30 September 2019

Block Energy Plc

("Block" or the "Company")

Interim Results for the 12 Months Ended 30 June 2019

Block Energy Plc ("Block" or "the Company"), the exploration and production company focused on the Republic of Georgia, is pleased to announce its interim results for the 12 month period ended 30 June 2019. This follows the change of accounting reference date to 31 December, which was announced in June 2019.

Highlights

- Fully funded for a five well work programme, including the appraisal well WR-16aZ, through 2019 and 2020 to increase oil production and appraise gas discoveries at the West Rustavi ("West Rustavi" or "the Field") field in which the Company held a 71.5% working interest ("WI") at 30 June 2019 and increased to 100% WI during July 2019.
- Work programme includes:
    - Drilling six wells across West Rustavi – four wells targeting 0.9 MMbbls gross 2P oil reserves and 38 MMbbls gross unrisked 2C contingent oil resources and one re-entry gas well and one new well targeting the 608 BCF of gross unrisked 2C contingent gas resources.
    - Acquisition of a 3D seismic survey to illuminate the Field's subsurface and optimal locations for new drilling.
    - Construction of new central production facility (“CPF”) to handle production capacity of 4,000-5,000 bbl/d.
- Continuous review of fresh opportunities in Georgia and beyond.
- Continued production at Norio (100% WI) and Satskhenisi (90% WI).
- Strengthening the team with recruitment of new executive, technical, operations, communications and administrative staff in Georgia and London.
- Excellent HSE record across extensive daily operations with no reported lost time incidents.
- Raised £12 million through an equity placing at 11p per share in May 2019

Chief Executive Officer's Business Review

I am pleased to review the progress we have made over the past 12 months towards demonstrating and realising the potential of our assets.

In April 2019, we were pleased to announce that the horizontal sidetracking of the appraisal well WR-16aZ had delivered strong test flow rates, demonstrating the Field's promise, which has an estimated 0.9 MMbbls of gross 2P oil reserves, 38 MMbbls of gross unrisked 2C contingent resources of oil in the Middle, Upper and Lower Eocene and 608 BCF of gross unrisked 2C contingent resources of gas in the Eocene and Cretaceous (Source: CPR by Gustavson Associates, 1 January 2018). The Company plans to update the CPR next year to incorporate the results of its drilling programme and the 3D seismic survey.

Work programme

We have a fully-funded multi-well work programme and will roll out the following programme through 2019 and 2020:

- Drill four wells across the field - in addition to WR-16aZ - beginning with well WR-38Z, analogous and updip to well WR-16aZ, and targeting the same Middle Eocene formation.
- Test one of the Field's gas discoveries and drill one new gas well (to be funded from future cash flow).
- Acquire a 3D seismic survey to provide a critical understanding of West Rustavi's subsurface, enable pinpointing of optimal locations for drilling, and accurately steer the path of new horizontal wells.
- Acquire well testing equipment.
- Build new CPF at West Rustavi to handle production capacity of 4,000-5,000 bbl/d.

Executing the work programme

To date, we have worked systematically to implement each stage of the programme:

- Resumed production on 11 July 2019 at well WR-16aZ.
- Engaged leading engineering consultants, NRG Well Management Ltd, to provide operations planning and execution assistance. On 1 July 2019, secured an agreement with GOGC for immediate access to up to 90,000 bbls of capacity at GOGC's principal storage facility near the town of Sartichala, located some 30 km from West Rustavi and readily accessible from the Khakheti motorway that runs by the Field.
- In July 2019, entered into an agreement with Georgia Oil and Gas Limited ('GOG') for the hire of drilling and workover rigs and equipment, saving the significant time and cost of negotiating with individual suppliers and mobilising from abroad.
- In August 2019, mobilised ZJ40 drilling rig for the horizontal sidetracking of well WR-38Z and commenced drilling in September 2019, targeting the Middle and Upper Eocene formations. Well WR-38Z is being drilled on-trend with and updip of WR-16aZ, with the benefit of valuable new information gained from operations at WR-16aZ.
- In September 2019, mobilised contractor for 3D seismic data acquisition. The survey is designed to define the fault system and fracture network within West Rustavi's Middle Eocene reservoir and to image the contingent gas resources in the Lower Eocene and Cretaceous formations. It will allow Block to identify optimal locations for new oil and gas development wells across the Field. Acquisition of the data will take two months to complete.
- Following the Memorandum of Understanding executed last year with Bago Ltd ("Bago"), one of the largest private gas suppliers and purchasers in Georgia, the Company is currently negotiating the terms of the final agreement. Under the terms of the Memorandum of Understanding, Bago will acquire all gas produced from West Rustavi and finance infrastructure the Field requires, including pipelines to local infrastructure.

In parallel to working through our programme, in March 2019, we increased our WI in West Rustavi from 25% to 71.5% and, in July 2019, to 100%, further to an agreement entered into with GOG in February 2019. Block now benefits from a 100% economic interest in the contractor's share of oil

revenue (per the Production Sharing Contract) and has greater control over the development of the Field.

Financial Review

For the 12 month period ended 30 June 2019, Block reported a net loss of US$3,484,000 (2018: US$1,835,000). This was higher than the comparable period to 30 June 2018 due to an increase in business activities following the ramp-up of operations in Georgia during the second half of 2018 and 2019.

During the 12 month period ended 30 June 2019, Block incurred a net operating cash outflow of US$2,154,000 (2018: US$534,000). The Group held cash at 30 June 2019 of US$13,192,000 (2018: US$5,278,000).

In May 2019, Block raised £12 million from investors through an equity placing with our new brokers, Mirabaud Securities Limited, to fund the work programme.

Subsequent to the period end, Block paid US$750,000 (comprising US$250,000 in cash and US$500,000 in shares) to GOG as consideration for the increase in its WI in the West Rustavi licence from 71.5% to 100%.

Business Development Outlook

We used the £5 million we raised at the time of our IPO in June 2018 to demonstrate our capacity to undertake disciplined low-cost operations and prove the value of our assets. We look forward to continuing to execute our West Rustavi work programme during the remainder of 2019 and 2020, and to reviewing new opportunities in Georgia and the wider region. We are a dynamic and ambitious company ever open to prospects for applying the low-cost, innovative drilling technologies we have deployed and demonstrated across our current licences. We have a fuly funded five well drilling programme in the months ahead, providing our investors multiple, near-term value creating opportunities.

Paul Haywood
Chief Executive Officer

Roger McMechan, Technical Director, has reviewed the reserve, resource and production information contained in this announcement. Mr McMechan has a BSc in Engineering from the University of Waterloo, Canada and is a Professional Engineer registered in Alberta.

This announcement contains inside information which is disclosed in accordance with the Market Abuse Regulation which came into effect on 3 July 2016.

The Directors of the Company accept responsibility for this announcement.

For further information please visit http://www.blockenergy.co.uk/ or contact:

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Notes to Editors

Block Energy is an AIM-listed independent oil and gas company focused on production and development in the Republic of Georgia, applying innovative, modern technology to realise the full potential of previously discovered fields. The Company is pursuing a fully-funded multi-well programme through 2019/20 designed to convert contingent resources to reserves, and reserves to revenue.

The Company has a 100% working interest in the highly prospective West Rustavi onshore oil and gas field with multiple wells that have tested oil and gas from a range of geological horizons. The Field has so far produced 50 Mbbls of light sweet crude, and has 0.9 MMbbls of gross 2P oil reserves in the Middle Eocene. It also has 38 MMBbls of gross 2C contingent resources of oil and 608 BCF of gross unrisked 2C contingent resources of gas in the Middle, Upper and Lower Eocene formations (Source: CPR by Gustavson Associates: 1 January 2018).

Block also holds 100% and 90% working interests in the onshore oil producing Norio and Satskhenisi fields.

The Company offers a clear entry point for investors to gain exposure to Georgia's under-developed opportunities and strong regional demand for oil and gas.

Glossary

1. Block is using the suffix 'Z' in a well number to indicate a horizontal sidetrack.
2. Wells have been referred to as '16aZ' and '38Z' in previous updates. The Company is now prefixing well numbers with the initials of the field in which they are located. '16aZ' at West Rustavi, for example, is now referred to as 'WR-16aZ'.
3. bbls and bbl/d: barrels and barrels per day. A barrel is 35 imperial gallons.
4. bopd: barrels of oil per day.
5. boepd: barrels of oil equivalent per day.
6. updip: located up the slope of a dipping plane or surface.

INDEPENDENT REVIEW REPORT TO BLOCK ENERGY PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the twelve months ended 30 June 2019 which comprises the Condensed Consolidated Interim Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity and the Condensed Consolidated Interim Statement of Cash Flows.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements and the related notes.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the interim report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the twelve months ended 30 June 2019 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

BDO LLP

Chartered Accountants

London

29 September 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Condensed Consolidated Interim Statement of Comprehensive Income

For the period ended 30 June 2019

	12 months ended 30 June 2019 Unaudited $'000	Year ended 30 June 2018 Unaudited Restated $'000
Continuing operations		
Revenue	151	179
Cost of sales	(489)	(327)
Gross loss	(338)	(148)
Administrative expenses	(3,137)	(1,811)
Results from operating activities	**(3,475)**	**(1,959)**
Finance income	-	1
Finance expense	(9)	(48)
Loss for the year before taxation	**(3,484)**	**(2,006)**
Taxation	-	-
Loss for the year from continuing operations (attributable to the equity holders of the parent)	**(3,484)**	**(2,006)**
Discontinued operations		
Discontinued operations – Antubia Ltd	-	171
Loss for the year	**(3,484)**	**(1,835)**
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(638)	50
Total comprehensive income for the year attributable to the equity holders of the parent	(4,122)	(1,785)

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Note	30 June 2019 Unaudited $'000	30 June 2018 Unaudited Restated $'000
Non-current assets			
Intangible assets	7	-	1,894
Property, plant and equipment	8	7,127	1,803
		7,127	3,697
Current assets			
Inventory		360	334
Trade and other receivables		1,651	168
Cash and cash equivalents		13,192	5,278
Total current assets		15,203	5,780
Total assets		22,330	9,477
Equity and liabilities			
Capital and reserves attributable to equity holders of the Company:			
Share capital	9	2,606	2,192
Share premium		27,330	12,221
Other reserves		869	460
Foreign exchange reserve		(688)	(50)
Accumulated deficit		(9,181)	(5,623)
Total Equity		20,936	9,200
Liabilities			
Trade and other payables		1,136	218
Borrowings		-	59
Provisions		258	-
Total current liabilities		1,394	277
Total equity and liabilities		22,330	9,477

Consolidated Statement of Changes in Equity

As at 30 June 2019

	Share capital	Share premium	Accumulated deficit	Other reserve	Foreign exchange reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 30 June 2017 (as previously stated)	**1,217**	**2,721**	**(2,808)**	**-**	**-**	**1,130**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 30 June 2017 (restated in US$ and unaudited)	**1,581**	**3,536**	**(3,649)**	**-**	**-**	**1,468**
Prior year restatement	**-**	**-**	**(189)**	**189**	**-**	**-**
Balance at 30 June 2017 (restated and unaudited)	**1,581**	**3,536**	**(3,838)**	**189**	**-**	**1,468**
Loss for the year (restated in US$)	-	-	(1,681)	-	-	(1,681)
Prior year restatement, share based payments	-	-	(154)	-	-	(154)
Loss for the year (restated)	-	-	(1,835)	-	-	(1,835)
Exchange differences on translation of foreign operations	-	-	50	-	(50)	-
Total comprehensive loss for the year	-	-	(1,785)	-	(50)	(1,835)
Issue of shares	611	9,182	-	-	-	9,793
Cost of issue	-	(507)	-	-	-	(507)
Share based payments	-	-	-	127	-	127
Prior year restatement, share based payments	-	-	-	154	-	154
Prior year restatement, Taoudeni	-	10	-	(10)	-	-
Share based payments (restated)	-	10	-	271	-	281
Total transactions with owners (restated)	611	8,685	-	271	-	9,567
Balance at 30 June 2018 (restated and unaudited)	**2,192**	**12,221**	**(5,623)**	**460**	**(50)**	**9,200**
Loss for the year	-	-	(3,484)	-	-	(3,484)
Exchange differences on translation of operations in foreign currency	-	-	-	-	(638)	(638)
Total comprehensive loss for the year	-	-	(3,484)	-	(638)	(4,122)
Shares issued	414	16,000	-	-	-	16,414
Cost of issue	-	(891)	-	-	-	(891)
Share based payments	-	-	-	335	-	335
Total transactions with owners	414	15,109	-	335	-	15,858
Balance at 30 June 2019 (unaudited)	**2,606**	**27,330**	**(9,107)**	**795**	**(688)**	**20,936**

Condensed Consolidated Interim Statement of Cash Flows

For the 12 months ended 30 June 2019

	12 months ended 30 June 2019 Unaudited $'000	Year ended 30 June 2018 Unaudited Restated $'000
Operating activities		
Loss for the period before income tax	(3,484)	(2,006)
Profit/(loss) from discontinued operations	-	171
Adjustments for:		
Finance income	-	(1)
Finance expense	-	48
Depreciation and depletion	169	48
Share based payments expense	597	246
Gain on sale of subsidiary	-	(171)
Foreign exchange movement	(58)	(5)
AIM admission costs	-	518
Net cash flows used in operating activities before changes in working capital	**(2,776)**	**(1,152)**
(Increase) / decrease in trade and other receivables	(511)	149
Increase in trade and other payables	1,239	135
Increase / (decrease) in inventory	(106)	334
Net cashflows used in operating activities	**(2,154)**	**(534)**
Investing activities		
Income received	-	1
Expenditure in respect of intangible assets	(264)	(796)
Expenditure in respect of PP&E	(3,157)	(709)
Considerations received on sale of subsidiary	-	611
Cash used in investing activities	**(3,421)**	**(893)**
Financing activities		
Convertible loan notes issued	-	484
Issue of ordinary share capital	14,574	7,061
Costs of issue of ordinary share capital	(891)	(1,024)
Interest paid	-	(48)
Net cash flows from financing activities	**13,683**	**6,473**
Net increase in cash and cash equivalents	**8,108**	**5,046**
Cash and cash equivalents at the beginning of year	5,278	280
Effects of foreign exchange rate changes on cash and cash equivalents	(194)	(48)
Cash and cash equivalents at end of year	**13,192**	**5,278**

Notes to the Condensed Consolidated Interim Financial Statements

1. Interim Financial Statements

The Condensed Consolidated Interim Financial Statements of the Group, which comprises Block Energy plc and its subsidiaries for the 12 month period from 1 July 2018 to 30 June 2019, were approved by the Directors on 29 September 2019.

The Condensed Consolidated Interim Financial Statements have been reviewed by the Group's auditors.

The Company's shares are traded on AIM and the trading symbol is BLOE.

2. Basis of accounting

The report has been prepared using accounting policies, consistent with IFRSs as endorsed by the EU, that the Group has adopted and were used for the accounting period ended 30 June 2018. The information does not constitute statutory accounts within the meaning of section 435 of the Companies Act 2006.

The financial statements are prepared under the historical cost convention.

The comparative financial information for the year ended 30 June 2018 in this interim report does not constitute statutory accounts for that year. Statutory accounts for the year ended 30 June 2018 have been delivered to the Registrar of Companies. The Auditors' Report on those accounts was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

During the period, the Group changed its accounting reference date to 31 December and consequently will report again for the 18 month period ending 31 December 2019.

3. Change of accounting policy

The functional currency of the Company is the British pound sterling. At 30 June 2019, to enable easier comparison with most of its oil & gas sector peer group, the presentational currency for the consolidated accounts was changed from the British pound sterling to US dollars with effect from 1 July 2017. The current and comparative period balances have been translated using the average exchange rate for the year (2019: $1.29702, 2018: $1.34497) for the Statement of Comprehensive Income and the balance sheet date exchange rate (30 June 2019: $1.26992, 30 June 2018: $1.32050, 30 June 2017: $1.29946) for the Statement of Financial Position, except for share capital, which was translated using historical exchange rates.

New accounting standards IFRS 15 and IFRS 9 have been applied during the period and the impacts for the period were immaterial. IFRS 16 will become effective from the reporting period beginning on 1 January 2020, but, owing to the short-term nature of the Group's leases, is not expected to have a material impact on the consolidated financial statements.

4. Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial statements for the period ended 30 June 2018, with the exception thatthe following accounting policies have been revised to incorporate the changes introduced by the Group's adoption of IFRS 9 and IFRS 15.

Revenue

Revenue for oil sales is recognised when a contract for the sale of crude oil and gas has been executed and the parties are committed to perform their respective obligations, the payment terms can be identified and it is probable that the consideration payable by the customer will be received the Company. The control of the crude oil is transferred to the customer when it is removed from the oil storage tanks and loaded into trucks.

The amount of revenue recognised is the amount that the Company expects to be entitled to under the terms of the Production Sharing Contract ("PSC") and the oil sales agreement for each oil sale. Entitlement has two components: cost oil, which is the mechanism by which the Company recovers its costs incurred on an asset, and profit oil, which is the mechanism through which profits are shared between the Company, its partner and the Georgian Oil & Gas Corporation ("GOGC").

The Company's oil sales are made to different customers and are valued at an agreed price, which is calculated from the Brent price less a quality discount for each barrel of oil sold.

Income tax arising from the Company's activities under its PSC is settled by the GOGC on behalf of the Company. Although the Company can measure the amount of income tax that has been paid on its behalf by GOGC, the notional income tax amounts have not been included in revenue or in the tax charge.

Intangible Assets

Exploration and evaluation costs

The Group applies the full cost method of accounting for Exploration and Evaluation ("E&E") costs, having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'. Under the full cost method of accounting, costs of exploring and evaluating properties are accumulated and capitalised by reference to appropriate cash generating units ("CGUs"). Such CGUs are based on geographic areas, such as a licence area, type or a basin and are not larger than an operating segment - as defined by IFRS 8 'Operating segments'.

E&E costs are initially capitalised within 'Intangible assets'. Such E&E costs may include costs of licence acquisition, technical services and studies, seismic acquisition, exploration drilling and testing, but do not include costs incurred prior to having obtained the legal rights to explore an area, which are expensed directly to the statement of comprehensive income as they are incurred. Plant and equipment assets acquired for use in exploration and evaluation activities are classified as property, plant and equipment. However, to the extent that such an asset is consumed in developing an unproven oil and gas asset, the amount reflecting that consumption is recorded as part of the cost of the unproven oil and gas asset.

Exploration and unproven oil and gas assets related to each exploration licence/prospect are not amortised, but are carried forward until the technical feasibility and commercial feasibility of extracting a mineral resource are demonstrated.

Impairment of Exploration and Evaluation assets
All capitalised E&E assets and property, plant and equipment are monitored for indications of impairment. Where a potential impairment is indicated, assessment is made for the Group of assets representing a CGU.

In accordance with IFRS 6, the Group firstly considers the following facts and circumstances in their assessment of whether the Group's E&E assets may be impaired, whether:
• the period for which the Group has the right to explore in a specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
• unexpected geological occurrences render the resource uneconomic;
• a significant fall in realised prices or oil and gas price benchmarks render the project uneconomic; or
• an increase in operating costs occurs.

If any such facts or circumstances are noted, the Group perform an impairment test in accordance with the provisions of IAS 36.

The aggregate carrying value is compared against the expected recoverable amount of the CGU. The recoverable amount is the higher of value in use and the fair value less costs to sell. An impairment loss is reversed if the asset's or CGU's recoverable amount exceeds its carrying amount. A reversal of impairment loss is recognised in the income statement immediately.

Expenditure is transferred from E&E assets to development and production assets, which is a subcategory of property, plant and equipment once the work completed to date supports the future development of the property and such development receives appropriate approvals.

Property, plant and equipment – development and production ("D&P") assets
Capitalisation
The costs associated with determining the existence of commercial reserves are capitalised in accordance with the preceding policy and transferred to property, plant and equipment as development assets following impairment testing. All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons, including costs for future restoration and decommissioning, have been demonstrated are capitalised within development assets on a field-by-field basis. Subsequent expenditure is only capitalised where it either enhances the economic benefits of the development asset or replaces part of the existing development asset (where the remaining cost of the original part is expensed through the income statement).

Costs of borrowing related to the ongoing construction of development and production assets and facilities are capitalised during the construction phase. Capitalisation of interest ceases once an asset is ready for production.

Depreciation
Capitalised D&P assets are not subject to depreciation until commercial production starts. Depreciation is calculated on a unit-of-production ("UOP") basis in order to write off the cost of an asset as the reserves that it represents are produced and sold. The UOP basis uses the ratio of oil and gas production in the period to the remaining commercial reserves plus the production in the period. Costs used in the calculation comprise the net book value of the field, and any further anticipated costs to develop such reserves and bring them into production.

Commercial reserves are proven and probable ("2P"), developed and undeveloped, reserves, which are estimated using standard recognised evaluation techniques. The estimate is regularly reviewed by independent consultants. Any periodic reassessment of reserves will affect the depreciation rate on a prospective basis. Infrastructure that is common to a number of fields, such as gathering systems, treatment plants and pipelines are depreciated on a UOP basis using an aggregate measure of reserves or on a straight line basis depending on the expected pattern of use of the underlying asset.

Property, plant and equipment –oil and gas properties
Oil and gas properties are stated at cost less accumulated depreciation and impairment losses. The initial cost comprises the purchase price or construction cost including any directly attributable cost of bringing the asset into operation and any estimated decommissioning provision.
Once a project reaches the stage of commercial production and production permits are received, the carrying values of the relevant exploration and evaluation asset are assessed for impairment and transferred to proven oil and gas properties and included within property plant and equipment.
Proven oil and gas properties are accounted for in accordance with provisions of the cost model under IAS 16 "Property Plant and Equipment" and are depleted on unit of production basis based on the estimated proven and probable reserves of the pool to which they relate.

Impairment of development and production assets
A review is performed for any indication that the value of the Group's D&P assets may be impaired such as:
• significant changes with an adverse effect in the market or economic conditions which will impact the assets; or
• obsolescence or physical damage of an asset; or
• an asset becoming idle or plans to dispose of the asset before the previously expected date; or
• evidence is available from internal reporting that indicates that the economic performance of an asset is or will be worse than expected.

For D&P assets when there are such indications, an impairment test is carried out on the CGU. CGUs are identified in accordance with IAS 36 'Impairment of Assets', where cash flows are largely independent of other significant asset groups and are normally, but not always, single development or production areas. When an impairment is identified, the depletion is charged through the Consolidated Statement of Comprehensive Income if the net book value of capitalised costs relating to the CGU exceeds the associated estimated future discounted cash flows of the related commercial oil reserves.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment charges may no longer exist or may have decreased. If such an indication exists, the Group estimates the recoverable amount. A previously recognised impairment charge is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment charge was recognized. If this is the case the carrying amount of the asset is increased to its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment charges been recognized for the asset in prior years.

Property, plant and equipment and depreciation
Property, plant and equipment which are awaiting use in the drilling campaigns, and storage, are recorded at historical cost less accumulated depreciation. Property, plant and equipment are depreciated using the straight line method over their estimated useful lives, as follows:
PPE – 6 years

The carrying value of property, plant and equipment is assessed annually and any impairment charge is charged to the Consolidated Statement of Comprehensive income.

Inventories
Inventories of drilling tubulars and drilling chemicals are valued at the lower of cost or net realisable value, where cost represents the weighted average unit cost for inventory lines on a line by line basis. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Decommissioning provision
A provision is made for the decommissioning of oil and gas wells. The cost of decommissioning is determined through discounting the amounts expected to be payable to decommission the assets at the end of their useful lives to their present value at the date the provision is recognised. Provisions are reassessed at each reporting date.

IFRS 9 Financial Instruments
The Group has adopted IFRS 9 for the first time in the current year. The standard requires an entity to address the classification, measurement and recognition of financial assets and liabilities. The impact of this adoption has not had a material impact on the Group's financial statements.
The Group's financial assets consist of bank accounts and other receivables. Trade and other receivables are stated initially at fair value and subsequently at amortised cost.

The Group's financial liabilities consist of trade and other payables. All are non-derivative assets. The trade and other payables are stated initially at fair value and subsequently at amortised cost.

5. Operating segments

The Group is engaged in the exploration for, and development of oil and gas resources in the Republic of Georgia, and is therefore considered to operate in a single geographical and business segment.

6. Restatement of prior year financial statements

During the year ended 30 June 2018, the share based payments charge included £35,514 ($47,000) in respect of 4,400,000 options with a value of £152,501 ($201,000) granted to Paul Haywood on 6 April 2018. All of these options vested on listing on AIM on 11 June 2018 and, therefore, the whole value of £152,501 ($201,000) should have been charged in the year ended 30 June 2018. This resulted in an understatement of the expense by £116,987 ($154,000) in the year ended 30 June 2018. Consequently, the results for the year ended 30 June 2018 have been restated to include the additional share based payments charge of $154,000.

During the year ended 30 June 2016, the Company acquired 100% of the share capital of Taoudeni Resources Limited. The consideration payable comprised £29,307 ($38,000) cash, 599,177,916 ordinary shares (with nominal value and fair value of 0.05 pence per share) payable on acquisition ("Initial Consideration Shares") and 617,702,713 ordinary shares payable at a later stage ("Deferred Consideration Shares"). At the time of the acquisition, the Company's shares were trading at 0.05 pence per share, resulting in a fair value of £299,589 ($388,000) for the Initial Consideration Shares and £308,851 ($400,000) for the Deferred Consideration Shares.

However, in the financial statements for the year ended 30 June 2016, the £308,851 ($400,000) value of the Deferred Consideration Shares was not included in the cost of acquisition and the consideration payable. As at 30 June 2016, the effect of the error was to understate the value of the E&E assets (included in intangible assets) and other reserves (share based payments) by £308,851 ($400,000).

In the financial statements for the year ended 30 June 2017, the principal asset that had been acquired with Taoudeni Resources Limited (i.e. 100% of the shares in Antubia Resources Limited) was held for sale and it was fair valued at its carrying value of £329,000 ($426,000) and there was gain or loss recorded in the income statement. However, if the £308,851 ($400,000) value of the Deferred Consideration Shares had been included in the value of the asset held for sale, it would have been written down to its fair value of £329,000 ($426,000) and there would have been a £308,851 ($400,000) reduction in the value of the E&E assets and a loss of £308,851 ($400,000) recognised in the income statement for that year.

During the year ended 30 June 2017, some of the sellers of the shares of Taoudeni Resources Limited waived their rights to receive Deferred Consideration Shares, but this transaction was not recognised in the financial statements for the year ended 30 June 2017. If the waiver of rights to receive Deferred Consideration Shares had been recognised in the financial statements for the year ended 30 June 2017, there would have been a gain of £163,425 ($211,000) recognised in the income statement for those two periods and other reserves (share based payments) would have decreased by £163,425 ($211,000).

During the year ended 30 June 2018, some of the Deferred Consideration Shares were issued. 72,120 ordinary shares were issued instead of 18,029,997 Deferred Consideration Shares to adjust for a 1 for 50 share split and a 1 for 5 share consolidation that had taken place. Consequently, to adjust for the share split and the share consolidation, the share price at the time of acquisition was also adjusted from 0.05 pence per share to 12.5 pence per share. However, in the financial statements for the year ended 30 June 2018, the 72,120 ordinary shares that were issued were valued using a share price of 4 pence per share (being the share price at the time of issue) instead of the share price at the time of the acquistion of Taoudeni Resources Limited as adjusted for for two share consolidations of 12.5 pence per share. As at 30 June 2016, the effect of the error was to understate share premium by £7,663 ($10,000) and overstate other reserves (share based payments) by £7,663 ($10,000).

All the interim and annual financial statements between 30 June 2016 and 30 June 2018 were affected by the lack of recognition of the Deferred Consideration Shares. The financial statements for the 12 month period ended 30 June 2019 include restated balances in respect of the transactions detailed above.

7. Intangible assets

Unaudited Cost	Licences $'000	Exploration and Evaluation cost $'000	Total $'000
At 1 July 2018	1,894	-	1,894
Additions	250	14	264
Transfer to PP&E	(2,144)	(14)	(2,158)
At 30 June 2019	-	-	-

Restated Cost	Licences $'000	Exploration and Evaluation cost $'000	Total $'000
At 1 July 2017	813	49	862
Additions	1,796	-	1,796
Transfer to PP&E	(706)	(50)	(756)
Foreign exchange movements	(9)	1	(8)
At 1 July 2018	1,894	-	1,894

During the year, assets amounting to $2,158,000 (2018: $756,000) were transferred from intangible assets to property, plant and equipment (Licences) to reflect that the assets had matured from exploration and evaluation assets into development and production assets.

8. Property, plant and equipment

Unaudited Cost	Licence area $'000	Property, plant and equipment $'000	Total $'000
At 1 July 2018	1,641	208	1,849
Transfer from intangibles	2,158	-	2,158
Additions	3,322	13	3,335
At 30 June 2019	7,121	221	7,342
Accumulated depreciation			
At 1 July 2018	18	28	46
Charge	145	24	169
At 30 June 2019	163	52	215
Carrying amount			
At 30 June 2019	6,958	169	7,127

Property, plant and equipment cont.

Restated Cost	Licence area $'000	Property, plant and equipment $'000	Total $'000
At 1 July 2017	-	-	-
Transfer from intangibles	756	-	756
Additions	885	208	1,093
At 30 June 2018	1,641	208	1,849
Accumulated depreciation			
At 1 July 2017	-	-	-
Charge	19	28	47
Foreign exchange movements	(1)	-	(1)
At 30 June 2018	18	28	46
Carrying amount			
At 30 June 2018	1,623	180	1,803

9. Share capital

Called up, allotted, issued and fully paid	No. Ordinary Shares	No. Deferred Shares	Nominal $
As at 30 June 2017	379,841,048	2,095,165,355	1,580,858
Issue of equity on 3 July 2017	10,588,235	-	6,855
Issue of equity on 1 August 2017	70,000,000	-	46,325
Issue of equity on 31 August 2017	29,411,765	-	19,038
Consolidation of Ordinary shares at 15 November 2017	(391,872,839)	-	-
Issue of equity on 11 June 2018	161,079,392	-	538,951
As at 30 June 2018	259,047,601	2,095,165,355	2,192,027
Issue of equity on 7 March 2019	1,846,791	-	6,045
Issue of equity on 19 March 2019	9,550,000	-	31,654
Issue of equity on 23 April 2019	1,837,500	-	5,941
Issue of equity on 8 May 2019	3,624,326	-	11,783
Issue of equity on 21 May 2019	225,000	-	715
Issue of equity on 22 May 2019	42,820,000	-	135,406
Issue of equity on 30 May 2019	1,723,650	-	5,434
Issue of equity on 5 June 2019	66,270,000	-	210,175
Issue of equity on 11 June 2019	1,469,125	-	4,672
Issue of equity on 18 June 2019	375,000	-	1,178
Issue of equity on 19 June 2019	275,674	-	874
As at 30 June 2019	389,064,667	2,095,165,355	2,605,904

The Ordinary Shares consist of full voting, dividend and capital distribution rights and they do not confer any rights for redemption. The Deferred Shares have no entitlement to receive dividends or to participate in any way in the income of profits of the Company, nor is there entitlement to receive notice of, speak at, or vote at any general meeting or annual general meeting.

On 5 June 2019, 66,270,000 Ordinary Shares were issued at a price of 11p per share. Of the proceeds, US$1,367,000 was unpaid at 30 June 2019, but was received on 5 July 2019.

10. Share based payments

Under IFRS 2, an expense is recognised in the statement of comprehensive income for share based payments, to recognise their fair value at the date of grant over the vesting period of the options and over the expected life of the warrants. The application of IFRS 2 gave rise to a charge of $508,000. The equivalent charge for the year ended June 2018 was $281,000. This balance was restated as of 30 June 2018, please see note 6.

The Group recognised total expenses (all of which related to equity settled share-based payment transactions) under the current plans of:

	30 June 2019 unaudited $'000	30 June 2018 restated $'000
Share options	412	275
Warrants	96	6
	508	281

11. Subsequent events

During July 2019, the Company increased its working interest in the West Rustavi licence from 71.5% to 100%, further to an agreement ('the Agreement') reached with Georgia Oil and Gas Limited ('GOG') on 26 February 2019. In accordance with the Agreement, Block paid US$250,000 in cash and issued 3,326,268 ordinary shares at a share price of 11.99 pence per share as settlement of the US$500,000 due to GOG as total and final consideration of US$750,000 for the increase to 100%.

12. Related party transactions

On 5 June 2019, the Company issued:

a) 1,091,291 Ordinary Shares as payment of deferred consideration per the Taoudeni Resources Limited share purchase agreement (details of which were set out in the Company's AIM Admission Document dated 4 June 2018). 977,383 of these Ordinary Shares were allotted to Plutus Strategies Limited, a company in which Paul Haywood, Chief Executive, and Niall Tomlinson, Executive Director, have an interest. The agreement to issue these shares was completed on 3 March 2016 at a time when the Company's share price (adjusted for subsequent share consolidations) was 15p.

b) 163,418 Ordinary Shares to Philip Dimmock, Non-Executive Chairman, at an average price of 3.67p in payment of fees amounting to £6,000 due to him and 69,957 Ordinary Shares to Chris Brown, Non-Executive Director, at an average price of 3.81p in payment of fees of £2,667 due to him. The issue price of these shares has been calculated monthly, based on the 30 day volume weighted average price for the periods to which these fees relate. The agreement to issue shares semi-annually in lieu of fees was made in 2018. The reason these shares were not issued until 5 June 2019 is that, for a large part of 2019, the Company was in a closed period and unable to issue shares to directors.

13. Other matters

A copy of this report is available from the Group's website, www.blockenergy.co.uk