina, the group does not have sufficient concentration of subsidiaries in a single tax jurisdiction to warrant seeking tax group status to allow the offset of assets and liabilities.

The company did not recognise deferred income tax assets of US$3.4 million (FY18: US$10.9 million) in respect of tax losses amounting to US$11.4 million (FY18: US$36.3 million) as there is insufficient evidence that the potential assets will be recovered.

Assessed tax losses amounting to US$3.7 million (FY18: US$2.5 million) will expire between 2020 to 2024.

Movements	Tax losses US$'000	Provisions US$'000	Other US$'000	Total US$'000
At 1 January 2018	2,837	8,051	8,118	19,006
Credited/ (charged) to profit and loss	2,458	(416)	(946)	1,096
At 30 June 2018	5,295	7,635	7,172	20,102

Movements	Tax losses US$'000	Provisions US$'000	Other US$'000	Total US$'000
At 1 January 2019	2,525	3,055	7,151	12,731
Credited/ (charged) to profit and loss	1,191	(121)	4,941	6,011
At 30 June 2019	3,716	2,934	12,092	18,742

Argentinian tax law has introduced provisions for inflationary adjustments to be made for tax purposes in the event that annual increases in the CPI index exceed 55% in 2018, 30% in 2019 or 15% in 2020. Where an inflationary adjustment for tax is triggered the law requires and adjustment to taxes in the period with one third of the calculated value to be booked to current income taxes in the year and the remaining two thirds included within deferred tax and recognised through current tax in equal parts in the following two years.

During the period an amount of US$1.5 million (FY18: US$ nil) has been included in current taxes, with an additional US$2.5 million (FY18: US$ nil) included within other deferred tax assets in relation to this adjustment.

The timeframe for expected recovery or settlement of deferred tax assets is as follows:

	30 June 2019 US$'000	30 June 2018 US$'000	31 December 2018 US$'000
No more than 12 months after the reporting period	**12,061**	12,467	7,150
More than 12 months after the reporting period	**6,681**	7,635	5,581
	18,742	20,102	12,731

Deferred tax liabilities

The balance comprises temporary differences attributable to:

	30 June 2019 US$'000	30 June 2018 US$'000	31 December 2018 US$'000
Property, plant and equipment and intangible assets	**(99,149)**	(99,612)	(101,310)
Inventories	**(1,188)**	(96)	(42)
Others	**(16)**	(1,415)	(1,751)
Total deferred tax liabilities	**(100,353)**	(101,123)	(103,103)

Movements	Property, plant and equipment and intangible assets US$'000	Inventories US$'000	Other US$'000	Total US$'000
At 1 January 2018	**(85,802)**	**(1,108)**	**(2,181)**	**(89,091)**
(Charged)/ credited to profit and loss	(13,810)	1,012	766	(12,032)
At 30 June 2018	**(99,612)**	**(96)**	**(1,415)**	**(101,123)**

Movements	Property, plant and equipment and intangible assets US$'000	Inventories US$'000	Other US$'000	Total US$'000
At 1 January 2019	**(101,310)**	**(42)**	**(1,751)**	**(103,103)**
Credited/ (charged) to profit and loss	2,161	(1,146)	1,735	2,750
At 30 June 2019	**(99,149)**	**(1,188)**	**(16)**	**(100,353)**

The above presentation of deferred tax assets and liabilities is prepared showing the aggregate of the gross asset and liability position on a company-by-company basis.

Deferred tax assets and liabilities presented in the balance sheet reflect the offset of deferred tax assets and liabilities where permissible. The deferred tax assets and liabilities, after legal offset, are shown in the table below.

	30 June 2019 US$'000	30 June 2018 US$'000	31 December 2018 US$'000
Deferred income tax assets	**10,207**	15,150	9,001
Deferred tax liabilities	**(91,818)**	(96,171)	(99,374)
Net deferred income tax liability	**(81,611)**	(81,021)	(90,373)

10. Cash (utilised)/ generated from operations

Unaudited	**Period to 30 June 2019 US$'000**	Period to 30 June 2018 US$'000	Year to 31 December 2018 US$'000
Loss for the period before taxation	**(42,949)**	(30,775)	(61,516)
Adjusted for:			
Finance costs	**9,186**	7,750	12,055
Finance income	**(373)**	(223)	(321)
Accretion of discount on asset retirement obligation	**462**	(425)	860
Net unrealised exchange gains	**2,498**	2,312	8,662
Income on short term investments	**(302)**	-	(390)
Exploration cost written-off	**-**	3,165	8,609
Loss on disposal of non current assets	**18,180**	-	1,125
Share based payments	**608**	-	5,990
Depreciation and amortisation	**27,331**	34,658	64,726
Change in operating assets and liabilities:			
(Increase) in inventories	**(3,452)**	(2,756)	(2,904)
(Increase) in trade and other receivables	**(8,887)**	(8,007)	(15,418)
(Decrease)/ increase in trade and other payables	**(20,817)**	(1,197)	9
(Decrease)/ increase in provisions	**(972)**	187	(473)
Cash (utilised) / generated from operations	**(19,487)**	4,689	21,014

11. Related party transactions

On 22 January 2018, the company entered a swap agreement with Mercuria Energy Trading S.A. in order to fix the price received for a fixed amount of 2018 production at a price of US$65.97/ bbl. The effective term of the agreement commenced on 15 January and expired on 14 December 2018. The realised hedging loss expensed in 2018 was US$7.6 million. The company was not party to any derivative instruments at 30 June 2019.

12. Events occurring after the reporting period

No events occurred after the reporting period requiring disclosure.

Additional information

Production summary

	WI %	**FY 2018** Net BOE/D	**Q2 2019** Net BOE/D	**Q1 2019** Net BOE/D	**Q4 2018** Net BOE/D
AUSTRAL		**3,960**	**3,963**	**3,787**	**4,033**
Angostura (CA-14)	13%	352	708	564	529
Campo Breman	70%	538	441	484	504
Chorillos	70%	1,999	1,754	1,705	1,944
Las Violetas	13%	563	628	560	586
Moy Aike	70%	98	83	89	88
Oceano	70%	389	341	370	359
Rio Cullen	13%	22	9	14	22
CUYANA		**1,818**	**1,789**	**1,864**	**1,734**
Atamisqui	100%	318	312	315	319
Chañares Herrados (JV wells only)	78%	499	508	546	457
Refugio Tupungato	100%	1,002	969	1,003	959
GOLFO SAN JORGE		**6**	**3**	**4**	**7**
Sur Rio Deseado Este	25%	6	3	4	7
NEUQUINA		**4,471**	**3,865**	**3,985**	**4,112**
Cajon de los Caballos	38%	121	97	108	120
Cerro Mollar Norte	100%	91	86	90	95
Cerro Mollar Oeste	100%	88	81	72	86
Cerro Morado Este	20%	-	57	15	-
Chachahuen Sur	20%	2,298	2,051	2,188	2,226
Chachahuen Sur (Permiso)	20%	50	46	46	50
El Manzano Oeste (Agrio)	100%	11	0	-	-
El Manzano Oeste (Resto)	40%	16	41	14	15
La Brea	100%	37	31	31	33
La Paloma	100%	1	0	-	-
Mina Cerro del Alquitran	100%	-	0	-	-
Puesto Rojas	100%	1,744	1,375	1,421	1,487
Rio Atuel	67%	-	0	-	-
Vega Grande	100%	12	0	-	-
GRAND TOTAL		**10,256**	**9,621**	**9,636**	**9,885**

All production figures in the tables and the text of this announcement are net figures for the company's interest in the various licences. Totals may not add due to rounding.

Translation
This document is the English original in the event of any discrepancy between the original English document and the Spanish translation, the English original shall prevail.

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