INTERIM REPORT 2022

FOR THE 6 MONTHS ENDED 30 JUNE 2022

Stock Code: RUR

HIGHLIGHTS

Rurelec PLC ("Rurelec" or "the Company") (AIM: RUR), the owner, operator and developer of power generation capacity internationally, today announces its unaudited interim results for the six months ended 30 June 2022.

FINANCIAL HIGHLIGHTS:

- Operating loss: £0.49 million (2021 £0.44 million)
- Post tax profit /(loss): £0.70 million (2021: (£0.88) million)
- Profit / (loss) per share: 0.12 pence (2021: (0.16) pence)
- Net asset value per share: 2.2 pence (2021: 2.5 pence)
- Net cash balance: £0.88 million (2021: £0.28 million)

OPERATIONAL AND POST HALF-YEAR HIGHLIGHTS:

- Major improvement in post-Tax profitability, from a loss of £0.88 million last year to £0.70 million profit this year, a movement that was dominated by exchange rate movements on US Dollar-denominated loan receivables and the carrying value of the 701 turbines. In the prior year there had been adverse half-year end exchange rate losses of £0.43 million as compared to gains of £1.19 million in the current period.
- Cash increased from £0.28 million last period to £0.88 million at the end of the period under review, which is the result of debt repayments from PEL, the Joint Venture company which owns Energia del Sur, S.A. ("EdS"), totalling £0.67 million and receipt of disposal proceeds from the sale of the Arica 6B turbine totalling £0.72 million. Current cash balance £0.75 million.
- Whilst the Board is encouraged to note the improvement in the cash position at 30 June 2022 compared to the same date last year, there remains significant uncertainty around the timing and quantum of future debt repayments from PEL. This uncertainty is reflective of continued trading difficulties in Argentina amidst softening electricity spot tariffs and tight exchange controls.
- Discussions remain ongoing with regards to the disposal of two Siemens Westinghouse 701 128 MW gas turbines generators ("701s").

STRATEGY UPDATE AND PROPOSED BOARD APPOINTMENT

The strategy of the Group continues to be focussed on stabilising the financial position, keeping costs under tight control, whilst buyers for certain assets are found. The underlying strategy is to preserve the value of the Group assets and to generate cash. Given the Group is debt-free, this will in turn enable Rurelec to maximise returns to its shareholders though, as reported in the Audited Accounts for the year ended 31 December 2021, the ability of Rurelec to build up sufficient cash reserves to fund dividend payments remains very uncertain unless the returns from the Argentinian operations improve or further asset disposals are achieved.

While the asset disposal program is being pursued, the board is considering the next phase of the Company's development. The Company has therefore appointed Orana Corporate LLP ("Orana"), a London-based corporate advisory and business services practice to assist with the next phase. The fees for this arrangement are an annual corporate adviser fee of £60,000 per annum; an interim management fee of £5,000 per month until the date that Daniel Maling becomes a director of the Company (although at this stage there is no guarantee that he will become a director of the Company); a success fee calculated as a commission (up to a maximum of 7.5%) linked to asset sales and associated new business opportunities and, subject to shareholder approval; the issue of 35,000,000 warrants over Ordinary Shares at a price of 0.75p per Ordinary Share. Following shareholder approval, it is intended that the warrants will vest in two

separate tranches with 20,000,000 vesting on an asset sale; and the balance vesting on satisfactory completion of a fundraising. A circular to convene a general meeting of shareholders for the associated approval, which will also contain full details of the warrant terms, will be dispatched in due course.

Orana's primary objectives are to introduce new investors tof the Company, and a review of Rurelec's assets with a view to unlocking their inherent value potential for the Company's shareholders. They will seek to find opportunities to commercialise existing assets, if they are not sold, and identify new business prospects. This could see Rurelec take advantage of the global energy sector's transition away from the most polluting fossil fuels.

In addition, as part of the terms of the arrangement it is also proposed that Mr Daniel Maling, a partner of Orana, be appointed a director of the Company subject to regulatory due diligence and Nominated Adviser approval. Mr Maling is a London-based senior corporate financier with an energy sector focus with over 25 years' experience, who has advised and managed several quoted companies in the United Kingdom, Canada, and Australia. Under the terms of his proposed service contract ("Service Contract") he will be paid a salary of £30k per annum for a minimum time commitment of 10 days per month; he is on three months' notice and is subject to customary restrictive covenants and standard employment terms and conditions. It is also intended that, subject to shareholder approval, Daniel will be issued with 20,000,000 warrants to subscribe for ordinary shares in the Company. Such options would be capable of being exercised at any time after their date of vesting, whilst Daniel remains an employee of the Company, at an exercise price of 0.75p.

At the same time, it is proposed Daniel Maling enter into a consultancy agreement with the Company pursuant to which he will receive a fee of £2,500 per month for supplementary work over and above his Service Contract.

Commenting on the results, Andy Coveney, Rurelec's Executive Director, said:

"The Board continues to pursue measures to restore value to the Company and its shareholders through selling or developing assets, and from cash receipts from the power generation plant in Argentina. We are conscious that the economic situation in Argentina remains challenging and we continue to monitor the impact on our operating asset there.

That said, with the prospect of future asset sales, and a healthy cash balance, we remain cautiously optimistic about stabilising our financial position and developing a platform for future growth in the period ahead.

I welcome the engagement of Dan Maling and his team at Orana whom we believe will provide a new impetus and direction to the next phase of the Rurelec story."

Review of Operations

Argentina

Energia del Sur, S.A. ("EdS") generated a steady and consistent output which continued throughout the first 6 months of 2022.

Despite the plant performing well, the economic situation in Argentina remained in crisis:

1. High inflation and a decline in the value of the Argentinian peso against the US Dollar led to the Argentinian Central Bank tightening exchange controls in September 2019. The exchange controls on US Dollars have a direct effect on the cash remittances by EdS to PEL, the latter not being resident in Argentina. The cost of transferring money out of Argentina has increased as a result of these controls and the loss suffered on funds remitted from EdS to PEL had been in the order of 53 per cent. of the underlying face value. A similar situation persisted in the first 6 months of 2022. The duration and severity of these controls remains uncertain.

2. Delays have been experienced by EdS along with other generators in Argentina in receiving payments of revenue from CAMMESA (the wholesale electricity market regulator and administrator).

3. The power output generated by EdS has been remunerated as Spot Price under Resolution SE 440 ("Resolution 440") which dictates the price EdS can charge for the electricity it generates. Resolution 440 introduced the following main changes:

- Spot generation tariffs increased by 29 per cent. on average. This increase was retroactively applied from February 2021.
- Spot prices were no longer linked to the US Dollar, instead became linked to the Argentine peso.
- Steam turbine and gas turbine capacity and offtake revenue both became remunerated under the Resolution 440 tariff.

4. In April 2022 the Secretariat of Energy published a new resolution which governs the Spot price tariff, Resolution SE 238/2022 ("Resolution 238") with retroactive effect to February 2022. This Resolution introduced the following changes to Resolution 440:

- Remuneration prices were increased by 30% for the period Feb to May 2022. A further 10% price increase was implemented from June 2022.
- Cancellation of the clause of reduction of income due to availability based on the utilization factor. The application of this clause was suspended for EdS since February 2021, representing an increase in our collection of AR$86 million, or £0.65 million at average official Argentine rates, during 2021.

Despite the price increases introduced in Resolution 238, the income generated under this new tariff is still significantly lower than the income generated by EdS under Resolution 220 which expired in September 2020.

Until there is a change of government with policies more favourable to generators, EdS's revenue and cash generation will continue to be suppressed. This in turn will influence the timing and amounts of any cash payments from EdS to PEL and ultimately to Rurelec.

5. The Argentinian economy remained weak throughout the period and the board understand from local Argentinian management that tariffs are not likely to increase under the current government other for than general inflationary increases.

In the 6 months to 30 June 2022 EdS accumulated sufficient cash to make one payment of unsecured loan repayments to PEL of US $1 million/£0.79 million, of which Rurelec received (i) US$0.76 million/£0.67 million, in partial repayment of the Amended and Restated Loan Notes (the "Loan Notes") that were

created as part of a new agreement with the joint venture partner in November 2019; and (ii) US $0.01 million of management fees. This agreement set out how cash receipts in PEL will be allocated between the joint venture partners and represented a major step forward in our mutual working relationship. After the end of the period under review, up to the date of this interim statement, Rurelec has received no further payments by way of partial repayment of the Loan Notes.

The balance outstanding on the Loan Notes at 30 June 2022 was US $13.35 million (2021: US $14.94 million). Future loan repayments will be in the ratio 72:28 (Rurelec:Basic) between Rurelec and Basic Energy Limited, the ultimate shareholders of PEL

Chile

In Chile, the necessary environmental consents and land leases were maintained in order to extend the project and the Board continues to review options in the light of the risks versus rewards of undertaking this project and the costs of renewing the annual rental agreement on the land.

Asset disposals

No further asset disposals were achieved in the period.

Head office

Tight controls continued to be maintained on overheads in the UK and administration costs for the period were flat at £409k (2021: £416k)

Debt repayments and Cash flow

As expected, Rurelec remained free of any secured debt and was consequently in the position of not having to pay any interest.

The period-end cash balance was £879k (2021: £275k).

Liquidity remains a significant issue for the Group. The Group has been able to cope with variability in the timing and quantum of cash receipts from Argentina due to long term reductions in Group operating costs. Given the deterioration in the cash generation from Argentina, the Group is now critically dependent on asset sales. However, there can be no guarantee as to the timing of any such asset sales and receipts, nor regarding when any further cash will be received from Argentina owing to the multiple uncertainties outlined above. In particular there is no guarantee that the remuneration level of the tariff/PPA/spot prices will be further improved or that EdS will remain economically viable. The Directors consider that the prospect of better tariffs being granted for EdS's power is largely dependent on political change in Argentina which may not occur until late 2023, if at all.

Given the cash balances held by the Group, potential cash remittances from our Argentine operation and potential asset disposals, the directors believe there is currently sufficient headroom in existing working capital facilities to avoid the need to seek further sources of working capital and accordingly continue to adopt the going concern basis of accounting. However, the potential remittances and receipts are not guaranteed and if neither source of funds generates sufficient cash in the future there would exist a material uncertainty over the ability of the Company to finance its ongoing activities, the Directors continue to keep this under review.

Board of Directors

There were no changes to the Board of Directors during the period covered by these condensed financial statements.

Andy Coveney
Executive Director

RURELEC PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)
for the half year ended 30 June 2022
(expressed in thousands of pounds)

	Notes	6 months to 30/06/22 £'000	6 months to 30/06/22 £'000	Audited 12 months to 31/12/21 £'000
Administrative expenses		(496)	(443)	(967)
Other income		-	-	352
Other expense		-	-	(1,469)
Operating Loss		**(496)**	**(443)**	**(2,084)**
Foreign exchange gains /(losses)		1,194	(432)	(214)
Finance income		-	-	491
Finance expense		-	-	(1,827)
Profit / (Loss) before tax		**697**	**(875)**	**(3,634)**
Tax expense		-	-	-
Profit / (Loss) for the period		**697**	**(875)**	**(3,634)**
Profit) / (Loss) per share	**3**	0.12p	(0.16p)	(0.65p)
Other comprehensive income				
Items that will be subsequently reclassified to Profit & Loss:				
Exchange differences on translation of foreign operations		269	77	285
Total other comprehensive income		**269**	**77**	**285**
Total comprehensive profit/ (loss) for the period		**965**	**(798)**	**(3,349)**

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)
for the half year ended 30 June 2022
(expressed in thousands of pounds)

	Notes	30/06/22 £'000	30/06/21 £'000	Audited 31/12/21 £'000
Assets				
Non-current assets				
Property, plant and equipment		7,766	7,230	7,003
Investment in Joint Venture		312	1,648	312
Trade and Other Receivables		3,650	4,496	3,103
		11,728	**13,374**	**10,418**
Current assets				
Trade and other receivables		269	1,032	997
Cash and cash equivalents		879	275	745
		1,148	**1,307**	**1,742**
Total assets		**12,876**	**14,681**	**12,160**
Equity and liabilities				
Shareholders' equity				
Share capital		5,614	5,614	5,614
Share premium account		-	-	-
Foreign currency reserve		1,347	870	1,078
Profit and loss reserve		5,711	7,773	5,014
Total equity		**12,672**	**14,257**	**11,706**
Current liabilities				
Trade and other payables		200	420	448
Current tax liabilities		4	4	6
		204	**424**	**454**
Total liabilities		**204**	**424**	**454**
Total equity and liabilities		**12,876**	**14,681**	**12,160**

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)
for the half year ended 30 June 2022
(expressed in thousands of pounds)

	Share capital £'000	Share premium £'000	Foreign currency reserve £'000	Retained earnings £'000	Other reserve £'000	Total equity £'000
Balance at 01.01.21	**5,614**	**-**	**793**	**8,648**	**-**	**15,055**
Loss for the first 6 months	-	-	-	(875)	-	(875)
Exchange differences on translation	-	-	77	-	-	77
Total comprehensive profit	**-**	**-**	**77**	**(875)**	**-**	**(798)**
Balance at 30.06.21	**5,614**	**-**	**870**	**7,773**	**-**	**14,257**
Loss for the Period	-	-	-	(2,759)	-	(2,759)
Exchange differences	-	-	208	-	-	208
Total comprehensive loss	**-**	**-**	**208**	**(2,759)**	**-**	**(2,551)**
Balance at 31.12.21	**5,164**	**-**	**1,078**	**5,014**	**-**	**11,706**
Loss for the first 6 months	-	-	-	697	-	697
Exchange differences on translation	-	-	269	-	-	269
Total comprehensive loss	**-**	**-**	**269**	**697**	**-**	**966**
Balance at 30.06.22	**5,614**	**-**	**1,347**	**5,711**	**-**	**12,672**

RURELEC PLC
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)
for the half year ended 30 June 2022
(expressed in thousands of pounds)

			Audited
	6 months to 30/06/22	6 months to 30/06/21	12 months to 31/12/21
Result for the period before tax from operations	697	(875)	(3,634)
Net finance income	-	-	1,336
Adjustments for:			
Unrealised exchange losses / (gains)	(1,194)	429	214
Write down on investments	-	-	1,500
Gain on disposal	-	-	(330)
Change in trade and other receivables	189	-	(173)
Change in trade and other payables	(232)	53	96
Cash used in operating activities	**(540)**	**(393)**	**(991)**
Taxation paid	-	-	-
Net cash used in operating activities	**(540)**	**(393)**	**(991)**
Cash flows from investing activities			
Repayments from joint venture company	674	-	347
Net proceeds from sale of turbine	-	-	721
Net cash generated from investing activities	**674**	**-**	**1,068**
Net cash inflow before financing activities	**134**	**(393)**	**77**
Cash flows from financing activities			
Loan Principal Repayments		-	-
Loan Interest Repayments		-	-
Net cash used in financing activities		**-**	**-**
Increase / (Decrease) in cash and cash equivalents	**134**	**(393)**	**77**
Cash and cash equivalents at start of period	745	668	668
Cash and cash equivalents at end of period	**879**	**275**	**745**

NOTES TO THE INTERIM STATEMENTS
for the six months ended 30 June 2022

1. BASIS OF PREPARATION

These condensed consolidated interim financial statements do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 31 December 2021 were derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The financial information contained in this interim statement has been prepared in compliance with International Financial Reporting Standards ("IFRSs") and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and expected to apply to the Group's results for the year ending 31 December 2022 and on interpretations of those Standards released to date.

2. ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies set out in the Group's financial statements for the year ended 31 December 2021.

3. EARNINGS PER SHARE

	6 months to 30/06/22	6 months to 30/06/21	12 months to 31/12/21
Basic and diluted			
Average number of shares in issue during the period	561m	561m	561m
(Loss) / Profit attributable to equity holders of the parent from continuing operations	£0.30m	(£0.88)m	(£3.63)m
Basic and diluted (loss) / profit per share on continuing operations	0.12p	(0.16)p	(0.65)p

There are no financial instruments in issue (2021: none) that could be settled by the delivery of shares.

4. The Board of Directors approved this interim statement on 30 September 2022. This interim statement has not been audited.

5. Copies of this statement are available at the Company's website www.rurelec.com

RURELEC PLC

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