RNS Number : 9458K
Echo Energy PLC
16 April 2018

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Echo Energy plc
("Echo" or the "Company")

Final Results for the Year Ended 31 December 2017

Echo Energy plc, the South and Central American focused upstream oil and gas company, is pleased to announce its audited results for the financial year ended 31 December 2017.

2017 Highlights

- Company relaunched as a Latin American, exploration led, gas focused E&P, refinanced and renamed 'Echo Energy plc' (formerly 'Independent Resources plc')
- New executive team appointed including Fiona MacAulay as CEO
- Non-executive directors James Parsons, Marco Fumagalli and Steve Whyte appointed to the board
- Acquisition of a 50% working interest across 4 blocks in the Santa Cruz province in Argentina with CGC (Compañía General de Combustibles S.A.) completed 3 January 2018. Signature of Joint Evaluation Agreement with Pluspetrol on Huayco block and a Technical Evaluation Agreement with Pluspetrol and YPFB over the Rio Salado block in Bolivia
- Divestment of legacy non-core assets
- Cash balance at 31 December 2017 of £19.7 million

Statement from the Chairman and Chief Executive Officer

"2017 was a transformational year for the Company. Q1 saw the emergence of a well-capitalised South America focused gas exploration company targeting multi-TCF potential. At Board and senior management level there have been a series of changes which have materially strengthened the Company's technical and operational capabilities in the region and position the Company ideally to capitalise on the opportunities we see in the current asset base and across Latin America.

In a relatively short space of time your Company has come to be viewed as one of the premier independent explorers in the region and this reputation among state oil companies and in-country majors has provided access to world class acreage in both Bolivia and Argentina. We have since focused on the rapid technical development and de-risking of our portfolio to achieve drill readiness. We are excited by the multiple drilling and workover opportunities in 2018, including the initial results of the first successful workover announced on Friday 13 April, which will have the potential to add production, cashflow and additional reserves to the portfolio."

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The information contained within this announcement is considered to be inside information prior to its release as defined in Article 7 of the Market Abuse Regulation No. 596/2014 and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

Echo Energy launch and refinancing

In Q1 2017 the Company, then named Independent Resources plc, announced that James Parsons, Stephen Whyte and Marco Fumagalli, each at the time also Directors of Sound Energy plc, would join the Board of the Company as part of a capital raising, rebranding and strategic shift which would result in the launch of 'Echo Energy', a well-capitalised Latin America focused gas explorer. The capital raising introduced strategic cornerstone investors to the Company's share register and Echo Energy was formed to target multi-TCF gas plays in energy hungry Latin America, utilising the executive management team's regional expertise, including that of Fiona MacAulay (appointed as Chief Executive Officer in 2017) and supported by the Board's experience from the development of Sound Energy plc to expedite the development of the Company from foundation and funding through to high impact drilling de-risked through technical work and industry partnerships.

Argentina

In November 2017 Echo announced that it had secured a material 4 licence country entry in Argentina following the signing of a binding farm-in agreement with Compañía General de Combustibles S.A. ("CGC"), a privately-owned subsidiary of the Argentinian conglomerate Corporación América International. The agreement secured Echo a 50% working interest in each of the Fracción C, Fracción D, Laguna de los Capones and Tapi Aike licences, onshore Argentina. The licences are located in the prolific Austral Basin of Santa Cruz province in Argentina and cover a total of 11,153 km^2. At the time of the agreement the Fracción C & D licences had existing gross production of approximately 11.4 MMscfe/d with the potential to increase near term production to around 80 MMscfe/d through material exploration upside.

The Tapi Aike licence has exciting multi-TCF exploration potential with the Competent Person's Report having identified 41 leads over three independent plays, each typically with gross (100%) prospective resources of 50-600 Bcf at the best estimate level; the largest two are assessed as potentially containing 3.8 TCF and 2.6 TCF of gas in place (on a gross unrisked basis) in the high case, with three others potentially containing in excess of 1 TCF (on the same basis), all of these numbers confirming the highly prospective value of the Tapi Aike Exploration Permit.

By virtue of the size, the transaction was deemed a reverse takeover under Rule 14 of the AIM rules for Companies and the Company's shares were accordingly suspended from trading until publication of the AIM admission document on 18 December 2017.

Shareholder approval and subsequent completion of the transaction occurred post period end on 3 January 2018 and admission of the share capital (as enlarged by a placing to raise gross proceeds of £6.4 million) took place on the 4 January 2018.

Post period end, Echo was pleased to announce an update on the Company's Argentina work programme. A drilling rig has been secured for the four well back to back exploration campaign in Fracción C and Laguna De Los Capones which is due to commence in May 2018, tenders for a 2,000 km seismic acquisition campaign across Tapi Aike and Fracción C & D had been issued. The three well workover campaign on Fracción D has now commenced and initial results of this activity will be known during May and June 2018.

Bolivia

In June 2017 Echo Energy announced that it had signed a binding joint evaluation agreement with Pluspetrol Bolivia Corporation SA ("Pluspetrol"), which provides Echo with the opportunity to secure an 80% operated interest in the Huayco Block in Southern Bolivia. The 75 km^2 Huayco Block lies within the prolific Tarija Basin, close to existing hydrocarbon infrastructure including a gas export pipeline. Echo subsequently signed a Technical Evaluation Agreement ("TEA") with Pluspetrol and YPFB (Yacimientos Petrolíferos Fiscales Bolivianos) to progress the technical development of the Rio Salado Block which is adjacent to the Huayco Block. Following completion of the TEA the companies will have the opportunity to negotiate a commercial agreement with YPFB to define a work programme on the Rio Salado Block which would likely include the drilling of at least one exploration well.

Post period end, Echo provided an update on the Bolivia work programme with 250km^2 of seismic reprocessing including 5D interpolation and Common Reflection Surface technology now completed by its subsurface consultants ERC Equipoise, EPI and DMT. The current stage of the work programme is focused on working up the prospect, potential volumes and risking in addition to the future exploration well location, well plan and more detailed well costs.

The acquisition of an interest by Echo in Huayco and/or Rio Salado remains contingent on final commercial terms being agreed. Accordingly, the Company does not have an interest or the right to acquire any interest at this stage during the non-exclusive evaluation period.

Italy and Egypt exit

In 2017 Echo Energy commenced the process of divesting its interest in non-core assets it had inherited from Independent Resources. The Egyptian assets were sold to JV partner Nostra Terra Plc in June 2017. Closure and liquidation of the two Italian subsidiaries commenced in December 2017 and the licence that had been held in Tunisia came to its natural expiry date in September 2017.

Corporate

The Company is in a robust financial position with a cash balance of £19.7 million as at 31 December 2017. As a Company, we continue to relentlessly pursue low cost / high quality asset entry, technical development and industry partnerships which maximise shareholder exposure to exploration upside while mitigating downside risk. 2017 has been a year of transformation for your company and 2018 is the year in which these efforts begin to bear fruit via success with the drill bit.

2017 saw a number of changes at Board and executive management level and we would like to welcome those who have joined the relaunched company in 2017 as we look forward to building a mid-cap South and Central American gas company together. The Board would also like to thank shareholders for their continuing support and host governments and our in-country partner companies for helping to facilitate the rapid and exciting growth of Echo Energy. Value creation for all Echo shareholders is a core focus of the Board and the Board remains committed to fair treatment of retail shareholders. We look forward to welcoming a number of you to our Argentinian site visit in June 2018.

James Parsons - Chairman
Fiona MacAulay - Chief Executive Officer

OPERATIONAL REVIEW

Argentina

In November 2017, the Company was very pleased to announce a binding farm-in agreement with CGC for a substantial licence position onshore Argentina. The transaction successfully closed on 3 January 2018. The Company's position in Argentina comprises of:

- Access to transformational multi TCF exploration potential on the Tapi Aike licence.
- Extensive exploration and appraisal potential across the Fracción C, Laguna De Los Capones (LLC), and Fracción D licences.
- Existing gross production of a total of approximately 11.2 mmscfe/d (5.6 mmscfe/d net to the Company, pre-royalty) on Fracción C and Fracción D with the potential to significantly increase current gross production to over 80 mmscfe/d over a five-year period.
- Technical subsurface operatorship of the Fracción C & D licences with first activity (three workovers on Fracción D) starting in Q1 2018 and four exploration wells on Fracción C to start in Q2 2018.
- All discoveries across these licences are expected to be brought on stream rapidly and with low incremental costs due to the proximity to existing infrastructure.

The Tapi Aike licence, one of the largest recent block awards in Argentina (5,187km ^{2}), benefits from 3,400km of existing 2D seismic and 3 existing gas discoveries and provides high impact exploration potential to the Company. The work programme comprises reprocessing of selected existing 2D and 3D seismic, acquisition of 1,200km^2 of 3D seismic and the drilling of 4 exploration wells. A Competent Person's Report (undertaken by Gaffney Cline Associates) has identified 41 leads over at least three independent plays. The range of prospective resources in Tapi Aike underlies its great potential and the highly prospective value of this block. The high case recoverable net volume (unrisked) is 6.2 TCF, with our expectation case (unrisked) being 3.2 TCF.

Fracción C, LLC, and Fracción D licences provide production and lower risk exploration. Fracción C (including LLC) is a 5,288km^2 area and includes 3 existing production facilities and a gas export pipeline connecting directly to the main Buenos Aires evacuation pipeline. The licence area benefits from 1,192km^2 of 3D seismic in addition to extensive 2D seismic coverage and existing gross production. Fracción D is a 280km^2 licence with existing production facilities and a low initial level of production. The Company has identified significant development, appraisal and exploration potential within the field. The area has a proven gas cap already penetrated by a number of wells. The work programme is designed to explore, appraise and bring into production these resources utilising existing production facilities and a new 28 km pipeline to the gas metering point. This transaction will underpin the growth of the Company in 2018. The foundations set in 2017 will provide an exciting platform for value growth and news flow in the coming year.

Bolivia

Our market entry into LATAM was announced in June 2017 with the signing of a joint evaluation agreement with Pluspetrol Bolivia Corporation, positioning the Company with an opportunity to secure an 80% operated interest in the Huayco block in Southern Bolivia. The 75km^2 block lies within the exciting Tarija Basin and benefits from full 3D seismic coverage. Importantly, prospects in this basin typically have significant TCF gas potential and are located in close proximity to existing pipeline infrastructure, enabling discoveries to be rapidly connected to high value gas markets in Brazil and Argentina, and benefiting from the premium pricing secured by the Bolivian state-owned company YPFB (Yacimientos Petrolíferos Fiscales Bolivianos) in their long-term supply agreements.

Quick on the heels of this, the Company signed a second agreement in Bolivia with YPFB and Pluspetrol. This Technical Evaluation Agreement covers the block surrounding Huayco, Rio Salado, and contains an extension of a structure previously identified by the Company. On successful completion of the twelve-month technical evaluation, the companies will have the opportunity to negotiate a commercial agreement with YPFB defining a work programme, likely including the drilling of an exploration well.

Throughout 2017 Echo's geoscientists have been working to evaluate the exploration potential of these areas in Bolivia. In September, following a competitive tender process between eight companies, the contract for reprocessing the existing 3D seismic across the Huayco / Rio Salado was awarded to DMT Petrologic. This processing house has extensive experience in the reprocessing of vintage seismic data from thrust belt areas. The scope of work is expected to be completed during Q1 2018. In support of our growing presence in LATAM, we have made significant progress building a legal and administrative platform for the region. In October 2017 we announced the appointment of Andres Brockmann as regional representative. Mr Brockmann joined us from Petrobras where he previously held a number of senior positions and is also a director of the Bolivian Chamber of Hydrocarbons and Energy, where he represents the Company's interests. In parallel with our announced progress in Bolivia, the Company was very active building its portfolio.

FINANCIAL REVIEW

Income Statement

In a year that saw significant change for the Company the activities of Echo can be broadly categorised into two activities that occurred sequentially during the year. The first was to capitalise the business and hire the key Executive Team members and the second was to originate and secure a material deal that could deliver multiple value drivers. Echo ended the year with having secured a transformation deal in Argentina with CGC and a strong balance sheet consisting of £19.7m of cash, sufficient to complete the first phase of the exploration and appraisal programme in Argentina.

The Group Statement of Comprehensive Income shows a net loss of £7.4 million for the period ended 31 December 2017 primarily consisting of:

- £5.3m administrative expense reflects the Group's activity in growing the LATAM business and building the team, which included
    - £2.0m for staff costs (£0.7m is for non-cash share-base payments) recruitment and redundancy costs of £0.1 million;
    - £1.2m in non-recurring professional and technical fees relating to restructuring the group; and,
    - £0.8m in additional fees for project specific costs.

In Tunisia, the licence expired on the 7 August 2017 and has been fully impaired at £0.5m.

Financing expenses of £1.7million resulted from:

- £0.9m cash interest expense accrued in the period for debt financing;
- £0.5m unwinding of the discount on the value of the bond issue;
- £0.2m amortisation of the bond fee; and,
- £0.1m with other finance costs and the accretion of the right of use asset.

Financing

Following the relaunch of the Company in March and through until May the Company undertook a number of fundraises consisting of the following (with shareholders approving a 25:1 consolidation of the Company's ordinary share capital on 22 May 2017, the below is reported on a consolidated basis):

- £0.65m equity subscription at 1.62 pence per share;
- £1.0m 3-year loan facility with 12% annual coupon;
- £1.45m open offer at 1.62 pence per share;
- £10m equity subscription at 10.125 pence per share; and,

- €20m 5-year non-amortising secured bond with 8% annual coupon.

£1.3m was also raised over the course of the year from exercise of warrants.

Balance Sheet

The Group ended the year with a cash balance of £19.7 million, which is sufficient to fund the first phase obligations under the farm-in agreement with CGC. The agreement was for the acquisition by the Company of a 50% working interest in each of the Fracción C, Fracción D and Laguna De Los Capones Concessions ("LLC") and in the Tapi Aike Exploration Permit.

Tapi Aike: No upfront cash was paid but Echo agreed to carry CGC for 15% of the work programme costs during the initial 3-year period. This work programme comprises of reprocessing of selected existing 2D and 3D seismic, acquisition of 1,200km^2 of 3D seismic and the drilling of 4 exploration wells

Fracción C, D and LLC: The consideration was a cash payment of US$2.5 million (£1.9million), paid upon signature of the Farm-In Agreement and is included in intangible assets on the balance sheet. In addition, Echo will meet CGC 's 50% working interest of an agreed initial work programme which will include:

- reprocessing and analysis of existing 3D seismic in LLC;
- acquisition of c.500km^2 of on the Fracción C licence;
- drilling and testing of 4 exploration wells on the Fracción C licence (and completion as producing wells following a success case);
- workover of 3 wells on the Fracción D licence;
- drilling, testing and completion of 1 new well in Fracción D, contingent on satisfactory results arising from the workovers;
- acquisition of c.230km^2 of 3D seismic in the Fracción D, subject to satisfactory results arising from the workovers / contingent development well. (This seismic requirement may be transferred to the Fracción C licence.); and,
- deferred cash payment of US$2.5 million on completion of the initial term work programme.

After the completion of the initial term work programme, the Company has the option to progress to the second term on the licences for which a provisional work programme has been envisaged as including:

- expanding the total seismic acquisition across the blocks (including that acquired in first term) to 2,000km^2; and,
- drilling a further 8 exploration wells across the licences.

On election by Echo to progress to the second term, the total carry of CGC's interests by Echo (including all expenditure in the initial term) would be capped at a total of US$35 million and during the term a second deferred payment of US$5 million would be payable which may, at the election of the Company, be deferred to development costs.

The payables balance at year end represents accrued costs and payables for costs incurred in support of the acquisition and readmissions process, as well as staff bonuses for 2017, in addition interest payable on the loan notes for 2019 has been reclassified from Long Term Liabilities.

The size of the CGC transaction constituted a reverse takeover under the AIM Rules for Companies and as such the Company's ordinary shares were suspended from trading on 30 October 2017. Following the publication of an admission document on the 18 December trading recommenced. At a General Meeting of the Company on 3 January 2018 the shareholders approved the acquisition. Concurrently the Company had raised a further £6.4 million at 17.5 pence per share, however these funds were received post the balance sheet date and are not included in this report. Dealings in the enlarged share capital of the Company commenced on 4 January 2018.

Legacy Assets

Following the shift in strategic focus the Italian and Egyptian activities have been classified as discontinued operations. Except for a non-material amount of current assets all of the assets relating to the Mediterranean operations have now been fully impaired and removed from the balance sheet.

- The Italian companies Independent Gas Management SRL and Rivara Gas Storage SRL were put into liquidation in 2017.
- The Joint Venture with Independent Resources Egypt was sold to Nostra Terra Oil & Gas plc for a total consideration of US$500,000, split into three tranches. (The consideration is payable in either cash or shares. Due to the lack of certainty on the timing of receipt, no receivable for this consideration has been recognised in the accounts.)
    - US$100,000 is due when the Egyptian General Petroleum Corporation approves the registration of any member of the buyer's Group as a party to the concession.
    - US$200,000 is due when production from the area reaches 800 bopd for 30 consecutive days.
    - US$200,000 is due when production reaches 1,000 bopd from the area for 30 consecutive days

With an exciting year ahead of us involving multiple operations that could each drive significant value for the Company, the balance sheet strategy going forward is to ensure that the Company maintains its control on administration costs and the appropriate balance sheet decisions are made as the operations programme progresses.

Accounting Standards

The Group has reported its 2017 full year accounts under International Financial Reporting Standards, as adopted by the European Union.

Going Concern

The Directors have reviewed the forward cash flow projections for the Group for the foreseeable future, being at least the next 12 months from the date of this report, which show that the Group has sufficient financial resources to undertake its committed work programme, and thus the Directors have concluded that the Group is a going concern.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	Year to 31 December 2017 £	Year to 31 December 2016 Restated £
Continuing operations			
Revenue		**-**	-
Cost of sales		**-**	-
Gross profit		**-**	-
Exploration expenses		**(432,486)**	-
Administrative Expenses		**(5,322,458)**	(1,327,968)
Operating loss		**(5,754,944)**	(1,327,968)
Share of post-tax losses of equity accounted joint venture		**-**	(137,906)
Financial income		**2,596**	144
Financial expense	3	**(1,687,199)**	(21,133)
Loss before tax		**(7,439,547)**	(1,486,863)
Taxation	5	**-**	-
Loss from continuing operations		**(7,439,547)**	(1,486,863)
Discontinued operations			
Profit/(Loss) after taxation for the year from discontinued operations	4	**25,991**	(5,767,321)
Loss for the year		**(7,413,556)**	(7,254,184)
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)			
Exchange difference on translating foreign operations		**(91,653)**	807,370
Total comprehensive loss for the year		**(7,505,209)**	(6,446,814)
Loss attributable to:			
Owners of the parent		**(7,413,556)**	(7,254,184)
Total comprehensive loss attributable to:			
Owners of the parent		**(7,505,209)**	(6,446,814)
Loss per share (pence)	6		
Basic		**(2.7)**	(18.6)
Diluted		**(2.7)**	(18.6)
Loss per share (pence) for continuing operations			
Basic		**(2.7)**	(3.8)
Diluted		**(2.7)**	(3.8)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2017

	Notes	31 December 2017 £	31 December 2016 Restated £
Non-current assets			
Property, plant and equipment	7	**285,145**	3,647
Other intangible assets	8	**1,885,984**	432,486
		2,171,129	436,133
Current assets			
Other receivables	10	**1,055,336**	235,217
Cash and cash equivalents	11	**19,719,072**	184,849
		20,774,408	420,066
Assets held for sale	4	**54,777**	86,686
		20,829,185	506,752
Current liabilities			
Trade and other payables	12	**(2,500,372)**	(417,801)
Liabilities directly associated with the assets held for sale	4	**(28,391)**	(11,548)
		(2,528,763)	(429,349)
Net current assets		**18,300,422**	77,403
Non-current liabilities			
Loans due in over one year	14	**(11,412,361)**	-
Right of use liability	15	**(166,624)**	-
		(11,578,985)	-
Total liabilities		**(14,107,748)**	(429,349)
Net assets		**8,892,566**	513,536
Equity attributable to equity holders of the parent			
Share capital		**3,112,586**	2,430,612
Share premium		**24,636,445**	17,621,763
Deferred shares		**-**	-
Shares to be issued		**-**	277,468
Warrant reserve		**8,574,827**	714,977
Share option reserve		**669,456**	85,515
Foreign currency translation reserve		**380,027**	471,680

Retained earnings	**(28,480,775)**	(21,088,479)
Total equity	**8,892,566**	513,536

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Retained earnings £	Share capital £	Share premium £	Shares to be issued £	Warrant reserve £	Share option reserve £	Foreign currency translation reserve £	Total equity £
Consolidated								
1 January 2016	(13,841,975)	2,159,247	16,628,623	-	302,453	71,718	(335,690)	4,984,376
Loss for the year	(7,254,184)	-	-	-	-	-	-	(7,254,184)
Exchange differences	-	-	-	-	-	-	807,370	807,370
Total comprehensive loss for the year	(7,254,184)	-	-	-	-	-	807,370	(6,446,814)
New shares issued	-	264,065	887,329	-	-	-	-	1,151,394
New share warrants issued	-	-	-	-	412,524	-	-	412,524
Share issue costs	-	-	(9,889)	-	-	-	-	(9,889)
Share options lapsed	7,680	-	-	-	-	(7,680)	-	-
Share-based payments	-	7,300	115,700	277,468	-	21,477	-	421,945
31 December 2016	(21,088,479)	2,430,612	17,621,763	277,468	714,977	85,515	471,680	513,536
1 January 2017	(21,088,479)	2,430,612	17,621,763	277,468	714,977	85,515	471,680	513,536
Loss for the year	(7,413,556)	-	-	-	-	-	-	(7,413,556)
Exchange differences	-	-	-	-	-	-	(91,653)	(91,653)
Total comprehensive loss for the year	(7,413,556)	-	-	-	-	-	(91,653)	(7,505,209)
New shares issued	-	681,974	8,116,002	-	-	-	-	8,797,976
New share warrants issued	-	-	-	-	7,859,850	-	-	7,859,850
Share issue costs	-	-	(1,101,320)	-	-	-	-	(1,101,320)
Share options lapsed	47,565	-	-	-	-	(47,565)	-	-
Share-based payments	(26,305)	-	-	(277,468)	-	631,506	-	327,733
31 December 2017	(28,480,775)	3,112,586	24,636,445	-	8,574,827	669,456	380,027	8,892,566

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Year to 31 December 2017 £	Year to 31 December 2016 £
Cash flows from operating activities		
Loss from continuing operations	**(7,439,547)**	(1,486,863)
Loss from discontinued operations	**25,991**	(5,767,321)
	(7,413,556)	(7,254,184)
Adjustments for:		
Depreciation of property, plant and equipment	**34,066**	5,441
Loss on disposal of property, plant and equipment	**-**	2,437
Impairment of intangible assets and goodwill	**432,486**	5,756,250
Share of post-tax loss of equity accounted joint ventures	**-**	137,906
Share-based payments	**672,510**	421,945
Warrants issued	**-**	412,524
Financial income	**(2,596)**	(144)
Financial expense	**1,939,485**	21,133
	(4,337,605)	(496,692)
(Increase)/Decrease in other receivables	**(771,367)**	316,195
Increase/(Decrease) in trade and other payables	**1,859,835**	(731,190)
Cash used in operations	**(3,249,137)**	(911,687)
Net cash used in operating activities	**(3,249,137)**	(911,687)
Cash flows from investing activities		
Purchase of intangible assets	**(1,885,984)**	-
Purchases of property, plant and equipment	**(45,061)**	(396)
Net cash used in investing activities	**(1,931,045)**	(396)
Cash flows from financing activities		
Net proceeds from debt	**13,202,175**	-
Interest received	**2,596**	144
Interest paid	**(540,484)**	(21,133)
Repayments of right of use liability	**(42,771)**	-
Issue of share capital	**13,194,209**	1,026,510
Share issue costs	**(1,101,320)**	(9,889)
Net cash from financing activities	**24,714,405**	995,632
Net increase in cash and cash equivalents	**19,534,223**	83,549
Cash and cash equivalents at 1 January 2017	**184,849**	101,300
Cash and cash equivalents at 31 December 2017	**19,719,072**	184,849

NOTES TO THE FINANCIALSTATEMENTS

Year ended 31 December 2017

1. Accounting policies

"Echo Energy plc is a public limited Company registered and domiciled in England and Wales under the Companies Act 2006. The Company's registered office is 40 George Street, London, W1U 7DW.

The consolidated financial information contained within this announcement does not constitute statutory accounts for the year ended 31 December 2017 within the meaning of Section 434 of the Companies Act 2006, but is derived from those audited accounts. The auditors reported on those accounts and their report was unqualified and did not contain any statement under section 498(2) or section 498(3) of the Companies Act 2006. The statutory accounts for the year ended 31 December 2017 will be delivered to the Registrar of Companies in due course. The annual report and the statutory accounts will be sent to shareholders and will be made available to the public on the Company's website:www.echoenergyplc.com, or upon request , copies may be obtained from the Company Secretary at the registered office of Echo Energy plc 40 George Street , London, W1U 7DW."

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. These financial statements are for the year 1 January 2017 to 31 December 2017. The comparatives shown are for the year 1 January 2016 to 31 December 2016.

New standards and interpretations not applied

At the date of authorisation of these financial statements, a number of Standards and Interpretations were in issue but not yet effective.

Early adoption of new standards

Echo has chosen to adopt IFRS 16 early. Echo has adopted IFRS 15 early and as such qualifies for early for early adoption of IFRS 16. As Echo has no sales / revenues in either 2016 or 2017 the early adoption of IFRS 15 will have no impact on the results or balances of either 2017 or the comparative period 2016. As Echo had no leasehold obligations in place in the prior year the early apotion of IFRS 16 has no impact on the results or balances of the comparative period 2016.

(b) Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiaries under the acquisition method. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Acquisitions are accounted for under the acquisition method.

c) Accounting estimates and judgements

The preparation of financial statements in conforming with adopted IFRSs requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities as at the balance sheet date and the reported amount of revenues and expenses during the period. Actual outcome may differ from those estimates.

(d) Use of estimates

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the impairment of intangible exploration and evaluation assets and the discount factor applied to the long term liabilities.

Expenditures recognised as exploration and evaluation assets are tested for impairment whenever facts and circumstances suggest that they may be impaired, which includes when a licence is approaching the end of its term and is not expected to be renewed, there are no substantive plans for continued exploration or evaluation of an area, or whilst development of a licence is still likely to proceed in an area but there are indications that the exploration and evaluation asset are unlikely to be recovered in full.

When considering whether E&E assets are impaired the Group first considers the IFRS 6 indicators. IFRS 6 requires an entity to assess whether Exploration and Evaluation assets require impairment when facts and circumstance suggest that the carrying amount of the assets may exceed their recoverable amount these include:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The Group signed a Farm Out Agreement with Compañía General de Combustibles S.A. ("CGC") to acquire a 50% working interest in Fraction C, Fraction D and Laguna de los Capones licences area, a $2.5 million fee was payable upon signature. At the balance sheet date completion of the acquisition transaction was still dependent on fulfilment of certain conditions, however, in managements view completion was imminent, and indeed has since happened, so it considered that retention of these E&E costs was appropriate.

Per the details set out in note 14 (Loans Due in more than one year) debt instruments were issued during the accounting period. The bonds were issued at an estimated discount of 20%,the rate being reflective of the costs of capital for an exploration and production company at this stage in it's development life cycle. A 2% reduction in the rate applied would increase the valuation of the long term liability on the balance sheet by £3.5 million.

2. Business segments

The group has adopted IFRS 8 Operating Segments. Per IFRS 8, operating segments are regularly reviewed and used by the Board of Directors being the Chief Operating Decision Maker ("CODM") for strategic decision making and resources allocation, in order to allocate resources to the segment and assess its performance. The group's reportable operating segments are as follows:

a. Parent company

b. Eastern Austral Basin & Tapi Aike

c. Bolivia

d. Ksar Hadada

e. Rivara

In future periods the Tapi Aike prospect will be included as an Operating Segment, as at the Balance sheet date there was no asset specific activity to report.

The previously reported segment of Rivara has been classified as a discontinued operation and has been shown for comparative purposes only here.

Performance is based on assessing progress made on projects and the management of resources used. Segment assets and liabilities are presented inclusive of inter-segment balances.

The group did not generate any revenue during the year to 31 December 2017 nor in the year to 31 December 2016.

Information regarding each of the operations of each reportable segment within continuing operations is included in the following table.

	Parent company £	**Eastern Austral Basin £**	**Tapi Aike £**	**Bolivia £**	**Ksar Hadada £**	**Consolidation £**	**Total £**
Year to							
31 December 2017							
Interest revenue	**2,596**	**-**	**-**	**-**	**-**	**-**	**2,596**
Interest expense	**(1,687,199)**	**-**	**-**	**-**	**-**	**-**	**(1,687,199)**
Depreciation	**(33,863)**	**-**	**-**	**(202)**	**-**	**-**	**(34,065)**
Impairment of intangible assets	**-**	**-**	**-**	**-**	**(432,486)**	**-**	**(432,486)**
Income tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loss before tax	**(5,453,253)**	**(589,698)**	**(589,698)**	**(281,831)**	**(525,067)**	**-**	**(7,439,547)**
Assets	**22,259,938**	**1,885,984**		**32,534**	**151**	**(1,233,070)**	**22,945,537**
Liabilities	**(14,042,852)**	**-**	**-**	**(120,352)**	**(1,149,223)**	**1,233,070**	**(14,079,357)**

Consolidation adjustments in respect of assets relate to elimination of intercompany assets in the Tunisian company.

	Parent company £	Eastern Austral Basin £	Ksar Hadada £	Rivara £	Consolidation £	Total £
Year to						
31 December 2016						
Interest revenue	57,331	-	-	-	(57,187)	144
Interest expense	(23,739)	-	-	-	2,606	(21,133)
Depreciation	5,431	-	-	-	10	5,441
Impairment of intangible assets	-	-	-	-	-	-
Income tax	-	-	-	-	-	-
Loss before tax	(4,487,164)	-	(34,752)	-	3,035,053	(1,486,863)
Assets	1,579,091	-	433,226	-	(1,156,118)	856,199
Liabilities	(411,350)	-	(1,079,688)	-	1,073,237	(417,801)

Consolidation adjustments are in respect of intercompany assets and liabilities of £1,073,235 and £85,865 in respect of joint venture equity accounted assets and other receivable adjustment of (£2,982).Adjustment to P&L represents impairment of intercompany loans. From 2018 the Group reporting segments will be Parent Company, Eastern Austral Basin, Tapi Aike and Bolivia. The Eastern Austral Basin, and Tapi Aike are both Argentine operational areas.

From 2018 the Group reporting segments will be Parent Company, Eastern Austral Basin, Tapi Aike and Bolivia. The

Eastern Austral Basin, and Tapi Aike are both Argentine operational areas.

The geographical split of non-current assets arises as follows:

	United Kingdom £	Overseas £	Total £
31 December 2017			
Property, plant and equipment	**275,130**	**10,015**	**285,145**
Intangible assets	**-**	**1,885,985**	**1,885,985**
31 December 2016			
Property, plant and equipment	3,647	-	3,647
Intangible assets	-	432,486	432,486

3. Financial expense

	Year to 31 December 2017 £	Year to 31 December 2016 £
Interest payable	**1,660,001**	21,133
Accretion of right of use liabilities	**27,198**	-
	1,687,199	21,133

4. Discontinued operations

Following the relaunch in March 2017, a strategic review of the existing assets was undertaken. Specifically, and as a result of the company stated agreement to avoid conflict of interest between Sound Energy plc and its officers which includes Echo exiting its Italian business, the directors have decided to terminate and exit all activities in Italy. The Italian interests have therefore been classified as discontinued.

On the 15 of June 2017, the Company announced it had disposed of its Joint Venture operation in Egypt. For more detail see note 9.

Rivara Gas Storage SRL and Independent Gas Management SRL were placed into liquidation by the Company in December 2017. The activities of these companies have been classified as discontinued operations, and removed from the accounts.

The results of the Italian and Egyptian operations, incorporating consolidation adjustments, are presented below:

	Year to 31 December 2017 £	Year to 31 December 2016 £
Operating expenses	**-**	(11,071)
Operating loss before impairment	**-**	(11,071)
Impairment of assets	**25,991**	(5,756,250)
Operating loss after liquidation	**25,991**	(5,767,321)
Financial income	**-**	-
Financial expense	**-**	-
Loss on ordinary activities before taxation	**25,991**	(5,767,321)
Taxation	**-**	-
Loss for the year from discontinued operations	**25,991**	(5,767,321)

The major classes of assets and liabilities of Independent Energy Solutions srl classified as held for distribution to equity holders of the parent as at 31 December 2016 are as follows:

	Year to 31 December 2017 £	Year to 31 December 2016 £
Assets		
Intangible assets - fully impaired	**-**	-
Property, plant and equipment	**-**	-
Other receivables	**54,768**	83,992
Cash and cash equivalents	**9**	2,694
Assets held for sale	**54,777**	86,686
Liabilities		
Trade and other payables	**(28,391)**	(11,548)
Liabilities directly associated with the assets held for sale	**(28,391)**	(11,548)
Net assets directly associated with disposal group	**26,386**	75,138

At the point of liquidation VAT amounts are included within Italian assets with relevant cost accrued.

The net cash flows incurred by Independent Energy Solutions srl are as follows:

	Year to 31 December 2017	Year to 31 December 2016

	£	£
Operating	**9**	(8,063)
Investing	**-**	-
Financing	**-**	-
Net cash (outflow)/inflow	**9**	(8,063)

	Year to 31 December 2017	Year to 31 December 2016
Loss per share (pence)		
Liabilities directly associated with the assets held for sale	**-**	(14.8)
Liabilities directly associated with the assets held for sale	**-**	(14.8)

Immediately before the classification of Independent Energy Solutions srl as discontinued operations, the recoverable amount was estimated for certain items of property, plant and equipment and no impairment was identified. No adjustment has been made to reduce the carrying amount of the assets in the disposal group to their fair value less costs to distribute.

Immediately before the classification of Independent Energy Solutions srl as discontinued operations, the recoverable amount was estimated for the company's intangible assets and these were impaired in full.

5. Taxation

	Year to 31 December 2017 £	Year to 31 December 2016 £
Tax on profit on ordinary activities		
Taxation charged based on profits for the period		
UK corporation tax based on the results for the period	**-**	-
Total tax expense in income statement	**-**	-
Reconciliation of the tax expense		

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 19% (2016: 20%). The differences are explained below:

	Year to 31 December 2017 £	Year to 31 December 2016 £
Loss on ordinary activities before taxation	**(7,439,547)**	(7,250,370)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016: 20.25%)	**(1,413,514)**	(1,450,074)
Effects of:		
Expenses disallowed for tax purposes	**555,997**	1,281,268
Deferred tax not provided - tax losses carried forward	**857,517**	168,806
Total current tax	**-**	-

The parent entity has tax losses available to be carried forward estimated to be £6.9 million, further tax losses are available in certain subsidiaries. With anticipated substantial lead times for the group's projects, and the possibility that these may expire before their use, it is not considered appropriate to anticipate an asset value for them.

No amounts have been recognised within tax on the results of the equity accounted joint ventures.

6. Loss per share

The calculation of basic and diluted loss per share at 31 December 2017 was based on the loss attributable to ordinary shareholders. The weighted average number of ordinary shares outstanding during the year ending 31 December 2017 and the effect of the potentially dilutive ordinary shares to be issued are shown below.

	Year to 31 December 2017 £	Year to 31 December 2016 £
Net loss for the year	**(7,413,556)**	(7,254,184)
Basic weighted average ordinary shares in issue during the year	**276,158,657**	38,962,494
Diluted weighted average ordinary shares in issue during the year	**276,158,657**	38,962,494
Loss per share (pence)		
Basic	**(2.7)**	(18.6)
Diluted	**(2.7)**	(18.6)

The company has consolidated all of the existing ordinary shares as at close of business on 22 May 2017 into ordinary shares of 0.25 pence on the basis of one consolidated share for every 25 existing ordinary shares.

In accordance with IAS 33 and as the average share price in the year is lower than the exercise price, the share options do not have a dilutive impact on earnings per share for the year ending 31 December 2017.

Deferred shares have been excluded from the calculation of loss per share due to their nature.

7. Property, plant and equipment (group)

Property

	Fixtures & Fittings £	Right-of-Use Assets £	Total £
31 December 2017			
Cost			
1 January 2017	31,765	-	31,765
Exchange differences	1,670	-	1,670
Transfer to discontinued operations	(7,673)	-	(7,673)
Additions	45,061	268,872	313,933
31 December 2017	70,823	268,872	339,695
Depreciation			
1 January 2017	28,118	-	28,118
Exchange differences	39	-	39
Transferred to discontinued operations	(7,673)	-	(7,673)
Charge for the year	7,179	26,887	34,066
Disposals	-	-	-
31 December 2017	27,663	26,887	54,550
Carrying amount			
31 December 2017	43,160	241,985	285,145
31 December 2016	3,647	-	3,647
31 December 2016			
Cost			
1 January 2016	57,710	-	57,710
Exchange differences	1,075	-	1,075
Charge for the year	396	-	396
Disposals	(27,416)	-	(27,416)
31 December 2016	31,765	-	31,765
Depreciation			
1 January 2016	46,583	-	46,583
Exchange differences	1,073	-	1,073
Charge for the year	5,441	-	5,441
Disposals	(24,979)	-	(24,979)
31 December 2016	28,118	-	28,118
Carrying amount			
31 December 2016	3,647	-	3,647
31 December 2015	11,127	-	11,127

8. Other intangible assets (group)
Development and exploration

	Argentina E&E £	Ksar Hadada exploration acreage £	Total £
31 December 2017			
Cost			
1 January 2017	-	1,513,315	1,513,315
Additions	1,885,984	-	1,885,984
31 December 2017	1,885,984	1,513,315	3,399,299
Impairment			
1 January 2017	-	1,080,829	1,080,829
Impairment charge for the year	-	432,486	432,486
31 December 2017	-	1,513,315	1,513,315
Carrying amount			
31 December 2017	1,885,984	-	1,885,984
31 December 2016	-	432,486	432,486
31 December 2016			
Cost			
1 January 2016	-	1,517,641	1,517,641
Exchange differences	-	-	-
Additions	-	(4,326)	(4,326)
31 December 2016	-	1,513,315	1,513,315
Impairment			
1 January 2016	-	1,080,829	1,080,829
Impairment charge for the period	-	-	-
31 December 2016	-	1,080,829	1,080,829
Carrying amount			
31 December 2016	-	432,486	432,486
31 December 2015	-	432,486	5,387,018

The primary intangible assets are all internally generated.

For the purpose of impairment testing of intangible assets, recoverable amounts have been determined based upon the value in use of the group's projects.

The Argentine asset has been assessed for impairment, based on the expectation of continuing operations in the Austral basin no impairment indicators apply.

9. Investments in equity-accounted joint ventures

Year to 31 December

	2017 £
Cost	
1 January 2017	**294,891**
Additions in year	**-**
Disposal of asset	**(294,891)**
31 December 2017	**-**
Impairment	
1 January 2017	**209,326**
Impairment recognised in parent company	**85,565**
Disposal of asset	**(294,891)**
31 December 2017	**-**
Share of post-tax losses of equity accounted joint ventures	
1 January 2017	**294,891**
Share of post-tax losses of equity accounted joint ventures for the year	**-**
Disposal	**(294,891)**
31 December 2017	**-**
Carrying amount - Group	
31 December 2017	**-**
31 December 2016	**-**
Carrying amount - Company	
31 December 2017	**-**
31 December 2016	**85,565**

On 15 June 2017 the group announced that it had entered into an agreement to sell its 25% effective working interest in its Egyptian East Ghazalat licence to its Joint Venture partner, Nostra Terra plc.

The sale, for a total consideration of USD $500,000 is split into three trances. A payment of USD $100,000 is payable when the Egyptian General Petroleum Corporation approve the registration of any member of the buyer's group as a party to the concession. The balance of the consideration is payable in two tranches triggered upon achievement of two performance milestones, namely production of 800 bopd for 30 consecutive days and production of 1,000 bopd from the area for 30 consecutive days. The consideration is payable either in cash or shares. The consideration had not been recognised as receivable as relevant conditions have not been achieved.

10. Other receivables

	31 December 2017	31 December 2016
Non-current		
Amounts owing by subsidiary undertakings	**-**	-
Amounts provided against	**-**	-
	-	-
Current		
Amounts due in relation to shares issued	**-**	124,884
Amounts owing by joint venture	**-**	-
Other receivables	**509,752**	70,332
Prepayments	**545,584**	40,001
	1,055,336	235,217

Other receivables in the group and the company principally comprise recoverable Value Added Tax, prepayments and deposits. Included within other receivables are amounts due in more than one year of £113,692(2016:£nil).

The directors consider that the carrying amount of trade and other receivables approximated their fair value.

11. Cash and cash equivalents

	31 December 2017 £	31 December 2016 £
Bank balances	**19,719,072**	184,849
	19,719,072	184,849

12. Trade and other payables

	31 December 2017	31 December 2016
Trade payables	**1,104,174**	237,971
Amounts owing to subsidiary undertakings	**-**	-
Taxation and social security costs	**48,013**	13,537
Non-trade payables	**533,318**	21,353
Accruals	**814,867**	144,940
	2,500,372	417,801

13. Share-based payments
(A) Share Options

The Group has a share option scheme established to reward and incentivise the executive management team and staff for delivering share price growth. The share option scheme is administered by the Remuneration Committee. The expected life of the options is based on the maximum option period and is not necessarily indicative of exercise patterns.

The expected volatility was determined with reference to the company's share price since it was admitted for trading on AIM in December 2005. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Details of the tranches of share options outstanding at the year end are as follows:

	Number 31/12/2017	WAEP* (Pence) 31/12/2017	Number 31/12/2016	WAEP* (Pence) 31/12/2016
Outstanding as at January 1	**197,201**	**73**	218,229	73
Granted during the year	**96,400,000**	**6**	-	-
Expired during the year	**-**	**-**	-	-
Forfeited during the period	**(21,474,057)**	**2**	(21,029)	75
Exercised during the year	**-**	**-**	-	-
Options outstanding as at 31 December	**75,123,144**	**8**	197,201	73
Exercisable at 31 December	**123,143**	**72**	197,201	73

*Weighted Average Exercise Price (WAEP)

The weighted average outstanding life of vested share options is 7.2 years. The weighted average share price of outstanding options is 7.71p (2016 73.17p).

The outstanding share options are not subject to any share-performance related vesting conditions but vesting is conditional upon continuity of service.

The group recognised total expenses of £672,510 (2016: £21,477) related to equity-settled, share-based payment transactions relating to share options during the year.

A deferred taxation asset has not been recognised in relation to the charge for share-based payments due to the availability of tax losses available to be carried forward.

(B) Warrants over ordinary shares

The company issued warrants over ordinary shares to the company to subscribers of new ordinary shares and as fundraising commission in respect of equity fundraisings completed during the years to 31 December 2016 and 31 December 2017.

Details of the tranches of warrants outstanding at the year-end are as follows:

Warrants	Number 2017	WAEP* (Pence) 2017	Number 2016	WAEP* (Pence) 2016
Outstanding as at January 1	**47,928,584**	**7**	7,682,294	0.27
Granted during the year	**285,323,646**	**12**	40,246,290	0.03
Forfeited during ther period	**(7,282,294)**	**28**	-	-
Exercised during the year	**(42,146,291)**	**3**	-	-
Options outstanding as at 31 December	**283,823,645**	**12**	47,928,584	7

14. Loans due in over one year

	31 December 2017 £	31 December 2016 £
5 Year Secured Bonds	**(10,527,751)**	-
Other Loans	**(882,610)**	-
	(11,412,361)	-

	Cash Received	Value of warrants Issued	Loan Capitalised	Amortised finance charges less cash interest paid	Exchange Adjustments	31 December 2017
20 million 5 Year Secured Bonds	13,900,799	(2,977,117)	10,923,682	850,877	252,286	**12,026,845**
Other Loans	1,000,000	(184,500)	815,500	67,110	-	**882,610**
Loan Fees	(1,698,626)	-	(1,698,626)	201,532	-	**(1,497,094)**
Total	13,202,173	(3,161,617)	10,040,556	1,119,519	252,286	**11,412,361**

On 15 May 2017 the Company announced that Greenberry S.A. ('Greenberry') had subscribed for a five year non-amortising secured bonds with an aggregate issue value of €20million (the 'Bonds'). Alongside the Bonds, the company issued 169,402,469 warrants to subscribe for new ordinary shares in the Company at an exercise price of 0.608 pence per ordinary share and an exercise period of approximately five years concurrent with the term of the Bonds, to Greenberry (the "Warrants"). The Bonds are secured over the share capital of Echo Energy plc. The Bonds have an 8% coupon and were issued at a 20% discount to par value. A total cash fee of £1.7 million (€2 million) was payable by the Company.

The warrants were recorded within equity at fair value on the date of issuance and the proceeds of the notes net of issue costs were recorded as non-current liability. The coupon rate of percentage for the Bonds ensures that the Company's on-going cash out-flow on interest payments remains low, conserving the Company's cash resources. The effective interest rate is approximately 21.55%. The 5-year secured Bonds are due in May 2022.

15. Right-of-Use Liability

The group's right-of-use asset comprise the lease of it's London office (note 7).

Maturity Analysis

Contractual undiscounted cash flows:

	31 December 2017 £	31 December 2016 £
Amounts due within one year	**86,675**	-
Amounts due after more than one year	**303,363**	-
	390,038	-

The Lease Liabilities included in the statement of Financial Position:

	31 December 2017 £	31 December 2016 £
Amounts due within one year	**86,675**	-
Amounts due after more than one year	**166,624**	-
	253,299	-

Amounts Recognised in the Statement of Comprehensive Income/(Loss):

	31 December 2017 £	31 December 2016 £
Interest on leasehold liabilities	**27,198**	-

Amounts Recognised in the Statement of Cash Flows:

	31 December 2017 £	31 December 2016 £
Repayments of lease Liabilities	**42,771**	-

In calculating the Right-of-Use liability the office lease on the corporate headquarters was assumed to run to the full term of five years. Interest on the financing amount was imputed at the same rate of interest as that of the bond financing 20%.

16. Subsequent events

The Company announced on 1 November 2017 that, in line with its stated strategy, it had entered into a conditional farm-in agreement with Compañía General de Combustibles S.A. ("CGC") for the acquisition by the Company of 50 per cent working interests in each of the Fracción C, Fracción D, Laguna de los Capones and Tapi Aike licences, each located in the Austral basin of Santa Cruz province, onshore Argentina, and covering a total of 11,153km^2.

There was no up front cash consideration for the acquisition of the Tapi Aike licence interest however Echo are to carry CGC for 15% of the total Tapi Aike work programme during the initial work programme period of 3 years. An up-front payment of US$2.5million was paid as consideration for the interest in Fracción C,D and LLC

Details of the proposed acquisition were set out in the RNS announcement on the Company website on 18 December 2017. In January 2018 the Company at a general meeting of the Company the shareholders approved the acquisition.

The Company has raised £6.2 million, before expenses through the Placing of 36,391,412 Placing Shares at 17.5 pence per Placing Share, being equal to the closing mid-market price per Ordinary Share on 27 October 2017, being the last date prior to the Ordinary Shares being suspended from trading on AIM.