

Enteq Technologies Plc

Consolidated Financial Statements
for the six months ended 30 September 2023

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Key Highlights (FY24 year to date)

Enteq Technologies is a specialist energy services engineering and technology company with the flagship product being the SABER Tool (Steer-At-Bit Enteq Rotary Tool) for directional drilling technology.

- The SABER project, a novel and disruptive method of drilling boreholes, has progressed well with the technology operating as expected during successful field-testing in Oklahoma. SABER tools are currently in manufacture for commercial deployment.
- Investment in the SABER engineering has continued using existing balance sheet resources, with a closing cash position of \$5.1m at the end of the period (\$5.4m at end of March 2023) following realisation of capital from the sale of XXT IP and assets.
- Appointment of David MacNeill as an independent non-executive director, based in Dubai, UAE and bringing over 30 years' extensive experience across drilling businesses, notably having direct exposure to rotary steerable system development and operations.

Financial metrics

	Six months ended 30 September:	
	2023	2022
	US\$m	US\$m
• Revenue*	0.0	4.9
• Adjusted EBITDA**	(1.6)	0.1
• Post tax loss for the period	0.6	0.8
• Loss per share (cents)	1.0	1.1
• Cash balance	5.1	1.8

Andrew Law, CEO of Enteq Technologies plc, commented:

“Enteq continues to focus on the global Rotary Steerable market with a value of \$3.6bn annually***, where SABER has the potential to deliver value to customers through a differentiated, high quality and lower operating cost alternative to the incumbent, limited, competition. A fleet of the first generation of commercial SABER tools is currently being manufactured to support a customer contract which includes a first phase of customer testing, as well as other potential opportunities. The team and resources, from the existing balance sheet, are in place for this pending commercialisation phase.”

**Revenue from continued operations only. Revenue reported in financial section relates to the recently disposed of MWD business.*

***Adjusted EBITDA is reported profit before tax adjusted for interest, depreciation, amortisation, foreign exchange movements, performance share plan charges and exceptional items – see note 5*

****Source: Spears & Associates Directional Drilling Report.*

Company Information

for the six months ended 30 September 2023

DIRECTORS:

Chairman

Martin Perry

Executive Directors

Andrew Law

Chief Executive Officer

Mark Ritchie

Chief Finance Officer

Non-Executive Director

Neil Hartley

Chairman of the Remuneration and Audit Committees

Iain Paterson (resigned 29th September 2023) *Chairman of Nomination Committee*

SECRETARY

Mark Ritchie

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Interim Report

CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT

Overview

Enteq Technologies is a specialist energy services engineering and technology company with the flagship product being the revolutionary, field-test proven SABER Tool (Steer-At-Bit Enteq Rotary Tool) directional drilling technology.

The SABER Tool is based on a concept originally developed by Shell, where rather than using pads or pistons to create steering forces, the SABER Tool uses an internally directed fluid pressure differential system. By removing these external contact points, the SABER Tool achieves true at-bit steering for the first time and the mechanically simple design gives the potential to improve reliability and project uptime versus conventional RSS (rotary steerable system) solutions.

Enteq has the exclusive license for this novel rotary steerable technology and IP from Shell. Enteq has developed and refined the concept, generating additional protected IP. The SABER Tool is field-test proven from downhole drilling and is being readied for commercial deployment.

The global RSS market is worth approximately \$3.6 billion annually according to a recent (2023) report from Spears. The SABER Tool has the potential to drive operational efficiency across the world's directional drilling applications, including hydrocarbon production, geothermal energy, methane capture and CCS (carbon capture and storage). Enteq will provide the SABER Tool to customers through rental or purchase, enabling independent and regional directional drilling companies to compete with major integrated service companies which have to date dominated this segment.

Financial performance

There has been a strong and ongoing focus on managing the Company's cash position to underpin investment in product line development, primarily the deployment of SABER. In April 2023, following the previous financial year end, Enteq divested of the assets and IP related to the XXT product line, for up to \$3.2m, \$0.9m of which has been received in cash during this period.

\$0.8m has been invested in SABER between 1 April 2023 and 30 September 2023, and the first generation of commercial tools is currently being manufactured. A contract is in place to progress from customer-testing in the new calendar year, on to commercial operations.

The cash position at the end on the period was \$5.1m

Cash balance and cashflow

On 30 September 2023, the Group had a cash balance of US\$5.1m down US\$0.2m on the US\$5.4m reported as at 31 March 2023. As at the date of this announcement the cash balance is US\$4.6m.

The half year cash movement can be analysed as follows:

	US\$m
Adjusted loss	(0.6)
Change in trade and other receivables	1.1
Change in trade and other payables	(1.0)
Change in inventory	0.0
Operational cashflow	(0.5)
Sale of tangible fixed assets	1.0
R&D expenditure	(0.8)
Net cash movement	(0.3)
Cash balances as at 1 April 2023	5.4
Cash balances as at 30 September 2023	5.1

The cash inflow on trade receivables relates to ongoing deferred proceeds from the sale of the XXT business, as announced at the time of the XXT disposal. The R&D expenditure was primarily relating to the SABER Rotary Steerable System development program. Management expects that the future cash balances are sufficient to complete SABER's field-testing phase and to bring it to a successful commercial launch.

Operations

Enteq has a rented operations facility in Houston (having sold a freehold property in the year ending March 2023), a technology centre in Cheltenham, UK and a support office in Aberdeen, UK. The Houston, Texas and Cheltenham, UK, facilities are all close to the main global centres of expertise for Rotary Steerable Systems, with access to highly specialised engineering and machining firms.

Organisation

The in-house product development team leads project engineering and works closely with a number of specialist contractors in Houston and in the UK as necessary. The product development team in Houston has been strengthened, with the recent addition of an Engineering Director (non-Board).

The in-house operations team (supporting field-testing and customer operations) is based in Houston and the team has been recently strengthened with the addition of a RSS reliability engineer.

International business is led by the in-house team and is supported through a network of international sales agents.

There were a total of 11 employees at the end of September 2023.

Outlook

The SABER project has been substantially de-risked after the recent successful field-testing, with a fleet of the first generation of commercial tools currently being manufactured for deployment, to a customer contract which includes a first phase of customer testing, in addition to other potential opportunities.

The global RSS sector is estimated at \$3.6bn annually and needs additional competition. Extensive and continued industry engagement, including recent attendance at the ADIPEC global trade show, has confirmed a high level of potential demand for SABER across the key regions, including applications to support energy transition.

Andrew Law

Chief Executive

Enteq Technologies plc

15 November 2023

Martin Perry

Chairman

Enteq Technologies plc

Condensed Consolidated Income Statement

		Six months to 30 September 2023	Six months to 30 September 2022	Year to 31 March 2023
	Notes	Unaudited US\$ 000's	Unaudited US\$ 000's	Audited US\$ 000's
Revenue		774	4,912	6,245
Cost of Sales		(1,326)	(3,518)	(4,777)
Gross Profit		(552)	1,394	1,467
Administrative expenses before amortisation		(1,056)	(1,866)	(3,489)
Amortisation of acquired intangibles	10	-	(241)	(408)
Other exceptional items	6	988	(25)	(696)
Foreign exchange (loss)/gain on operating activities		(11)	(34)	5
Total Administrative expenses		(79)	(2,166)	(4,588)
Operating loss		(631)	(772)	(3,121)
Finance income		37	6	37
Loss before tax		(594)	(766)	(3,084)
Tax expense	9	-	-	280
Loss for the period	5	(594)	(766)	(2,804)
Loss attributable to: Owners of the parent		(594)	(766)	(2,804)
Earnings/loss per share (in US cents):	8			
Basic		(1.0)	(1.1)	(2.0)
Diluted		(1.0)	(1.1)	(2.0)

Enteq Technologies plc

Condensed Statement of Financial Position

		30 September 2023	30 September 2022	31 March 2023
		Unaudited	Unaudited	Audited
	Notes	US\$ 000's	US\$ 000's	US\$ 000's
Non-current assets				
Intangible assets	10	7,316	5,051	6,484
Property, plant and equipment		57	2,142	63
Rental fleet		-	98	-
Trade and other receivables greater than one year		-	54	-
Non-current assets		7,374	7,345	6,547
Current assets				
Trade and other receivables		517	5,342	237
Inventories		-	2,006	-
Cash and cash equivalents		5,037	319	5,351
Assets held for sale		1,229	-	2,184
Bank deposits		-	1,500	-
Current assets		6,784	9,167	7,772
Total assets		14,158	16,512	14,319
Equity and liabilities				
Equity				
Share capital	11	1,080	1,081	1,080
Share premium		92,037	92,038	92,037
Share based payment reserve		686	410	448
Retained earnings		(80,045)	(78,660)	(80,489)
Total equity		13,757	14,869	13,076
Current Liabilities				
Trade and other payables		400	1,643	1,243
Total equity and liabilities		14,158	16,512	14,319

Enteq Technologies plc

Condensed Consolidated Statement of Changes in Equity

Six months to 30 September 2023

	Called up share capital US\$ 000's	Profit and loss account US\$ 000's	Share premium US\$ 000's	Share based payment reserve US\$ 000's	Total Equity US\$ 000's
Issue of share capital	-	-	-	-	-
Share based payment charge	-	-	-	238	238
Transactions with owners	-	-	-	238	238
Loss for the period	-	444	-	-	444
Total comprehensive income	-	444	-	-	444
Movement in period:	-	444	-	238	682
As at 1 April 2023 (audited)	1,080	(80,489)	92,037	448	13,076
As at 30 September 2023 (unaudited)	1,080	(80,045)	92,037	686	13,757

Six months to 30 September 2022

	Called up share capital US\$ 000's	Profit and loss account US\$ 000's	Share premium US\$ 000's	Share based payment reserve US\$ 000's	Total Equity US\$ 000's
Issue of share capital	9	-	119	-	128
Share based payment charge	-	-	-	(22)	(22)
Transactions with owners	9	-	119	(22)	106
Loss for the period	-	(766)	-	-	(766)
Total comprehensive income	-	(766)	-	-	(766)
Movement in period:	9	(766)	119	(22)	(660)
As at 1 April 2022 (audited)	1,072	(77,894)	91,919	432	15,529
As at 30 September 2022 (unaudited)	1,081	(78,660)	92,038	410	14,869

Enteq Technologies plc
Condensed Consolidated Statement of Cash
flows

	Six months to 30 September 2023	Six months to 30 September 2022	Year to 31 March 2023
	Unaudited US\$ 000's	Unaudited US\$ 000's	Audited US\$ 000's
Cash flows from operating activities:			
Loss for the period	(594)	(766)	(3,084)
Gain on disposal of fixed assets	1,000	-	(292)
Net finance income	37	(6)	(37)
Share-based payment non-cash charges	-	(22)	225
Impact of foreign exchange movement	(11)	(34)	5
Depreciation, amortisation and exceptional charges	(13)	784	1,162
	<u>419</u>	<u>(44)</u>	<u>(2,021)</u>
(Increase)/decrease in inventory	-	404	1,681
Tax received from continuing operations	-	-	280
Decrease/(increase) in trade and other receivables	734	(1,859)	1,853
(Decrease)/increase in trade and other payables	(663)	(219)	(617)
Increase in rental fleet assets	-	(256)	(255)
Net cash from operating activities	490	(1,974)	921
Investing activities			
Purchase of tangible fixed assets	-	(22)	(25)
Disposal proceeds of tangible fixed assets	-	-	2,266
Purchase of intangible fixed assets	(832)	(1,148)	(2,639)
Funds placed on interest bearing deposit	-	-	1,500
Interest received	37	6	37
Net cash from investing activities	(305)	(1,164)	1,139
Financing activities			
Share issue	-	127	-
Net cash from financing activities	-	127	-
Increase/(decrease) in cash and cash equivalents	(305)	(3,011)	2,060
Non-cash movements - foreign exchange	(8)	34	(5)
Cash and cash equivalents at beginning of period	5,351	3,296	3,296
Cash and cash equivalents at end of period	5,038	319	5,351
Cash and cash equivalents at end of period	5,038	319	5,351
Funds placed on interest bearing deposit	-	1,500	-
	<u>5,038</u>	<u>1,819</u>	<u>5,351</u>

ENTEQ TECHNOLOGIES PLC

NOTES TO THE FINANCIAL STATEMENTS

For the six months to 30 September 2023

1. Reporting entity

The Company is a public limited company incorporated and domiciled in England and Wales (registration number 07590845). The Company's registered address is The Courtyard, High Street, Ascot, Berkshire, SL5 7HP.

The Company's ordinary shares are traded on the AIM market of The London Stock Exchange.

Both the Company and its subsidiaries (together referred to as the "Group") provides equipment to energy service companies for use in the hydrocarbon and geothermal extraction sectors.

2. General information and basis of preparation

The information for the period ended 30 September 2023 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the period ended 31 March 2023 has been delivered to the Registrar of Companies

The annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

The Group's consolidated interim financial statements are presented in US Dollars (US\$), which is also the functional currency of the parent company. These condensed consolidated interim financial statements (the interim financial statements) have been approved for issue by the Board of directors on 15 November 2023

This half-yearly financial report has not been audited and has not been formally reviewed by auditors under the Auditing Practices Board guidance in ISRE 2410.

3. Accounting policies

The interim financial statements have been prepared on the basis of the accounting policies and methods of computation applicable for the period ended 31 March 2023. These accounting policies are consistent with those applied in the preparation of the accounts for the period ended 31 March 2023.

4. Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 31 March 2023.

5. Adjusted earnings and adjusted EBITDA

The following analysis illustrates the performance of the Group's activities, and reconciles the Group's loss, as shown in the condensed consolidated interim income statement, to adjusted earnings. Adjusted earnings are presented to provide a better indication of overall financial performance and to reflect how the business is managed and measured on a day-to-day basis. Adjusted earnings before interest, taxation, depreciation and amortisation ("adjusted EBITDA") is also presented as it is a key performance indicator used by management.

	Six months to 30 September 2023 US\$ 000's <i>Unaudited</i>	Six months to 30 September 2022 US\$ 000's <i>Unaudited</i>	Year to 31 March 2023 US\$ 000's <i>Audited</i>
Loss attributable to ordinary shareholders	(594)	(766)	(787)
Exceptional items	(988)	25	7
Amortisation of acquired intangible assets	0	240	199
Foreign exchange movements	11	34	40
Adjusted earnings	(1,571)	(467)	(541)
Depreciation charge	6	543	643
Finance income	(37)	(6)	(16)
PSP credit/(charge)	-	(49)	220
Other	-	34	-
Adjusted EBITDA	(1,601)	55	306

6. Exceptional items

The exceptional items can be analysed as follows:

	Six months to 30 September 2023 US\$ 000's <i>Unaudited</i>	Six months to 30 September 2022 US\$ 000's <i>Unaudited</i>	Year to 31 March 2023 US\$ 000's <i>Audited</i>
Severance payments	25	20	37
Loss/(gain) on sale of fixed assets	(1,000)	5	(30)
Other	(13)	-	-
Exceptional items	(988)	25	7

7. Segmental Reporting

For management purposes, the Group is currently organised into a single business unit which is based, operationally, primarily in the USA but with a support centre based in the UK.

At present, there is only one operating segment and the information presented to the Board is consistent with the consolidated income statement and the consolidated statement of financial position.

The net assets of the Group by geographic location (post-consolidation adjustments) are as follows:

Net Assets	30 September 2023	30 September 2022	31 March 2023
	US\$ 000's <i>Unaudited</i>	US\$ 000's <i>Unaudited</i>	US\$ 000's <i>Audited</i>
Europe (UK)	4,519	1,282	3,649
United States	9,238	13,587	11,880
Total Net Assets	13,757	14,869	15,529

The net assets in Europe (UK) are represented, primarily, by cash balances denominated in US\$.

8. Earnings Per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the loss attributable to ordinary shareholders for the six months of US\$594,000 (September 2022: loss of US\$766,000) by the weighted average number of ordinary shares in issue during the period of 69,724,006 (September 2022: 69,247,129).

9. Income Tax

No tax liability arose on ordinary activities for the six months under review.

10. Intangible Fixed Assets

Other Intangible Fixed Assets

	Developed technology US\$ 000's	IPR&D technology US\$ 000's	Brand names US\$ 000's	Total US\$ 000's
<i>Cost:</i>				
As at 1 April 2023	13,339	17,804	1,240	32,383
Capitalised in period	-	832	-	1,149
As at 30 September 2023	13,339	18,636	1,240	33,215
<i>Amortisation:</i>				
As at 1 April 2023	13,339	11,320	1,240	25,899
Charge for the period	-	-	-	-
As at 30 September 2023	13,339	11,320	1,240	25,899
<i>Net Book Value:</i>				
As at 1 April 2023	-	6,484	-	6,484
As at 30 September 2023	-	7,316	-	7,316

The main categories of Intangible Fixed Assets are as follows:

Developed technology:

This is technology which is currently commercialised and embedded within the current product offering.

IPR&D technology:

This is technology, which is in the final stages of field testing, has demonstrable commercial value and is expected to be launched in the foreseeable future.

Brand names:

The value associated with various trading names used within the Group.

11. Share capital

Share capital as at 30 September 2023 amounted to US\$1,081,000 (31 March 2023: US\$1,080,000 and 30 September 2022: US\$1,080,000).

12. Going concern

The Directors have carried out a review of the Group's financial position and cash flow forecasts for the next 12 months by way of a review of whether the Group satisfies the going concern tests. These have been based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the current economic environment. With regards to the Group's financial position, it had cash and cash equivalents at 30 September 2023 of US\$5.1 million.

Having taken the above into consideration the Directors have reached a conclusion that the Group is well placed to manage its business risks in the current economic environment. Accordingly, they continue to adopt the going concern basis in preparing the Interim Condensed Financial Statements.

13. Principal risks and uncertainties

Further detail concerning the principal risks affecting the business activities of the Group is detailed on pages 11 to 13 of the Annual Report and Accounts for the period ended 31 March 2023. Consideration has been given to whether there have been any changes to the risks and uncertainties previously reported. None have been identified.

14. Events after the balance sheet date

There have been no material events subsequent to the end of the interim reporting period ended 30 September 2023.

15. Copies of the interim results

Copies of the interim results are available from the Group's website at www.enteq.com.