



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

**UNAUDITED INTERIM RESULTS TO 30 JUNE 2016**

Andes (AIM: AEN; BCBA: AEN), the Latin American E&P group, announces its unaudited interim results for the six month period ending 30 June 2016.

**Operational Review**

**Period highlights**

- 6% increase in average daily production from 3,287\* boepd in the first six months of 2015 to 3,481\* boepd in the first six months of 2016
- Average oil production of 2,322 bpd in Argentina; average net price received US\$60.8/bbl
- Average oil production of 695 bpd in Colombia; average net price received US\$33.3/bbl
- Average gas production of 464 boepd in Colombia; average price received US\$19.6/boe (US\$2.89MBTU)
- 44 development wells drilled on the Chachahuen licence in Argentina, in partnership with YPF, all successfully brought into production
- 4 exploration wells drilled on the Chachahuen licence of which 3 are located in the Chachahuen Sur block and 1 in the Chachahuen Centro block
- Revenues of US\$34.2 million for the six months ending 30 June 2016 compared to US\$32.5 million for the corresponding period last year; an increase of 5%
- EBITDA of US\$7.7 million for the six months ending 30 June 2016 compared to US\$5.5\*\* million for the corresponding period last year; an increase of 40%
- Half year end oil prices being received: Argentina \$61.3/bbl; Colombia \$34.1/bbl

**Post period highlights**

- A further 15 development wells drilled on the Chachahuen licence, all now producing
- Ongoing well testing of 2 Chachahuen exploration wells
- 1 exploration well “Cerro Morado Este x-1” was spudded on 5 July with the main target to investigate the Centenario formation and is currently under extended production testing
- Discussions ongoing with YPF regarding new Development Program at Chachahuen for the next 2-3 years

Alejandro Jotayan, CEO, commented:

“Andes continues to grow through the development of its assets and in particular the development of the Chachahuen licence, which has driven production higher against a backdrop of higher domestic oil prices compared to international prices. Furthermore, the new government is stimulating activity in Argentina, which we believe will lead to new and increased investment in the country and help drive value from our 250,000 net acres in the Vaca Muerta. ”

*\*Includes 100% of Interoil’s net production in which Andes holds a 26% indirect controlling interest*

*\*\*Before exceptional item of US\$1.3 million and one time settlement fee of US\$4 million, to ensure consistency with 2015 comparatives*

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***Qualified Person Review***

In accordance with AIM guidance for mining, oil and gas companies, Mr. Juan Carlos Esteban has reviewed the information contained in this announcement. Mr. Juan Carlos Esteban, an Officer of the Group, is a petroleum engineer with over 30 years of experience and is a member of the SPE (Society of Petroleum Engineers).

**Note to Editors:**

Andes Energia plc is an oil and gas exploration and production company focused on onshore assets in South America with a market capitalisation of circa £90m. The Company has its main operations in Argentina and Colombia.

The Company has approximately 25\* MMbbls of conventional 2P reserves, and it also has certified prospective resources of 640 MMboe, primarily in the Vaca Muerta unconventional development in Argentina and over 7.5 million acres across South America.

The Company has approximately 250,000 net acres in the Vaca Muerta formation, which is the second largest shale oil deposit in the world and the only producing shale oil deposit outside of North America, currently producing 45,000 boepd. Over 300 wells have already been drilled and fracked in the Vaca Muerta formation.

Andes is the only AIM quoted company on the London Stock Exchange with exposure to the Vaca Muerta shale.

The Company currently produces approximately 3,525\* boepd in Argentina and Colombia from six conventional fields in Argentina and two in Colombia, with positive cash flows generated.

*\*Includes 100% of InterOil's net reserves and production in which Andes holds a 26% indirect controlling interest*

## **Chief Executive Officer's Review**

### **Introduction**

We have made significant progress in the first half of 2016 with 48 wells drilled, which has driven production higher. In Argentina, we are receiving over \$60 per barrel of oil produced. The new pro-business administration is improving foreign capital inflows, some of which will be deployed in the oil industry and specifically the Vaca Muerta shale formation where we have 250,000 net acres.

### **Oil and Gas Interests**

#### ***Production***

Andes's production base is diverse. The Company now produces from 2 countries, from 8 oil fields and 269 wells. Production in the period increased 6%, with average daily production of 3,481 boepd for the period compared to 3,287 boepd\* in the first half of 2015. Oil production in Argentina averaged 2,322 bpd, with average net prices of US\$60.8/bbl; oil and gas production in Colombia averaged 1,159\* boepd, with average oil net prices of US\$33.3/bbl and gas average prices of US\$19.6/boe (US\$2.89MBTU).

#### ***Strategy***

Andes has net 2P reserves of 25\* MMbbls and certified resources of 640 MMboe mostly in the Vaca Muerta shale, where Andes holds 250,000 net acres in the oil window. We are making considerable progress in line with our stated strategy to develop our 2P reserve base to increase production and strengthen cash flows of the company so that capital can be deployed to convert resources into cash generating reserves and continue developing our acreage in the Vaca Muerta.

#### ***Argentina***

##### **Chachahuen**

#### ***Development drilling***

The 2014-2016 Chachahuen development program, in joint venture with YPF, was accelerated in 2016, having up to 4 rigs working simultaneously in the field during the first half of the year. In the period 43 new producing wells were drilled and successfully completed. At the end of the period there were 133 wells on stream producing approximately 7,094 bpd (1,418 bpd net to Andes).

#### ***Enhanced Oil Recovery - Water Flood project***

Under the ongoing water flood project 1 injector well was drilled during the period and 3 reconversions from producing into injection wells have been performed since the end of December 2015. At the half year end, Andes reached an average rate of injection of 2,332 bpd through a total of 21 injection wells.

#### ***Exploration drilling***

Current production in Chachahuen comes from less than 5% of the total area of the licence and only one formation (Rayoso). In order to expand the area and number of formations/horizons in production, Andes undertook a five well exploration program on certain prospects on the block with different targets and objectives. Valuable information was obtained from the drilling, and two wells were chosen to carry out a long production test in the forthcoming weeks. The main technical results are as follows:

##### **La Orilla x-1**

The well is located approximately 17 km southeast of the first discovery well "Chus x-2", on the "Chachahuen Sur" evaluation block and was drilled to test a four-way closure structure at multiple horizons investigating the complete stratigraphic column, with the primary target the Centenario formation and the deeper Tordillo and Lotena formations the secondary targets. The Centenario formation occupies the eastern margin of the Neuquén Basin. The facies of this formation is fluvial/lacustrine, typical of the basin margin and these non-marine deposits interfinger with the marine formations of the upper part of the Mendoza Cycle and with the evaporitic facies of the Rayoso Cycle.

The well reached a total depth of 1,353 metres and encountered oil and gas shows in the lower Centenario, Tordillo and Lotena formations. During the completion stage, the deeper horizon of the

Lotena formation (depth 1,266 metres) was tested for intermittent natural flows of gas and water, with the gas flared at the location. A production string was installed in order to perform extended well tests to define productivity.

#### **Remanso del Colorado x-1**

The well is situated approximately 9.5 km southeast of the discovery well “Chus x-2” on the “Chachahuen Sur” evaluation block with the primary target to investigate the sandstone of cycle 1 of the Rayoso formation into the combined structural/stratigraphic traps where the updip seal is the claystones of the Neuquen Group above an unconformity.

The well was drilled to a total depth of 2,418 metres investigating the complete stratigraphic column. A comprehensive well test program was carried out testing separately the following formations: Rayoso, Agrio, Mulichinco, and an intrusive of the Vaca formation. Formation water was recovered from each one, whilst the deeper horizon of the Group Cuyo formation tested for natural flows of gas and water with the gas flared at the location. An extended well test is planned to define productivity.

#### **Cerro Redondo x-1**

The well is situated approximately 4.3 km northeast of the discovery well “Chus x-2” on the “Chachahuen Sur” evaluation block with the primary target to investigate the sandstone of cycle 1 of the Rayoso formation into the combined structural/stratigraphic traps where the updip seal is the claystones of the Neuquen Group above an unconformity.

The well was drilled to a total depth of 1,810 metres investigating the complete stratigraphic column. Oil shows were seen during the drilling process, and the shallow horizon encountered good quality reservoir sandstone with a net oil pay of 6 metres. The well was cased at a depth of 845 metres to test the Rayoso formation. After fracture stimulation the well produced by natural flow 135 bpd with a water cut of approximately 15%. A buildup test was performed to further evaluate the potential reservoir properties of cycle 1 of the Rayoso formation.

The well came on stream on 27 June and after an initial clean up period produced at a rate of 81 bpd. This oil discovery is currently flowing at 95 bpd.

An appraisal program and extensive follow-up exploration activities will now be considered targeting cycle 1 of the Rayoso formation.

#### **Cerro Montoso x-1**

The well is located approximately 37 km northeast of the discovery well “Chus x-2”, on the “Chachahuen Centro” block and was drilled to test a three way closure against a bounding fault structure at multiple horizons with the primary target the lower Centenario formation and the deeper Tordillo formation the secondary target.

The well was drilled to a total depth of 980 metres. Lost circulation was encountered whilst drilling and no oil shows were seen. The well was cased and formation water was recovered from the Centenario and Tordillo formations through swabbing. The well was subsequently plugged and abandoned.

#### ***Oil production***

Oil production increased 65%, from 4,235 bpd (847 bpd net to Andes) in the first semester of 2015 to 6,975 bpd (1,395 bpd net to Andes) in the first half of 2016, with 43 new producing wells drilled in the period. A total of 133 producing wells were on stream at the end of the period.

#### **Puesto Pozo Cercado and Chañares Herrados blocks – Mendoza**

Oil production decreased 7% during the period, from 1,645 bpd during the first half of 2015 (821 bpd net to Andes) to 1,533 bpd (765 bpd net to Andes) in the first six months of 2016.

#### **Vega Grande - Mendoza**

In Vega Grande oil production remained stable, going from 59 bpd during first semester of 2015 to 58 bpd in the first six months of 2016. Oil production was kept at the same level minimising oil production losses. The oilfield was kept operational during the whole winter season, despite severe climatic conditions. Andes holds a 100% working interest in the block.

#### **La Brea (Puesto Muñoz) – Mendoza**

In La Brea (Puesto Muñoz), oil production showed a minor decrease of 6 bpd, going from 61 bpd in 2015 first semester to 56 bpd during the first half of 2016. Production was kept at the same level through the application of acid stimulations in PMu.a-7 well. Andes holds a 100% working interest in the block.

#### **El Manzano West (Agrido formation) – Mendoza**

In El Manzano (Agrido formation), oil production decreased 31% during the period, falling from 44 bpd during the first semester of 2015 to 30 bpd in 2016 first half. Andes holds a 100% working interest in production from the Agrido Formation.

#### **El Manzano West (Other formations) – Mendoza**

In a joint venture with YPF, the licence's block operator, production from the El Manzano West block decreased 54% (total of 22 bpd), falling from 40 bpd during the first semester of 2015 to 18 bpd during 2016 first half. Andes holds a 40% working interest in production from all formations other than the Agrido formation, including Vaca Muerta.

#### **Ñirihuau block – Chubut**

Andes has fulfilled the work commitments agreed with the Chubut Province for the first exploration period and is currently awaiting the Province's approval for the proposed work program for the next exploration period.

#### **Colombia**

Andes has interests in 13 exploration licences and 2 producing licences including licences held through its 26% interest in InterOil.

#### **Exploration licences**

Andes is currently conducting regional geological studies, petrophysical interpretation and reprocessing of existing seismic data on its exploration licences in Colombia. In the YDND-2 block 300 soil gas samples were collected and another 300 soil gas samples were collected in the YDND-8 block. The sample analysis was conducted by GeoFrontiers laboratories and reports were submitted to the ANH. The exploration team is currently integrating and carrying out a technical evaluation of the geological, geochemical and geophysical data in order to define the prospectivity in these blocks.

In blocks LLA-2, LLA-28 and LLA-79, the Agencia Nacional de Hidrocarburos ("ANH") has approved the company's proposal to replace the seismic acquisition commitment with high density geochemical sampling.

In COR-6 a conciliation meeting was held on 26 May 2016 with the ANH to consider the extrajudicial conciliation petition filed by the company in respect of the COR-6 situation. Subject to Court approval, agreement has been reached with the ANH, pursuant to which InterOil has reached agreement with the ANH to transfer the COR-6 exploration commitments of US\$22 million to the Altair and LLA-47 licences also held by the company. It should be noted that after the period end InterOil has been advised that the Court has not approved the agreement. The company is evaluating the implications of this decision and the different legal alternatives it has to protect its interest.

The commitments include:

- 1) High density geochemical sampling of 30,000 surface points to be completed by March 2017 with 10,000 samples (80 km<sup>2</sup>) to be taken on Altair and 20,000 samples (447 km<sup>2</sup>) on LLA-47.
- 2) Drilling of 1 stratigraphic well on the Altair licence to be completed by April 2018.
- 3) Drilling of 2 exploratory wells on the Altair licence to be completed by April 2018.

The company will be required to increase the guarantees on the Altair and LLA-47 licences consistent with these additional commitments.

#### **Paraguay**

Based on an analysis of the data collected and our strategy to prioritise low risk projects at a time of low international oil prices, Andes's Management has decided to relinquish the Itapua licence.

#### **Financial Highlights**

<b>Period ended 30 June</b>	<b>2016</b>	<b>2015</b>
	<b>US\$m</b>	<b>US\$m</b>
Revenue	34.2	32.5
Operating profit/(loss)	1.5	**(0.8)
EBITDA (see note 6)	7.7	**5.5
Net operating cash generated from operations	13.6	5.3

*\*\* Before exceptional item of US\$1.3 million and one time settlement fee of US\$4 million, to ensure consistency with 2015 comparatives*

Revenue has increased to US\$34.2 million for the first 6 month period of 2016 compared to US\$32.5 million in the same period last year. Revenues from Andes's underlying operations excluding Interoil increased by 16% from US\$22.7 million to US\$26.3 million primarily from the increased production on the Chachahuen licence whilst Interoil's revenues fell by 19% from US\$9.8 million to US\$7.9 million primarily due to a fall in production and lower oil prices.

The group recorded an operating profit of US\$1.5 million representing an increase of US\$2.3 million compared to the 2015 operating loss of US\$\*\*0.8 million. This increase is derived primarily from Andes's operating activities excluding Interoil. Administrative costs in the period have fallen 37% compared to the comparative period last year.

EBITDA increased by 40% to US\$7.7 million from US\$5.5 million in the comparative period last year. Andes excluding Interoil contributed EBITDA of US\$5.4 million compared to US\$2.5 million in 2015, a 116% increase; Interoil EBITDA of US\$2.3 million compared to US\$3.0 million in 2015.

The net loss for the group increased from US\$3.5 million for the comparative period in 2015 to US\$9.2 million 2016. The main reasons for this resulted from an increase of US\$0.9 million in finance costs; a decrease in finance income of US\$2.2 million; and an increase in unrealised net exchange losses of US\$ 3.9 million (a non-cash item) primarily resulting from the weakening of GBP against the US\$ in relation to US\$ denominated loans held by group companies with a functional currency of GBP.

The Group's total assets have decreased by US\$75 million from US\$318 million, at 30 June 2015 to US\$243 million as at 30 June 2016 reflecting the impact of the devaluation of the Argentine Peso. The devaluation of the Argentine Peso resulted in US\$56 million of exchange losses (a non-cash item) being recognised in comprehensive loss for the 12 months ending 30 June 2016.

At the period end the Group had cash resources of US\$19.1 million compared to US\$21.7 million at 30 June 2015, of which US\$10.0 million is restricted as security for stand by letters of credit to support guarantees in Colombia compared to US\$11.0 million at 30 June 2015.

Andes's borrowings fell by US\$ 12.5 million, from US\$ 65.4 to US\$52.9 million, while Interoil, in which Andes holds a 26.01% interest, fell by US\$1.4 million, from US\$ 44.4 to US\$43.0 million (which is ring fenced from the rest of the Group). It should also be noted that the majority of the finance costs of US\$9.5 million are accrued costs with only US\$0.9 million satisfied in cash during the period.

### **Outlook**

The Board is pleased with the overall results delivered by the development program carried through in the Chachahuen licence. The team is currently in discussions with YPF regarding a possible new development program to be put in place, which will lead to another increase in production from this important field. The increased production rate and the successful ongoing water flood program in the Chachahuen licence, together with the reduction of production losses in other assets of the Company, augurs well for the future. The Company is pleased with the results of the latest exploration program on the Chachahuen block, which have opened the possibility to develop new horizons.

The business environment in Argentina is improving under the new pro-business administration. Foreign capital is beginning to flow into the country and into the oil industry. This trend augurs well for the future development of the vast Vaca Muerta shale formation; of which Andes has an interest in a very valuable 250,000 net acres.

**Alejandro Jotayan**  
**Chief Executive Officer**  
**19 September 2016**

*\*Includes 100% of Interoil's net reserves in which Andes holds a 26% indirect controlling interest*

**Group income statement for the period ended 30 June 2016**

	<b>30-Jun-16</b>	<b>30-Jun-15</b>	<b>31-Dec-15</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Revenue	34,195	32,488	66,815
Production cost	(26,008)	(22,608)	(45,705)
<b>Gross profit</b>	<b>8,187</b>	<b>9,880</b>	<b>21,110</b>
Other operating income	347	4,674	4,010
Exceptional items	-	1,309	-
Total other operating income	347	5,983	4,010
Distribution costs	(1,310)	(2,218)	(4,657)
Administrative expenses	(5,770)	(9,162)	(17,626)
<b>Operating profit</b>	<b>1,454</b>	<b>4,483</b>	<b>2,837</b>
Finance income	1,737	3,945	1,109
Finance costs	(9,523)	(8,625)	(18,272)
Exchange (loss)/gain	(3,204)	682	1,879
<b>(Loss)/profit before taxation</b>	<b>(9,536)</b>	<b>485</b>	<b>(12,447)</b>
Taxation	331	(3,979)	(5,938)
<b>Loss for the year from continuing operations</b>	<b>(9,205)</b>	<b>(3,494)</b>	<b>(18,385)</b>
<b>Loss attributable to:</b>			
Equity holders of the parent	(8,878)	(3,756)	(15,226)
Non-controlling interests	(327)	262	(3,159)
	<b>(9,205)</b>	<b>(3,494)</b>	<b>(18,385)</b>
<b>Loss per ordinary share</b>	<b>Cents</b>	<b>Cents</b>	<b>Cents</b>
Adjusted basic and diluted loss per share	(1.47)	(0.92)	(2.68)
Basic and diluted loss per share	(1.47)	(0.68)	(2.68)

**Consolidated statement of comprehensive income for the period ended 30 June 2016**

	<b>30-Jun-16</b>	<b>30-Jun-15</b>	<b>31-Dec-15</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Loss for the period	(9,205)	(3,494)	(18,385)
Translation differences	(10,570)	(11,493)	(56,869)
<b>Total comprehensive loss for the period</b>	<b>(19,775)</b>	<b>(14,987)</b>	<b>(75,254)</b>
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the parent	(19,448)	(15,249)	(72,095)
Non-controlling interests	(327)	262	(3,159)
	<b>(19,775)</b>	<b>(14,987)</b>	<b>(75,254)</b>

The loss on exchange results primarily from the revaluation of intangible assets and property, plant and equipment that are carried in Argentine pesos. This resulted in a drop in the carrying value of these intangible assets and property, plant and equipment but is not indicative of an impairment in value.



**Consolidated statement of financial position as at 30 June 2016**

	<b>30-Jun-16</b>	<b>30-Jun-15</b>	<b>31-Dec-15</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Non-current assets</b>			
Intangible assets	96,112	154,659	109,258
Property, plant and equipment	92,595	103,665	94,145
Available for sale financial assets	5,604	1,667	5,599
Trade and other receivables	9,828	10,932	10,039
Deferred income tax assets	1,111	1,041	1,547
<b>Total non-current assets</b>	<u>205,250</u>	<u>271,964</u>	<u>220,588</u>
<b>Current assets</b>			
Inventories	1,113	1,813	1,954
Available for sale financial assets	1,223	3,782	1,414
Trade and other receivables	16,583	18,312	14,088
Restricted cash	9,087	10,713	9,593
Cash and cash equivalents	10,030	11,018	17,702
<b>Total current assets</b>	<u>38,036</u>	<u>45,638</u>	<u>44,751</u>
<b>Current liabilities</b>			
Trade and other payables	30,990	27,591	22,644
Financial liabilities	18,373	25,726	22,259
Provisions	691	1,260	691
<b>Total current liabilities</b>	<u>50,054</u>	<u>54,577</u>	<u>45,594</u>
<b>Non-current liabilities</b>			
Trade and other payables	17,123	8,434	18,169
Financial liabilities	77,534	84,120	76,767
Deferred income tax liabilities	31,099	44,553	38,005
Provisions	3,888	6,013	3,596
<b>Total non-current liabilities</b>	<u>129,644</u>	<u>143,120</u>	<u>136,537</u>
<b>Net assets</b>	<u>63,588</u>	<u>119,905</u>	<u>83,208</u>
<b>Capital and reserves</b>			
Called up share capital	98,414	90,225	98,414
Share premium account	86,865	73,448	86,865
Other reserves	(136,993)	(81,047)	(126,423)
Retained earnings	12,962	31,109	21,685
<b>Equity attributable to equity holders of the parent</b>	<u>61,248</u>	<u>113,735</u>	<u>80,541</u>
Non-controlling interests	2,340	6,170	2,667
<b>Total equity</b>	<u>63,588</u>	<u>119,905</u>	<u>83,208</u>

**Unaudited consolidated statement of changes in equity for the period ended 30 June 2016**

Capital and reserves	Share capital	Share premium	Retained earnings	Other reserves	Attributable to equity holders of the parent	Non controlling interests	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>At 1 January 2015</b>	90,164	73,248	34,700	(69,554)	128,558	-	128,558
Loss for the period	-	-	(3,756)	-	(3,756)	262	(3,494)
Translation differences	-	-	-	(11,493)	(11,493)	-	(11,493)
Total comprehensive loss for the period	-	-	(3,756)	(11,493)	(15,249)	262	(14,987)
Issue of ordinary shares	61	200	-	-	261	-	261
Fair value of share based payments	-	-	165	-	165	-	165
Acquisition of subsidiary	-	-	-	-	-	5,908	5,908
<b>At 30 June 2015</b>	90,225	73,448	31,109	(81,047)	113,735	6,170	119,905
Loss for the period	-	-	(11,470)	-	(11,470)	(3,421)	(14,891)
Translation differences	-	-	-	(45,376)	(45,376)	-	(45,376)
Total comprehensive loss for the period	-	-	(11,470)	(45,376)	(56,846)	(3,421)	(60,267)
Issue of ordinary shares	8,189	13,417	-	-	21,606	-	21,606
Fair value of share based payments	-	-	167	-	167	-	167
Acquisition of subsidiary	-	-	-	-	-	(1,255)	(1,255)
Reduction of interest in subsidiary	-	-	1,879	-	1,879	1,173	3,052
<b>At 31 December 2015</b>	98,414	86,865	21,685	(126,423)	80,541	2,667	83,208
Loss for the period	-	-	(8,878)	-	(8,878)	(327)	(9,205)
Translation differences	-	-	-	(10,570)	(10,570)	-	(10,570)
Total comprehensive loss for the period	-	-	(8,878)	(10,570)	(19,448)	(327)	(19,775)
Fair value of share based payments	-	-	155	-	155	-	155
<b>At 30 June 2016</b>	98,414	86,865	12,962	(136,993)	61,248	2,340	63,588

  

Other reserves	Merger reserve	Warrant reserve	Reverse acquisition reserve	Translation reserve	Deferred Consideration Reserve	Total other reserves
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>At 1 January 2015</b>	55,487	2,105	-	(133,172)	6,026	(69,554)
Translation differences	-	-	-	(11,493)	-	(11,493)
Total comprehensive loss for the period	-	-	-	(11,493)	-	(11,493)
<b>At 30 June 2015</b>	55,487	2,105	-	(144,665)	6,026	(81,047)
Translation differences	-	-	-	(45,376)	-	(45,376)
Total comprehensive loss for the period	-	-	-	(45,376)	-	(45,376)
<b>At 31 December 2015</b>	55,487	2,105	-	(190,041)	6,026	(126,423)
Translation differences	-	-	-	(10,570)	-	(10,570)
Total comprehensive loss for the year	-	-	-	(10,570)	-	(10,570)
<b>At 30 June 2016</b>	55,487	2,105	-	(200,611)	6,026	(136,993)

Consolidated cash flow statement for the period ended 30 June 2016

	<b>30-Jun-16</b>	<b>30-Jun-15</b>	<b>31-Dec-15</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Cash generated from operations</b>	13,941	5,781	18,751
Tax paid	(380)	(502)	(643)
<b>Cash flows generated from operating activities</b>	<b>13,561</b>	<b>5,279</b>	<b>18,108</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(11,852)	(8,596)	(24,418)
Proceeds from sale of property, plant and equipment	6	-	17
Proceeds from sale of interest in subsidiary	-	-	814
Purchase of exploration assets	(846)	(425)	(2,233)
Purchase of financial assets	(738)	(2,318)	(6,402)
Acquisition of subsidiary net of cash acquired	-	16,863	12,018
Proceeds from sale of investments in group companies	-	-	3,128
<b>Net cash used in /(generated from) investing activities</b>	<b>(13,430)</b>	<b>5,524</b>	<b>(17,076)</b>
<b>Cash flows from financing activities</b>			
Repayments of borrowings	(14,250)	(3,350)	(1,794)
Funds from borrowing	7,588	5,335	6,107
Interest paid	(872)	(1,943)	(837)
Interest received	1	18	392
Proceeds from issue of shares	-	261	12,315
<b>Net cash (used in)/generated from financing activities</b>	<b>(7,533)</b>	<b>321</b>	<b>16,183</b>
Exchange losses on cash and cash equivalents	(777)	(37)	(564)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(8,179)</b>	<b>11,087</b>	<b>16,651</b>
Cash and cash equivalents at the beginning of the period	27,296	10,644	10,644
<b>Cash and cash equivalents at the end of the period</b>	<b>19,117</b>	<b>21,731</b>	<b>27,295</b>

## Notes

### 1. Basis of preparation

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

The financial information has been prepared under the historical cost convention in accordance with International Financial Reporting Standards (IFRSs). The financial information set out in this half-yearly report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The same accounting policies, presentation and methods of computation are followed in this unaudited interim condensed consolidated report as were applied in the Group's annual financial statements for the year ended 31 December 2015. The auditor's report on those financial statements was unqualified and did not contain any statements under section 498(2) or section 498(3) of the Companies Act 2006.

### 2. Segment reporting

Analysis of revenue and profit:	2016				2015			
	Argentina	Colombia	Unallocated Corporate	Total	Argentina	Colombia	Unallocated Corporate	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	26,268	7,927	-	34,195	22,727	9,761	-	32,488
Operating profit/(loss)	2,429	555	(1,530)	1,454	1,390	7,241	(4,148)	4,483
Finance income	1,517	-	220	1,737	1,285	2,494	166	3,945
Finance costs	(4,352)	(453)	(4,718)	(9,523)	(2,208)	(3,586)	(2,831)	(8,625)
Exchange (loss)/gain	759	(133)	(3,830)	(3,204)	(12)	-	694	682
Loss before tax	353	(31)	(9,858)	(9,536)	455	6,149	(6,119)	485
Taxation	(1,339)	1,670	-	331	(516)	(3,463)	0	(3,979)
Loss for the year	(986)	1,639	(9,858)	(9,205)	(61)	2,686	(6,119)	(3,494)
Less: Exceptional gain on acquisition	-	-	-	-	-	-	(1,309)	(1,309)
Less: Settlement fee	-	-	-	-	-	(4,000)	-	(4,000)
Add: Depreciation and amortisation	3,655	2,611	-	6,266	4,408	1,920	-	6,328
Less: Finance income	(1,517)	-	(220)	(1,737)	(1,285)	(2,494)	(166)	(3,945)
Add: Finance costs	4,352	453	4,718	9,523	2,208	3,586	2,831	8,625
Add: Exchange gains and losses	(759)	133	3,830	3,204	12	-	(694)	(682)
Add: Tax	1,339	(1,670)	-	(331)	516	3,463	-	3,979
<b>EBITDA</b>	<b>6,084</b>	<b>3,166</b>	<b>(1,530)</b>	<b>7,720</b>	<b>5,798</b>	<b>5,161</b>	<b>(5,457)</b>	<b>5,502</b>

### 3. Andes and Interoil

	Andes	Interoil	Group	Andes	Interoil	Group
	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-15	30-Jun-15	30-Jun-15
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	26,268	7,927	34,195	22,727	9,761	32,488
Production cost	(21,119)	(4,889)	(26,008)	(17,747)	(4,861)	(22,608)
<b>Gross profit</b>	<b>5,149</b>	<b>3,038</b>	<b>8,187</b>	<b>4,980</b>	<b>4,900</b>	<b>9,880</b>
Other operating income	499	(152)	347	296	4,378	4,674
Exceptional gain	-	-	-	1,309	-	1,309
Distribution costs	(508)	(802)	(1,310)	(1,067)	(1,151)	(2,218)
Administrative expenses	(3,416)	(2,354)	(5,770)	(6,125)	(3,037)	(9,162)
<b>Operating profit</b>	<b>1,724</b>	<b>(270)</b>	<b>1,454</b>	<b>(607)</b>	<b>5,090</b>	<b>4,483</b>
Finance income	1,737	-	1,737	1,451	2,494	3,945
Finance costs	(7,814)	(1,709)	(9,523)	(5,039)	(3,586)	(8,625)
Exchange (loss)/exchange	(3,071)	(133)	(3,204)	682	-	682
<b>Profit/(loss) before taxation</b>	<b>(7,424)</b>	<b>(2,112)</b>	<b>(9,536)</b>	<b>(3,513)</b>	<b>3,998</b>	<b>485</b>
Taxation	(1,339)	1,670	331	(516)	(3,463)	(3,979)
<b>Loss for the year from continuing operations</b>	<b>(8,763)</b>	<b>(442)</b>	<b>(9,205)</b>	<b>(4,029)</b>	<b>535</b>	<b>(3,494)</b>
	Andes	Interoil	Group	Andes	Interoil	Group
	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-15	30-Jun-15	30-Jun-15
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Loss for the period from continuing operations</b>	<b>(8,763)</b>	<b>(442)</b>	<b>(9,205)</b>	<b>(4,029)</b>	<b>535</b>	<b>(3,494)</b>
Add: Depreciation and amortisation	3,655	2,611	6,266	4,408	1,920	6,328
Less: Exceptional gain	-	-	-	(1,309)	-	(1,309)
Less: Settlement fee	-	-	-	-	(4,000)	(4,000)
Less: Finance income	(1,737)	-	(1,737)	(1,451)	(2,494)	(3,945)
Add: Finance costs	7,814	1,709	9,523	5,039	3,586	8,625
Add: Exchange gains and losses	3,071	133	3,204	(682)	-	(682)
Add: Tax	1,339	(1,670)	(331)	516	3,463	3,979
<b>EBITDA</b>	<b>5,379</b>	<b>2,341</b>	<b>7,720</b>	<b>2,492</b>	<b>3,010</b>	<b>5,502</b>

#### 4. Finance costs

Only US\$0.3 million of the finance costs were paid in cash during the period (2015: US\$ 1.9 million). The other finance costs were not due to be paid and relate primarily to convertible loans.

#### 5. Loss per share

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

	30-Jun-16	30-Jun-15	31-Dec-15
	Cents	Cents	Cents
Basic and diluted loss per share	(1.47)	(0.68)	(2.68)
Adjusted basic and diluted loss per share	(1.47)	(0.92)	(2.68)
	US\$'000	US\$'000	US\$'000
Loss for the period attributable to equity holders	(8,878)	(3,756)	(15,226)
Exceptional items	-	(1,309)	-
Adjusted loss for the period attributable to equity holders	(8,878)	(5,065)	(15,226)
	No.'000	No.'000	No.'000
Weighted average number of shares	605,505	551,975	569,064
Effect of dilutive warrants	-	-	-
Diluted weighted average number of shares	605,505	551,975	569,064
	No.'000	No.'000	No.'000
Potential number of dilutive warrants	59,240	45,656	59,240

#### 6. EBITDA

	30-Jun-16	30-Jun-15	31-Dec-15
	US\$'000	US\$'000	US\$'000
<b>Loss for the period from continuing operations</b>	(9,205)	(3,494)	(18,385)
Less: Exceptional gain on acquisition	-	(1,309)	-
Less: Settlement fee	-	(4,000)	-
Add: Depreciation and amortisation	6,266	6,328	13,909
Less: Finance income	(1,737)	(3,945)	(1,109)
Add: Finance costs	9,523	8,625	18,272
Add: Exchange gains and losses	3,204	(682)	(1,879)
Add: Tax	(331)	3,979	5,938
<b>EBITDA</b>	<b>7,720</b>	<b>5,502</b>	<b>16,746</b>

#### 7. Comprehensive income

The translation loss primarily arises as a result of the devaluation of the AR\$ against the US\$ during the period. The carrying value of intangibles assets, other assets and liabilities in Argentina are held in AR\$ and on consolidation translated to US\$, the presentation currency. The resulting exchange gains and losses are classified as equity and transferred to the Group's translation reserve. This is not indicative of an impairment in the carrying value of these assets.

## 8. Cash generated from operations

	Group		
	30-Jun-16 US\$'000	30-Jun-15 US\$'000	31-Dec-15 US\$'000
<b>(Loss)/profit for the period before taxation</b>	(9,536)	485	(12,447)
Exceptional items	-	(1,309)	-
<b>Loss for the period before taxation and exceptional items</b>	(9,536)	(824)	(12,447)
<b>Adjustments from operating activities</b>			
Depreciation and amortization	6,266	6,328	13,909
Exchange movements and gains and losses	3,320	(672)	(5,434)
Revaluation of investments	-	450	56
Decrease/(increase) in inventories	773	(663)	(1,032)
Increase in trade and other receivables	(4,718)	(3,447)	(6,196)
Increase/(decrease) in creditors and other payables	10,748	(172)	15,513
Finance costs	9,523	8,625	18,272
Finance income	(1,737)	(3,945)	(1,109)
Movement in provisions	(853)	(64)	(2,735)
Profit on sale of investments	-	-	(378)
Share based payments	155	165	332
<b>Net cash generated from operating activities</b>	<b>13,941</b>	<b>5,781</b>	<b>18,751</b>

## 9. Other

A copy of the interim report will be made available on Andes's website at [www.andesenergiapl.com.ar](http://www.andesenergiapl.com.ar)