RNS Number : 3999Y
Echo Energy PLC
06 September 2022

Certain of the information contained within this announcement is deemed by the Company to constitute inside information as stipulated under The Market Abuse Regulation (EU 596/2014) pursuant to the Market Abuse (Amendment) (EU Exit) Regulations 2018. Upon the publication of this announcement via a Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

6 September 2022

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

Final Results

Echo Energy plc, the Latin American focussed full cycle energy Company, is pleased to announce its audited results for the twelve months ended ended 31 December 2021.

2021 Highlights

- Production capacity increased during the period pursuant to Santa Cruz Sur facilities upgrades in Q1 2021
- Average net daily production in 2021 was:
    - 8.0 mmscf/d of natural gas
    - 222 bbls/d of oil and condensate
    - Total: 1,554 boepd
- Net cumulative production in 2021 was:
    - Natural gas: 2,918 mmscf
    - Oil and condensate: 81,076 bbls
    - Total: 567,371 boe
- Reserves and resources at end 2021 were:
    - 1P (Proved): 2.53 MMboe
    - 2P (Proved & Probable): 3.15 MMboe
    - MMboe Contingent Resources (High Estimate): 5.39 MMboe
- Announced a five-year Cooperation Agreement with GTL International S.A., which has interests in both the hydrocarbon and renewables sector
- Began process of reopening oil wells that had been shut-in during 2020
- Developed new customers for liquids products
- VAT refunds received in Argentina (US $0.5 million) and additional credit balances (approx. US$0.7m) are being amortised until the end of 2022, benefiting cashflow for 2021 and 2022

Post Period End Highlights

- New gas contracts for 2022-2023, which was significantly above the 2021 annual pricing
- Agreement by the Santa Cruz Sur partners to materially increase Santa Cruz Sur production by c.40% above average H1 2022 production levels
- Post period fundraising and conditional debt restructuring

Martin Hull, Echo's Chief Executive, commented:

"Despite significant challenges, 2021 was an important year for Echo and one which has changed the outlook for the Company for the positive, with work across a range of fronts in 2022 only reinforcing that direction of travel. With progress made on the ground operationally and supported by much higher prevailing commodity prices and premium pricing in gas contracts, the recently announced comprehensive restructuring and strengthening of our balance sheet, once completed, will ensure we have much firmer foundations for the business financially, and a platform from which we will be able to pursue the many opportunities that exist within our portfolio. We look forward to updating investors on our activities in the rest of this year and beyond."

For further information, please contact:

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Note

The volumes included in this announcement are in accordance with SPE standards and the information contained in this announcement has been reviewed by Echo Energy's Vice President, Exploration, Dr. Julian Bessa Msc, DPhil, MBA a Fellow of the Geological Society and a President Elect of the Petroleum Exploration Society of Great Britain.

bbl(s) means barrel(s) of oil; bcf means billion cubic standard feet of gas; boe means barrels of oil equivalent; boepd means barrels of oil equivalent per day; MMboe means million barrels of oil equivalent; MMbbl means million barrels of oil; MMscf means million standard cubic feet of gas; MMscf/d means million standard cubic feet of gas per day; and bopd and bbl/d means barrels of oil per day.

Chairman's and Chief Executive Officer's Statement

Echo Energy, similar to many companies in the oil and gas sector, faced exceptional challenges during 2021, with the global pandemic impacting all aspects of the Company's operations and finances. We are delighted to report however that Echo now, buoyed by recent structural increases in commodity prices, the delivery of production enhancing opportunities and the recently launched conditional debt restructuring process, is both underpinned by much firmer foundations and positioned as a regional platform for growth. We are grateful to shareholders, lenders and partners for their continued support throughout the year.

Argentina

Santa Cruz Sur

The Santa Cruz Sur ("SCS") assets provide material production and revenues from a strong reserves base. The SCS portfolio also includes significant upside from relatively low risk production enhancement opportunities combined with exciting higher impact projects.

During 2021 the Company began to restore previously shut-in liquids production which was supported by infrastructure upgrades. Improved market conditions enabled Echo Energy to capitalise on this by executing cashflow enhancing production opportunities. Throughout the period liquids production increased quarter-on-quarter and production during 2021 averaged 1,554 boepd throughout the year net to the Company's 70% interest (including 8.0 MMscf/d of gas). Total net cumulative production was 567,371 boe (including 2,918 mmscf of gas) in the year. Both infrastructure maintenance and the commercial focus on high-quality blends at Santa Cruz Sur led to an increased frequency of oil sales during Q4 2021. This increase in liquids production helped to offset the expected natural decline in gas production over the year. Post period, work to optimise production and improve infrastructure has continued, especially relating to the provision of power generation capacity at some of the key producing assets, and this work continues.

In 2021 the Company was able to increase the proved SCS reserves base, after considering production in the year, and the impact of eventual licence expiry. The Company estimates that, as at 31 December 2021, the SCS reserve base stood at an estimated 2.53 MMboe for 1P (Proved) and 3.15 MMboe for 2P (Proved & Probable) each net to the Company's 70% non-operated working interest. The assignment of Echo's 70% non-operated participation in the Santa Cruz Sur licences is subject to the authorisation of the Executive Branch of Santa Cruz's Province, which is part of the overall process of title transfer that is proceeding as anticipated.

Finance

Revenue for the period remained constant at US $11.1 million in 2021 (US $11.1 million in 2020). Whilst prices increased, particularly in oil during the year, there remained production challenges which resulted in the flat revenue year-on-year. Losses for the year reduced to US $11.6 million, compared to US $27.0 million in 2020, reflecting the expected trend toward recovery, in 2022.

The SCS asset joint venture continues to have high creditor balances, as a result of difficult trading conditions in 2020 and 2021. Whist the level of local creditors remains a a key concern, the Company is working exceptionally hard to mitigate any risk and to reduce the balances in a controlled manner, whilst not at the cost of future investment in order to further increase production and increase SCS asset value.

Whilst management are prudently reporting a material uncertainty in respect of going concern, management have prepared the financial statements on a going concern basis based on the post year end proposed debt restructuring, the current level of revenue and cash generation and the sensitivities considered in respect of the cashflow forecasts, and the mitigating actions that could be taken to conserve cash in a worse-case scenario.

Post period conditional debt restructuring and fundraising

On 12 August 2022, the Company announced the conditional conversion of an aggregate of €15.0 million of existing debt principal, together with accrued interest thereon, into new Ordinary Shares - the significant majority of which is proposed to be converted into new Ordinary Shares at a price of 0.45p. In doing so, the Company also confirmed that it would be proposing a conditional reduction of the coupon on the remaining €10.0 million of Euro Note debt (the "Notes") from 8% to 2% with suspension of further cash interest payments for two years and an extension on maturity on the remaining Notes to 2032.

The Company subsequently announced publication of its proposals to restructure the Notes on 5 September 2022. The debt restructuring remains conditional on both the approval of the holders of the Note and on the approval of the Company's shareholders. The changes are aimed at comprehensively restructuring and strengthening the Company's balance sheet and accelerating growth.

On 14 August 2022 the Company was also pleased to confirm that it had successfully raised £600,000 (before expenses) pursuant to a placing of new ordinary shares. The net proceeds of this placing provided the Group with additional resources to fund working capital, including expenses related to the proposed debt restructuring, and enable operating cashflows in Argentina to be focused on activities in country in the near term, including the plan to increase production by c. 40% over approximately the next 6 months.

Outlook and Continuing Growth

2021 was a year that saw important progress for Echo both operationally and commercially, which culminated in early July 2022 with the Company confirming an agreement by the Santa Cruz Sur partners to materially increase Santa Cruz Sur production by c.40% above average H1 2022 production levels. We will continue to prioritise the delivery of the production focused operational programme and the important conditional debt restructuring announced in August this year. Subject to the successful completion of the debt restructuring, we see a very positive outlook for Echo as we accelerate our production led activities on the ground and take advantage of the many regional growth opportunities.

James Parsons	Martin Hull
Non-Executive Chairman	**Chief Executive Officer**

Portfolio

The Company is well positioned to build a diversified energy portfolio with a strong cash generating E&P foundation to support value accretive activities across the energy spectrum, whilst remaining high-leveraged to the continued upswing in the global commodity price super-cycle.

Echo is a significant acreage holder in the Austral basin, onshore Argentina, with over 2,600 km^2 of licence area containing 12 oil and gas fields and 82 production wells. This demonstrates Echo Energy's commitment to the future of exploration and production potential of this part of Argentina.

Oil and gas production from SCS is revenue generating for the Company, and the portfolio of opportunities provides a flexible and range of well-balanced risk-reward upside options. Santa-Cruz Sur is a gas dominated portfolio, and the Company's majority 70% non-operated interest provides an ability to significantly influence operational strategy. This gas focused E&P portfolio is appropriate for energy transition, and long-term premium-priced gas contracts driving locked-in cashflow to support further opportunities. The portfolio is balanced across the risk-reward spectrum with shorty-payback periods and focused on low-risk opportunities, infrastructure enhancement and cashflow reinvestment.

Following a successful auction process for industrial clients, the Company secured new gas sales contracts for the twelve-month period in May 2021 at significant a premium to contracted rates from the previous year. These new contracts provided for a 126% increase over annual industrial pricing achieved the previous year.

In 2021 the Company was able to increase the proved reserves base, after considering production in the year, and the impact of eventual licence expiry. 1P (Proved) reserves at year end were 2.53 MMboe, which is around 0.5 Mmboe higher than would otherwise be the case given these factors on the previous year's figures. The original acquisition of the SCS assets in 2019 was based on proved reserves economics. Current proved reserves per December 2020 remain similar to those at acquisition, adjusted for production and date of licence expiry.

At the start of the year, the Company announced a five-year Cooperation Agreement with GTL International S.A, which has interests in both the hydrocarbon and renewables sectors. Both companies continue to collaborate and combine skill sets to jointly promote their business development initiatives in the wider region, and identify and assess new business development opportunities across the full energy spectrum

Average net daily production 2021	1,554 boepd
Total production net to Echo 2021	567,371 boe
Net 1 P (Proved) reserves	2.53 MMboe

Company Reserves & Resources are classified in accordance with the Society of Petroleum Engineers' PRMS 2018 update and are shown in accompanying tables as estimated by the Company as at 31 December 2021.

Oil & Gas - Reserves

(all figures in MMbbls or Bcf)	Gross			Net attributable (70%)			Operator
	Proved	Proved & Probable	Proved, Probable & Possible	Proved	Proved & Probable	Proved, Probable & Possible	
Oil & Liquids Reserves (MMbbls)	0.87	1.10	1.27	0.61	0.77	0.89	Selva Maria Oil and Gas S.A.
Gas Reserves (Bcf)	15.87	19.09	21.20	10.76	13.36	14.84	Selva Maria Oil and Gas S.A.
Total Oil Equivalents (MMboe)	3.61	4.50	5.04	2.53	3.15	3.53	Selva Maria Oil and Gas S.A

Oil & Gas - Contingent Resources

(all figures in MMbbls or Bcf)	Gross			Net attributable (70%)			Operator
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate	
Oil & Liquids Contingent Resources (MMbbls)	0.00	1.31	1.40	0.00	0.92	0.98	Selva Maria Oil and Gas S.A.
Gas Contingent Resources (Bcf)	0.00	32.70	35.40	0.00	22.89	24.78	Selva Maria Oil and Gas S.A.
Total Oil Equivalents (MMboe)	0.00	7.13	7.70	0.00	4.99	5.39	Selva Maria Oil and Gas S.A.

Oil & Gas - Prospective Resources

(all figures in MMbbls or Bcf)	Gross			Net attributable (70%)			Risk Factor (%)	Operator
	Low Estimate	Best Estimate	High Estimate	Low Estimate	Best Estimate	High Estimate		
Oil & Liquids Prospective Resource (MMbbls)								
Campo Limite (Springhill)	0.50	1.41	3.94	0.35	0.99	2.76	70%	Selva Maria Oil and Gas S.A.
Gas Prospective Resources (Bcf)								
Campo Limite (Springhill)	13.44	34.11	97.4	9.41	23.88	68.19	70%	Selva Maria Oil and Gas S.A.
El Pedrero (Tobifera)	1.28	27.30	557.2	0.90	19.11	390.04	13%	
Total Gas (Bcf)	14.72	61.4	654.6	10.31	42.99	458.23	-	

Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

	Notes	Year to 31 December 2021 US $	Year to 31 December 2020 US $
Continuing operations			
Revenue	4	**11,124,487**	11,126,520
Cost of sales	5	**(15,147,779)**	(13,437,010)
Gross profit		**(4,023,292)**	(2,310,490)

Exploration expenses		(205,651)	(215,512)
Administrative expenses		(2,965,548)	(3,240,934)
Operating loss	6	**(7,194,491)**	(5,766,936)
Financial income	8	4,355,334	7,142
Financial expense	9	(8,993,432)	(10,174,047)
Derivative financial gain/(loss)	10	62,477	666,306
Loss before tax		**(11,770,112)**	(15,267,535)
Taxation	13	**-**	-
Loss from continuing operations		**(11,770,112)**	(15,267,535)
Discontinued operations			
Profit/(loss) after taxation for the year from discontinued operations	11	**-**	(10,724,108)
Loss for the year		**(11,770,112)**	(25,991,643)
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		**211,820**	(1,041,955)
Total comprehensive loss for the year		**(11,558,292)**	(27,033,598)
Loss attributable to:			
Owners of the parent		**(11,558,292)**	(27,033,598)
Total comprehensive loss attributable to:			
Owners of the parent		**(11,558,292)**	(27,033,598)
Loss per share (cents)	14		
Basic		(0.93)	(3.38)
Diluted		(0.93)	(3.38)
Loss per share (cents) for continuing operations			
Basic		(0.93)	(1.99)
Diluted		(0.93)	(1.99)

The notes form an integral part of these financial statements

Consolidated Statement of Financial Position

Year ended 31 December 2021

	Notes	**31 December 2021 US $**	31 December 2020 US $
Non-current assets			
Property, plant and equipment	16	**2,674,405**	2,552,693
Intangibles assets	17	**7,131,907**	8,511,622
		9,806,312	11,064,315
Current Assets			
Inventories	19	**1,365,225**	541,230
Trade and other receivables	20	**2,108,438**	7,229,263
Cash and cash equivalents	21	**742,339**	682,159
		4,216,002	8,452,652
Current Liabilities			
Trade and other payables	23	**(16,023,500)**	(13,249,146)
Derivative financial liabilities	24	**-**	(62,477)
		(16,023,500)	(13,311,623)
Net current liabilities		**(11,807,498)**	(4,858,970)
Total assets less current liabilities		**(2,001,186)**	6,205,345
Non-current liabilities			
Loans due in over one year	27	**(28,768,380)**	(27,276,015)
Provisions	28	**(3,039,911)**	(2,979,956)
		(31,808,291)	(30,255,971)
Total Liabilities		**(47,831,791)**	(43,567,594)
Net Liabilities		**(33,809,477)**	(24,050,627)
Equity attributable to equity holders of the parent			
Share capital	25	**7,209,086**	6,288,019
Share premium	26	**64,977,243**	64,961,905
Warrant reserve	26	**12,177,786**	11,373,966
Share option reserve	26	**1,522,499**	1,417,285
Foreign currency translation reserve		**(3,531,587)**	(3,319,767)
Retained earnings		**(116,164,504)**	(104,772,035)

Total Equity	**(33,809,477)**	(24,050,627)

These financial statements were authorised for issue and approved by the board of directors on 5 September 2022

Martin Hull
Company registration number 05483127

The notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Retained earnings US $	Share capital US $	Share premium US $	Warrant reserve US $	Share option reserve US $	Foreign currency translation reserve US $	Total equity US $
1 January 2020	(78,857,006)	5,190,877	64,817,662	11,142,290	1,159,580	(2,277,812)	1,175,591
Loss for the year	(15,267,535)	-	-	-	-	-	(15,267,535)
Discontinued operations	(10,724,108)	-	-	-	-	-	(10,724,108)
Exchange Reserve	-	-	-	-	-	(1,041,955)	(1,041,955)
Total comprehensive loss for the year	(25,991,643)	-	-	-	-	(1,041,955)	(27,033,598)
New shares issued	-	1,097,142	467,935	-	-	-	1,565,077
Warrants	-	-	(231,676)	231,676	-	-	-
Share issue costs	-	-	(92,016)	-	-	-	(92,016)
Share options lapsed	76,614	-	-	-	(76,614)	-	-
Share-based payments	-	-	-	-	334,319	-	334,319
31 December 2020	(104,772,035)	6,288,019	64,961,905	11,373,966	1,417,285	(3,319,767)	(24,050,627)
1 January 2021	(104,772,035)	6,288,019	64,961,905	11,373,966	1,417,285	(3,319,767)	(24,050,627)
Loss for the year	(11,558,292)	-	-	-	-	-	(11,558,292)
Discontinued operations	-	-	-	-	-	-	-
Exchange Reserve	-	-	-	-	-	(211,820)	(211,820)
Total comprehensive loss for the year	(11,558,292)					(211,820)	(11,770,112)
New shares issued	-	646,265	813,207	-	-	-	1,459,472
Warrants exercised	-	274,803	105,484	(19,362)	-	-	360,925
Warrants	-	-	(823,182)	823,182	-	-	-
Share issue costs	-	-	(80,171)	-	-	-	(80,171)
Share options lapsed	165,824	-	-	-	(165,824)	-	-
Share-based payments	-	-	-	-	271,038	-	271,038
31 December 2021	(116,164,504)	7,209,086	64,977,243	12,177,786	1,522,499	(3,531,587)	(33,809,477)

The notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Year to 31 December 2021 US $	Year to 31 December 2020 US $
Cash flows from operating activities		
Loss from continuing operations	**(11,558,292)**	(15,267,535)
Loss from discontinued operations	**-**	(10,724,108)
	(11,558,292)	(25,991,643)
Adjustments for:		

Depreciation and depletion of property, plant and equipment	**127,656**	182,211
Depreciation and depletion of intangible assets	**1,498,431**	1,874,810
Loss on disposal of property, plant and equipment	**1,858**	10,822
Impairment of intangible assets and goodwill	**-**	10,383,461
Share-based payments	**271,038**	334,319
Right of use liability	**-**	(64,180)
Financial income	**(4,355,334)**	(7,142)
Financial expense	**8,993,432**	10,174,047
Exchange differences	**(5,612,490)**	(2,265,180)
Derivative financial gain	**(62,477)**	(666,306)
	862,114	19,956,862
Decrease/(Increase) in inventory	**(823,995)**	(120,386)
(Increase)/Decrease in other receivables	**5,120,825**	311,275
increase in trade and other payables	**5,072,974**	5,844,002
	9,369,804	6,034,891
Net cash used in operating activities	**(1,538,194)**	112
Cash flows from investing activities		
Purchase of intangible assets	**(118,716)**	(470,637)
Purchase of property, plant and equipment	**(251,226)**	(1,644,516)
Net cash used in investing activities	**(369,942)**	(2,115,153)
Cash flows from financing activities		
Interest received	**249,351**	7,142
Bank fees and other finance costs	**(169,991)**	(189,520)
Issue of share capital	**1,459,472**	1,565,077
Share issue costs	**(80,171)**	(92,016)
Warrants exercise	**360,925**	-
Net cash from financing activities	**1,819,586**	1,290,682
Net (decrease)/increase in cash and cash equivalents	**123,270**	(824,360)
Cash and cash equivalents at 1 January 2021	**682,159**	1,698,012
Foreign exchange gains/(losses) on cash and cash equivalents	**(63,090)**	(191,493)
Cash and cash equivalents at 31 December 2021	**742,339**	682,159

The notes form an integral part of these financial statements.

Notes to the Financial Statements

Year ended 31 December 2021

1. Accounting Policies

General Information

The Company is registered, and domiciled, in England and Wales and incorporated under the Companies Act 2006. The nature of the Company's operations and its principal activities are set out in the Directors' Report.

The financial information set out above does not constitute the Group's statutory financial statements for 2021 or 2020 but is derived from these financial statements. Statutory financial statements for 2020 have been delivered to the Registrar of Companies and those for 2021 will be delivered by 30 September 2022.

The Company's functional currency is the United States dollar (US $). Transactions arising in currencies other than the US $ are translated at average exchange rates for the relevant accounting period, with material transactions being accounted at the rate of exchange on the date of the transaction.

The Group presents its financial information in US $. Transactions relating to subsidiary undertakings that have a different functional currency to US $ are treated as follows:

Ø Assets and liabilities for each financial reporting date presented (including comparatives) are translated at the closing rate of that financial reporting period.
Ø Income and expenses for each income statement (including comparatives) is translated at exchange rates at the dates of transactions. For practical reasons, the Company applies average exchange rates for the period.
Ø All resulting changes are recognised as a separate component of equity.
Ø Equity items are translated at exchange rates at the dates of transactions.

The principal accounting policies are summarised below:

(a) Basis of preparation

The financial statements have been prepared in accordance with UK-adopted international accounting standards. These financial statements are for the year 1 January 2021 to 31 December 2021. The comparatives shown are for the year 1 January 2020 to 31 December 2020 .

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. The directors do not anticipate that the adoption of these standards and interpretations, or any amendments to existing standards as a result of the annual improvements cycle, will have a material effect on the financial statements in the year of initial application.

(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.

(c) Joint Arrangements

A joint arrangement is one in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Certain of the Group's licence interests are held jointly with others. Accordingly, the Group accounts for its share of assets, liabilities, income and expenditure of these joint operations, classified in the appropriate statement of financial position and income statement headings.

(d) Revenue

Revenue comprises the invoice value of goods and services supplied by the Group, net of value added taxes and trade discounts. Revenue is recognised in the case of oil and gas sales when goods are delivered and title has passed to the customer. This generally occurs when the product is physically transferred into a pipeline or vessel. Echo recognised revenue in accordance with IFRS 15. Our joint venture partner markets gas and crude oil on our behalf. Gas is transferred via a metred pipeline into the regional gas transportation system, which is part of national transportation system, control of the gas passes at the point at which the gas enters this network, this is the point at which gas revenue would be recognised. Gas prices vary from month to month based on seasonal demand from customer segments and, production in the market as a whole. Our partner agrees pricing with their portfolio of gas clients based on agreed pricing mechanisms in multiple contracts. Some pricing is regulated by government such as domestic supply. Oil shipments are priced in advance of a cargo and revenue is recognised at the point at which cargoes are loaded onto shipping vessel at terminal.

(e) Property, plant and equipment

Property, plant and equipment is stated at cost, or deemed cost less accumulated depreciation, and any recognised impairment loss. Land is stated at cost and is not depreciated. Depreciation is charged so as to write off the cost or valuation of assets less any residual value over their estimated useful lives, using the straight- line method, on the following bases:

Fixtures & fittings	12% to 33.3% straight-line
Motor vehicles	25% straight-line

Oil and gas properties are depleted on a unit of production basis commencing at the start of commercial production or depreciated on a straight-line basis over the relevant asset's estimated useful life. Expenditure is depreciated on a unit of production basis; the depletion charge is calculated according to the proportion that production bears to the recoverable reserves for each property. Depreciation will not be charged on an asset in the course of construction, depreciation commences when the asset is brought into use and will be depleted according to the proportion that production bears to the recoverable reserves for each property.

(f) Property right of use asset

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use lease is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement date plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the incremental borrowing rate of the individual Company which is the lessee.

(g) Other intangible assets - exploration and evaluation costs

Exploration and evaluation (E&E) expenditure comprises costs which are directly attributable to researching and analysing exploration data. It also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

When it has been established that a mineral deposit has development potential, all costs (direct and applicable overhead) incurred in connection with the exploration and development of the mineral deposits are capitalised until either production commences or the project is not considered economically viable. In the event of production commencing, the capitalised costs are amortised over the expected life of the mineral reserves on a unit of production basis. Other pre-trading expenses are written off as incurred. Where a project is abandoned or is considered to be of no further interest, the related costs are written off.

(h) Impairment of tangible and intangible assets excluding goodwill
At the date of each statement of financial position, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Taxation
Current taxation
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the tax authorities. The tax rates and the tax laws used to compute the amount are those that are enacted, or substantively enacted, by the balance sheet date.
Deferred taxation
Deferred tax is the tax expected to be payable or recoverable on differences between the current year amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit.

Deferred tax assets are recognised to the extent the temporary difference will reverse in the foreseeable future and it is probable that future taxable profit will be available against which the asset can be utilised.
1. Accounting Policies (continued)

(i) Taxation (continued)
Deferred tax is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent it is probable that the temporary difference will reverse in the foreseeable future.

(j) Conversion of foreign currency
Foreign currency transactions are translated at the average exchange rates over the year, material transactions are recorded at the exchange rate ruling on the date of the transaction. Assets and liabilities are translated at the rates prevailing at the balance sheet date. The Group has significant transactions and balances denominated in Euros and GBP. The year-end exchange rate to USD was US $1 to GBP £0.7388 and US $1 to €0.8790 (2020: US $1 to GBP £0.7319, US $1 to €0.8178) US $1 to ARS $102.397 (2020: US $1 to ARS $86.250) and the average exchange rate during 2021 was US $1 to GBP £0.7253 (2020: US $1 to GBP £0.7793).

In the Company financial statements, the income and expenses of foreign operations are translated at the exchange rates ruling at the dates of the transactions. The assets and liabilities of foreign operations, both monetary and non-monetary, are translated at exchange rates ruling at the balance sheet date. The reporting currency of the Company and group is United Stated Dollars (US $).

(k) Share-based payments
The fair value of equity instruments granted to employees is charged to the income statement, with a corresponding increase in equity. The fair value of share options is measured at grant date, using the binomial option pricing model or Black-Scholes pricing model were considered more appropriate, and spread over the period during which the employee becomes unconditionally entitled to the award. The charge is adjusted to reflect the number of shares or options that vest.

(l) Financial instruments
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables
Trade and other receivables are initially measured at fair value and are subsequently reassessed at the end of each accounting period.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade payables
Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

(l) Financial instruments
Equity instruments
Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions, in accordance with IAS 32:

- They include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- Where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the financial instrument is classified as a financial liability.

(m) Borrowings
Borrowings are recognised initially at the fair value of the proceeds received which is determined using a discount rate which reflects the cost of borrowing to the Group. In subsequent periods borrowings are recognised at amortised costs, using an effective interest rate method. Any difference between the fair value of the proceeds costs and the redemption amount is recognised as a finance cost over the period of the borrowings.

(n) Inventory
Echo has chosen to value crude oil inventories, a commodity product, at net realisable value, the value is based on a discounted observable year-end market price. Other inventory items are valued at the lower of net realisable value and cost.

(o) Going Concern
The financial information has been prepared assuming the Group will continue as a going concern. Please see note 2 Accounting Estimates and Judgements for an extended disclosure on this issue.

(p) Government assistance grants
Government assistance grants such as the Coronavirus Job Retention Scheme (CJRS) which relates to staff who have been furloughed due to COVID-19 are recognised as income and have been included in the consolidated statement of comprehensive income as other income. During 2021, the Group received grants totalling US $23,118 for furloughed staff. Grants ceased, in line with Government policy, during H2 of 2021.

2. Accounting Estimates and Judgements

Going Concern
The financial information has been prepared assuming the Group will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations.

Despite the consolidated statement of financial position showing a negative net asset position at 31 December 2021, the outlook for the Group has materially changed post period.

2021 represented a year of financial stabilisation and then progress [and improvement], particularly driven by a marked increase in energy commodity prices, following the worst impacts of the COVID 19 pandemic in 2020. Production of oil & gas stabilised during the year after the falls in 2020 and increased in the final quarter of the 2021. The successful restructuring of all the company's loans during the year means that minimal cash servicing of these loans is required during 2022 materially improving the cashflow outlook and enabling greater investment on increasing production levels further improving revenues. Post period the improvement has continued. The company has executed new gas sales agreements for the majority of its gas production. Average Gas prices in July 2022 are US$4.53 (mmbtu, converted at ARS$133.57 to US$1) compared with December 2020 of US$1.59 (mmbtu, converted at ARS$82.6 to US$1). The same period has seen Liquids (m3) sell at US$51 in July 2022 compared to US$28.8 in December 2020.

Post year end agreements with customers allowing for a prepayment receipt of $1.6m in April 2022, in combination with a revenue increase in cash receipts from June 2022 has alleviated the immediate creditor concern in Argentina, whilst the additional share offering has raised further funds in the UK.

However, financial challenges remain ahead for the company as it emerges and recovers from the impact of the covid pandemic and whilst the company forecast the SCS assets to be cashflow positive at prevailing oil and gas price levels in the long term, there is still a short term requirement for additional funding through debt financing, joint venture equity or share issues. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The directors have formed a judgement based on Echo's proven success in raising capital and a review of the strategic options available to the group, that the going concern basis should be adopted in preparing the financial statements.

Use of Estimate and Judgements

The preparation of financial statements in conforming with adopted IFRSs requires management to make judgements, 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 outcomes may differ from those estimates. The key sources of uncertainty in estimates 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 assets and the Group's going concern assessment.

Amounts Capitalised to the Consolidated Statement of Financial Position

In accordance with the Group policy, expenditures are capitalised only where the Group holds a licence interest in an area. All expenditure relating to the Bolivian company has been expensed to the statement of comprehensive income, as the Group has not yet been assigned any licence interests in the country. The Group has capitalised its participation in the SCS assets.

Valuation of Assets

Expenditures recognised as exploration and evaluation ("E&E") 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, or 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 E&E assets 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 E&E 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 exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the E&E assets is unlikely to be recovered in full from successful development or by sale.

Determination and Valuation of Derivative Financial Liabilities

Determination of derivative financial liabilities

Judgement is requirement when determining the classification of financial instruments in terms of liability or equity. These judgements include an assessment of whether the financial instrument include any embedded derivative features, whether they include contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party, and whether that obligation will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Valuation of derivative financial liabilities

The Group has issued warrants over ordinary shares as fundraising commission in respect of debt fundraisings during the year which can be converted to share capital at the option of the holder. These warrants are accounted for as an embedded derivative which is recognised at fair value through profit or loss. The Directors estimated the fair value of the derivative component using the Black Scholes option pricing model, as described in note 24. This required making certain estimates on the share price volatility of the Group which inevitably involved a degree of judgement and the actual outcome may vary.

CARRYING VALUE OF INVESTMENT IN SUBSIDARIES

In determining whether parent company investments in subsidiaries have been impaired, we review subsidiary assets and liabilities to determine whether Group investment is recoverable. A determination was made that because of ongoing negotiations and Company strategic intent, investment would ultimately still be recoverable.

However, the Group recognises that in order to pursue organic and inorganic growth opportunities and fund on-going operations it may require additional funding. This funding may be sourced through debt finance, joint venture equity or share issues.

3. Revenue

	Year to 31 December 2021 US $	Year to 31 December 2020 US $
Oil revenue	4,060,802	2,784,248
Gas revenue	7,036,861	8,279,416
Other income	26,824	62,856
Total Revenue	11,124,487	11,126,520

4. Cost of Sales

	Year to 31 December 2021 US $	Year to 31 December 2020 US $
Production costs	12,024,454	10,021,578
Selling and distribution costs	1,684,320	1,567,963
Movement in stock of crude oil	(181,274)	(89,410)
Depletion	1,620,279	1,936,879
Total Costs	15,147,779	13,437,010

5. Financial Expense

	Year to 31 December 2021 US $	Year to 31 December 2020 US $
Interest payable	11,912	1,991,535
Net foreign exchange losses	5,122,810	4,409,732
Unwinding of discount on long term loan	3,394,647	2,936,831
Amortisation of loan fees	234,101	614,913
Accretion of right of use liabilities	-	2,293
Unwinding of abandonment provision	59,955	39,956
Finance cost of holding bonds	-	11,971
Bank fees and overseas transaction tax	170,007	166,816
Total	8,993,432	10,174,046

6. Derivative Financial Gain/Loss

	Year to 31 December 2021 US $	Year to 31 December 2020 US $
Fair value gain	62,477	666,306
Total	62,477	666,306

Represents fair value gain on valuation of derivatives instruments at period end.

7. Discontinued Operations

On 22 December 2020 the Company announced that it had allowed the lapse of the option to re-enter the Tapi Aike asset. This resulted in Echo finally withdrawing its interests and liabilities under the Tapi Aike concessions prior to the drilling of the next exploration well in the Tapi Aike Western cube.

The results of the discontinued operations, are presented below:

	Year to 31 December 2021 US $	Year to 31 December 2020 US $
Impairment of the historic cost and carrying value of intangible assets	**-**	**(10,724,108)**
Operating (loss)/gain after liquidation	**-**	**(10,724,108)**
(Loss)/Gain on ordinary activities before taxation	**-**	**(10,724,108)**
Taxation	**-**	**-**
(Loss)/Gain for the year from discontinued operations	**-**	**(10,724,108)**

The cash flows associated with the discontinued operations are:

	Year to 31 December 2021 US $	Year to 31 December 2020 US $
Operations	**-**	-
Investing	**-**	-
Financing	**-**	-
Net cash out flow	**-**	-

8. Loss Per Share

The calculation of basic and diluted loss per share at 31 December 2021 was based on the loss attributable to ordinary shareholders. The weighted average number of ordinary shares outstanding during the year ending 31 December 2021 and the effect of the potentially dilutive ordinary shares to be issued are shown below.

	Year to 31 December 2021	Year to 31 December 2020
Net loss for the year (US $) before exchange on translating foreign operations	**(11,770,112)**	**(25,991,643)**
Basic weighted average ordinary shares in issue during the year	**1,270,891,563**	**768,598,277**
Diluted weighted average ordinary shares in issue during the year	**1,270,891,563**	**768,598,277**
Loss per share (cents)		
Basic (cents)	**(0.93)**	**(3.38)**
Diluted (cents)	**(0.93)**	**(3.38)**

In accordance with IAS 33 and as the entity is loss making, including potentially dilutive share options in the calculation would be anti-dilutive.
Deferred shares have been excluded from the calculation of loss per share due to their nature. Please see Note 24 for details of their rights.

9. Property, Plant and Equipment (Group)

	PPE - O&G Properties US $	**Fixtures & Fittings US $**	**Property Right-of-Use Assets US $**	**Total US $**
31 DECEMBER 2021				
Cost				
1 January 2021	**2,621,921**	**97,255**	**-**	**2,719,176**
Additions	**251,226**	**-**	**-**	**251,226**
Disposals	**-**	**(1,858)**	**-**	**(1,858)**
31 December 2021	**2,873,147**	**95,397**	**-**	**2,968,544**
Depreciation				
1 January 2021	**79,941**	**86,542**	**-**	**166,483**
Charge for the year	**122,777**	**4,879**	**-**	**127,656**
Disposals	**-**	**-**	**-**	**-**

31 December 2021	**202,718**	**91,421**	**-**	**294,139**
Carrying amount				
31 December 2021	**2,670,429**	**3,976**	**-**	**2,674,405**
31 December 2020	2,541,980	10,713	-	2,552,693
31 DECEMBER 2020				
Cost				
1 January 2020	**979,164**	**131,122**	**309,804**	**1,420,090**
Additions	**1,644,460**	**56**		**1,644,516**
Disposals	**(1,703)**	**(33,923)**	**(309,804)**	**(345,430)**
31 December 2020	**2,621,921**	**97,255**	**-**	**2,719,176**
Depreciation				
1 January 2020	**3,338**	**91,366**	**224,176**	**318,880**
Charge for the year	**76,603**	**19,980**		**182,211**
Disposals	**-**	**(24,804)**	**85,628** **(309,804)**	**(334,608)**
31 December 2020	**79,941**	**86,542**	**-**	**166,483**
Carrying amount				
31 December 2020	**2,541,980**	**10,713**	**-**	**2,552,693**
31 December 2019	975,826	39,756	85,628	1,101,210

Included within property, plant and equipment are amounts of US $996,505 (2020: US $745,279) in relation to assets in construction and as a result are not depreciation on the unit of production basis, this will commence when they are available for use.

10. Intangible Assets (Group)

	SCS Production Assets US $	TA License Areas Discontinued US$	Total US $
31 DECEMBER 2021			
Cost			
1 January 2021	**10,756,306**	**-**	**10,756,306**
Additions	**118,716**	**-**	**118,716**
Disposals	**-**	**-**	**-**
31 December 2021	**10,875,022**	**-**	**10,875,022**
Depletion			
1 January 2021	**2,244,684**	**-**	**2,244,684**
Disposals	**-**		**-**
Depletion	**1,375,931**	**-**	**1,375,931**
Depreciation decommissioning assets	**122,500**	**-**	**122,500**
31 December 2021	**3,743,115**	**-**	**3,743,115**
Carrying amount			
31 December 2021	**7,131,907**	**-**	**7,131,907**
31 December 2020	8,511,622	-	8,511,622
31 DECEMBER 2020			
Cost			
1 January 2020	10,802,524	10,140,936	20,943,460
Additions	228,112	242,525	470,637
Disposals	-	(10,383,461)	(10,383,341)
Transfers	(274,330)	-	(274,330)
31 December 2020	10,756,306	-	10,756,306
Depletion and impairment			
1 January 2020	369,874	-	369,874
Disposals	-	(10,383,461)	(10,383,461)
Depletion	1,752,310	-	1,752,310
Depreciation decommissioning assets	122,500	-	122,500

Impairment charge for the year	-	10,383,461	10,383,461
31 December 2020	2,244,684	-	2,244,684
Carrying amount			
31 December 2020	**8,511,622**	**-**	**8,511,622**
31 December 2019	20,573,586	-	20,573,586

All intangible assets relate to oil & gas activities. The Group's oil and gas assets were assessed for impairment at 31 December 2021. The intangibles are held within one CGU, the SCS licence concession.

Impairment assessments are prepared on the basis of comparing the present value of discounted cash flows with the carrying value of the assets.

11. Inventories

	31 December 2021		31 December 2020	
	Group	**Company**	Group	Company
	US $	**US $**	US $	US $
Crude oil	**691,528**	**-**	**510,254**	**-**
Parts and supplies	**673,697**	**-**	**30,976**	**-**
Total	**1,365,225**	**-**	**541,230**	**-**

These crude oil inventories are held in the SCS assets.

12. Trade and Other Receivables

	31 December 2021		31 December 2020	
	Group	**Company**	Group	Company
	US $	**US $**	US $	US $
Non-current				
Amounts owing by subsidiary undertakings	-	11,813,525	-	12,504,108
Total	-	11,813,525	-	12,504,108
Current				
Trade receivables	387,965	-	1,218,350	-
Accrued income	291,336	-	573,842	-
Other receivables	1,322,407	82,818	5,163,981	84,791
Prepayments	106,730	89,771	273,090	71,243
Total	2,108,438	172,589	7,229,264	156,034

Other receivables in the Group in 2020 principally comprise recoverable Value Added Tax and joint venture receivables. The directors consider that the carrying amount of trade and other receivables approximated their fair value.

13. Cash and Cash Equivalents

	31 December 2021		31 December 2020	
	Group	**Company**	Group	Company
	US $	**US $**	US $	US $
Cash held by joint venture partners	500,719	37,008	27,479	-
Cash and cash equivalents	241,620	-	654,680	437,230
Total	742,339	37,008	682,159	437,230

Echo have advanced cash to our joint venture partners; this cash is held by our partners in a ring-fenced account. We recognise our equity share of the balance held.

14. Financial Instruments and Treasury Risk Management

Fair Value of Financial Assets and Liabilities

The carrying values of financial assets and liabilities are considered to be material equivalent to their fair values.

Treasury Risk Management

The Group manages a variety of market risks, including the effects of changes in foreign exchange rates, liquidity and counterparty risk.

Credit Risk

The Group's principal financial assets are bank balances and cash and other receivables.
The credit risk on liquid funds is limited because the counterparties are UK, Argentine and Bolivian banks with high credit ratings. The Group operates with positive cash and cash equivalents as a result of issuing share capital in anticipation of future funding requirements. The Group's policy is therefore one of achieving high returns with minimal risks. In order to provide a degree of certainty, the Group looks, when appropriate, to invest in short-term fixed-interest treasury deposits giving a low risk profile to these assets.

In Echo's SCS assets, acquired in November 2019, operating partner Interoil markets our hydrocarbon, primarily to well established utilities. Echo carries a marginally higher credit risk exposure as Echo deals directly with counterparties for payment, however as the Group's principal customers are substantial oil and gas utility companies and refiners, as such credit risk is considered to be low. There is no history of credit loss, non-payment or default by the inherited counterparties and the calculated amount of the potential 12-month credit risk loss is not material. The Company has low credit risk in respect of receivables as a result of supplying reputable oil and gas purchasers. All trade debtors have been recovered in full since 1 January 2022. The group has applied the expected credit loss model under IFRS 9. Given current contractual arrangements where pricing has already been determined at the point where receivables from hydrocarbon sales are recognised as revenue, and the fact that contract counterparties are large corporate entities or utilities no provision was made for losses as any potential losses would be immaterial.

The maximum exposure due to credit risk for the Group on other receivables and amounts due from equity accounted joint operations during the year was US $1,880,113 (2020: US $3,253,335). No collateral is held in respect of these amounts.

The maximum exposure due to credit risk for the Company on intercompany receivables and other receivables during the year was US $27,818,569 (2020: US $28,509,152). No collateral is held in respect of these amounts. Intergroup funding is assessed for indications of impairment on a periodic basis. Investments and subsidiaries and intergroup loans in the amount of US $14,516,604 (2020: US $14,516,604) are considered to be impaired and have been provided against in full. All other amounts are expected to be received in full.

Currency Risk

The Group's operations are primarily located in the South America, and the United Kingdom, with the main exchange risk being between the US Dollar and the Argentine Peso. The Argentine Peso has devalued by approximately 19% (2020: 9%) over the year. The Group addressed this risk by minimising exposure to the currency. The majority of Group revenues for the year were denominated in US Dollars but certain liabilities and revenues were denominated in Argentine Pesos. In certain instances the counterparty for settlement of pesos income and expenditure was the same. In these instances pesos balances were offset. Balances were held in dollars until settlement was due, and where short-term pesos balances were held these were placed on overnight deposit.

The Group does hold substantial receivable VAT balances denominated in pesos and have sought to expedite recovery to mitigate devaluation losses.

At year end the Group held the following cash and cash equivalent balances:

	31 December 2021 US $	31 December 2020 US $
US Dollars	**5,248**	5,835
GBP Sterling	**35,419**	435,986
Euro	**41**	-
Argentine Peso	**699,578**	237,776
Bolivian Boliviano	**2,053**	2,562
Total	**742,339**	682,159

The consolidated statement of comprehensive income would be affected by US $4,247 (2020: US $43,599) if the exchange rate between US $ and GBP changed by 10%. There would be a loss of US $199,162 (2020: US $21,617) if the exchange rate between the Argentine Peso to the US Dollar weakened by 10%.

The Group has exposure to the Euro, Echo hold €25million bond notes, the Group held Euro denominated funds at the beginning of the period to cover servicing of debt during the accounting year. The primary source of funds for the Group in the period was equity raised in GBP, these funds are predominantly translated into USD to fund exploration, acquisition and production activity in Argentina. No hedging products were used during this accounting period, but management actively review currency requirements to assess the suitability of hedging products. The Group consolidated statement of income would be affected by approximately US $2,782,192 (2020: US $2,692,605) by a reasonably possible 10 percentage points fluctuation in the exchange rate between US Dollars and Euros.

The VAT regime in Argentina differs from international practise as VAT investment activities are not immediately recoverable but must be offset against revenue streams. The Company made substantial investments in Argentina in 2018,2019 and 2020 and has accordingly built up a material VAT receivable balance. A new mechanism has been approved by government through Law No. 27430 and Decree 813/2018. The mechanism will allow Technical VAT credits associated with the purchase of capital assets from 1 January 2018 to be recovered through application if the Company has not been able to recover the VAT within six months. Echo received a VAT refund during 2021, but going forward withholds VAT received from customers to offset any VAT credit balances.

The Group used Blue Chip Swaps during the year to repatriate funds from Argentina to the UK. A Blue-Chip Swap is when a domestic investor purchases a foreign asset and then transfers the purchased asset to an offshore entity. The Group's Argentine subsidiary purchased shares in highly stable and liquid companies that are traded on both domestic and offshore stock exchanges. These shares were held for a fixed period in accordance with Argentinian regulation. Following the end of the fixed period the shares were sold offshore and the resulting funds were then repatriated to the parent company. This type of transaction is therefore exposed to stock price volatility during the hold period and incurs transaction fees. During the year, the Group swapped 183,678,000 Pesos into $930,733 net of transaction fees and forex losses.

Interest Rate Risk

The Group holds debt instruments that were issued at a fixed rate. As part of the Group's policy to maximise returns on cash held cash held is placed in interest bearing accounts where possible. During the course of 2021, Echo invested cash into operations and did not hold significant cash balances for prolonged periods of time. The consolidated statement of comprehensive income would be affected by US $30 (2020: US $71) by a 1% point change floating interest rate on a full-year basis.

The Group's actively manages its working capital to ensure the Group has sufficient funds for operations and planned activities. Operational cash flow represents receipts from revenue, together with on-going direct operational support costs, exploration, appraisal, administration and business development costs. The Group manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. The Group's policy is to ensure facilities are available as required, to issue equity share capital and form strategic alliances in accordance with long-term cash flow forecasts. The Group currently has no undrawn committed facilities as at 31 December 2021.

The Group's financial liabilities are primarily obligations under joint operations, trade payables and operational costs. All amounts are due for payment in accordance with agreed settlement terms with suppliers or statutory deadlines and all within one year.

Liquidity Risk

The Group holds Euro denominated long-term debt. See Note 27. Other than long term debts, all financial liabilities are due for settlement within _12 months, although Joint Venture payables will be settled as and when cashflow allows. . The Group held cash balances of US $742,339 (2020: US $682,159).

The Group does not currently use derivative financial instruments to hedge currency and commodity price risk as it is not considered necessary. Should the Group identify a requirement for the future use of such financial instruments, a comprehensive set of policies and systems as approved by the directors will be implemented.

Commodity Price Risk

The Group is now exposed to the risk of fluctuations on prevailing commodity market prices. The Group does not use commodity forward contracts and futures to hedge against price risk in commodities as current volumes and market conditions mean they are not yet appropriate for Echo.

A 10% increase in the price of Gas would have increased revenue by approximately US $703,686 (2020: US $827,942).
A 10% increase in the price of Oil would have increased revenue by approximately US $406,080 (2020: US $278,425).

Capital management

The Group's legacy strategy has led to its capital structure being a mixture of debt and equity. The directors will reassess the future capital structure when projects under development are sufficiently advanced and restructure accordingly.

The Group's financial strategy is to utilise its resources to further appraise and test the Group's projects, forming strategic alliances for specific projects where appropriate together with assessing target acquisitions. The Group keeps investors and the market informed of its progress with its projects through regular announcements and raises additional equity finance at appropriate times.

Categories of financial instruments

All of the Group's financial assets are carried at amortised cost. The Group's embedded derivative is classified at fair value through profit or loss, the remaining Group's financial liabilities are classified as financial liabilities at amortised cost.

15. Trade and Other Payables

	31 December 2021		31 December 2020	
	Group	**Company**	Group	Company
	US $	**US $**	US $	US $
Trade payables	**495,379**	**492,190**	398,121	329,216
Taxation and social security costs	**395,684**	**269,311**	354,308	246,549
Non-trade payables	**39,042**	**39,023**	362,878	362,878
Accruals	**131,137**	**64,173**	108,223	68,926
Other loans	**-**	**-**	2,298,638	2,298,638
Joint venture payables	**14,962,258**	**-**	9,726,978	-
Total	**16,023,500**	**864,697**	13,249,146	3,306,206

16. Loans Due in Over One Year

	31 December 2020 US $	31 December 2020 US $
Five-year secured bonds	**(21,385,663)**	(22,167,419)
Additional net funding	**(6,059,126)**	(5,766,544)
Other loans	**(1,323,591)**	(1,640,693)
Total	**(28,768,380)**	(29,574,656)

	Balance a at 31 December 2020 US $	Repayment of Principle US$	Amortised finance charges US $	Exchange adjustments US $	31 December 2021 US $
€20 million five-year secured bonds	22,836,146	-	2,542,262	(3,483,241)	21,895,166
€5 million Lombard Odier secured convertible debt facility	5,987,801	-	632,564	(433,223)	6,187,142
Other loans	1,640,692	(384,786)	219,821	(152,136)	1,323,591
Loan fees	(668,726)	-	153,014	6,209	(509,503)
Incremental loan fees	(221,257)	-	81,087	12,154	(128,016)
Total	**29,574,656**	**(384,786)**	**3,628,748**	**(4,053,237)**	**28,768,380**

€20 million five-year secured bonds
Debt Renegotiation

Announced on the 15th August 2022

The company currently seeks Noteholder approval for the restructuring of the Notes to: (a) convert 50% of Notes and accrued interest into new Ordinary Shares at a conversion price of 0.45 pence per Ordinary Share; (b) extend the term of the remaining Notes to 2032; (c) suspend cash interest payments on remaining Notes for two years; and (d) reduce Note coupon to 2% (from 8%) for the remainder of the Note term. The Company intends to propose a fee payable to Noteholders on the same terms as set out under the LO Agreement and further details of the Note Restructuring will be announced, as appropriate, in due course. The Note Restructuring will be subject to the approval of Noteholders and to Echo shareholder approval.

€5 million Lombard Odier secured convertible debt facility
Debt Renegotiation

Announced on the 15th August 2022

The terms of the LO Facility (as amended) were first announced by the Company on 21 October 2019 and as at 31 October 2022, the total outstanding debt and accrued interest of the LO Facility will amount to EUR 6,225,256.

Under the LO Agreement, LO has conditionally agreed to the conversion in full of the principal of the LO Facility together with accrued interest on the LO Facility for the periods Q1 2020 to Q2 2021 inclusive into new Ordinary Shares in the Company at a conversion price of 0.45 pence per new Ordinary Share, subject to, inter alia, the approval of Echo shareholders and the Note Restructuring becoming effective.

In addition, LO has conditionally agreed pursuant to the LO Agreement to the conversion of the accrued interest on the Facility for periods Q3 2021 to 31 October 2022 inclusive to new Ordinary Shares at a conversion price of 0.25 pence per new Ordinary Share. The accrued interest to 31

October 2022 will amount to EUR 625,803. Accordingly, the Company has conditionally agreed to issue to LO 213,949,943 LO Interest Conversion Shares.

Other loans
Debt Renegotiation

Announced on the 1st October 2021

Maturity extended by 2 years such that the then outstanding remaining principal and accumulated accrued interest will mature on 8 March 2024 ("Maturity") following four quarterly cash prepayments of £25,000 commencing on 31 March 2023.
Interest reduction such that all Loan interest will be accrued and paid on Maturity at a reduced rate of 8% per annum from Amendment (previously 12% per annum) on outstanding principal on a non-compounding basis.
15% of the remaining £850,000 Loan principal, representing £127,500, has now been converted into 10,200,000 new Echo ordinary shares (the "Conversion Shares") at an effective issue price of 1.25p - a premium of 108% to the closing mid market price.
In connection with the Amendment, the Lender has been issued with 3,096,429 warrants to subscribe for new ordinary shares in the Company at a price of 0.7 pence per new ordinary share, exercisable from the date of grant and with an expiry date of 30 September 2022.

17. Loans Due in Over One Year

Maturity Analysis
Contractual undiscounted cash flows:

	31 December 2021 US $	31 December 2020 US $
Amounts due within one year	**-**	**2,293,290**
Amounts due between one and five years	**28,768,380**	**35,628,948**
Amounts due over five years	**-**	**-**
	28,768,380	**37,922,238**

18. Provisions

	31 December 2021 US $	31 December 2020 US $
Assessment of decommissioning provision	**3,039,911**	2,979,956
	3,039,911	2,979,956

Provision has been made for the discounted future cost of abandoning wells and restoring sites to a condition acceptable to the relevant authorities. The provisions are based on Operators' internal estimate at 31 December 2021, and the movement from the prior year relates to the unwinding of the provision. Assumptions are based on the current experience from decommissioning wells. The estimates are reviewed regularly to take account of any material changes to the assumptions. Actual decommissioning costs will ultimately depend upon future costs for decommissioning which will reflect market conditions and regulations
at that time. Furthermore, the timing of decommissioning is uncertain and is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend on factors such as future oil and gas prices, which are inherently uncertain.

19. Subsequent Events

On 14 January 2022, the Company announced that it has raised gross proceeds of £660,000 through the issue of 143,478,260 new ordinary shares in the Company (the "Subscription Shares") at 0.46 pence per share (the "Subscription Price") to new investors pursuant to a direct subscription with the Company (the "Subscription"), conditional on admission of the Subscription Shares to trading on AIM.

In connection with the Subscription, the Company has issued 65,217,391 warrants to subscribe for new Ordinary Shares exercisable at 0.65 pence per new Ordinary Share at any time until the second anniversary of issue (the "First Subscription Warrants") subject to admission of the Subscription Shares to trading on AIM.

In addition, the Company has also conditionally agreed to issue a further 78,260,869 warrants to subscribe for new Ordinary Shares exercisable at 0.65 pence per new Ordinary Share at any time until the second anniversary of issue (the "Second Subscription Warrants") subject to the receipt of the necessary share issuance authorities at the Company's 2022 annual general meeting.

The Subscription Shares will, when issued, rank pari passu in all respects with the Company's existing ordinary shares of 0.25 pence each ("Ordinary Shares") and application will be made for the Subscription Shares to be admitted to trading on AIM ("Admission"). Admission is expected to take place on or around 8.00 a.m. on 24 January 2022.

The net proceeds of the Subscription of approximately £600,000 will add to the Company's working capital resources and be applied towards the formation of the solar project Joint Venture to construct and operate the Project. As at 31 December 2021 the Company's unaudited cash balance, excluding Echo's 70% entitlement to cash balances held by the Santa Cruz Sur joint venture in Argentina, was approximately US$520,000.

Following Admission, the Company's issued share capital will comprise 1,452,491,345 Ordinary Shares. Each Ordinary Share has one voting right and no shares are held in treasury and this figure may be used by shareholders in the Company as the denominator for the calculation by which they will determine if they are required to notify their interest in, or a change to their interest in, the share capital of the Company under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

August 13th 2022

Proposed Debt Restructuring
The Company announced a proposed restructuring of its existing debts, pursuant to which the Company has entered into a conditional agreement with Lombard Odier Asset Management (Europe) Limited* ("LO") to, inter alia, convert in full the Company's existing EUR 5.0m 8.0% secured convertible debt facility with LO (the "LO Facility") into new Ordinary Shares at a price of 0.45p per share representing a substantial premium of 75.1% to the closing mid-market price per Ordinary Share of 0.257p on 11 August 2022 (the "LO Agreement").

Highlights

• Proposed conversion of an aggregate of €15.0 million of existing debt principal, together with accrued interest thereon, excluding the LO Interest Conversion shares, into new Ordinary Shares at a price of 0.45p representing a 75.1% premium to the closing share price on 11 August 2022.

• Proposed reduction of remaining Note coupon from 8% to 2% with suspension of further cash interest payments for two years. Remaining Note maturity extended to 2032

• If completed the Proposed Debt Restructuring will comprehensively restructure and strengthen the Company's balance sheet, transforming the balance of value in favour of equity over debt, enabling the Company to seek to accelerate its growth strategy

August 15th 2022

Result of Placing
The Placing was oversubscribed and has raised £0.6 million (before expenses) for the Company through the placing of 242,000,000 Placing Shares at the Placing Price of 0.25 pence per share.

Subject to shareholder approval, in connection with the Placing, for every one Placing Share subscribed for, the Company intends to grant 1.07 Warrants to the Placees. No fractional part of a Warrant will be issued and fractional entitlements will be rounded down to the nearest whole number. If granted, each Warrant will give the holder the right to subscribe for one new Ordinary Share at a price of 0.25 pence per Ordinary Share for a period of two years from the date of issue.

In addition, as set out in the Launch Announcement, under the LO Agreement, LO has agreed to the conversion of accrued interest on the LO Facility for the periods Q3 2021 to 31 October 2022 inclusive to new Ordinary Shares at a conversion price of 0.25 pence per new Ordinary Share ("LO Interest Conversion"). The accrued interest to 31 October 2022 will amount to EUR 625,803.58. Accordingly, the Company has agreed to issue to LO 213,949,943 LO Interest Conversion Shares.

Under the same agreement, LO has conditionally agreed to conversion in full of the principal of the LO Facility, however this is contingent on obtaining Noteholder approval for the Notes Restructuring and Shareholder approval of authorities to issue the new Ordinary Shares required on conversion. Further details of the Proposed Debt Restructuring are set out in the Launch Announcement.

END

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