30 September 2022

Block Energy Plc

("Block" or the "Company")

Interim Results for the Six Months Ended 30 June 2022

Block Energy plc, the development and production company focused on Georgia, is pleased to announce the interim results for Block Energy plc and its subsidiaries (the "Group") for the six months ended 30 June 2022.

Highlights:

- 184,000 operational man-hours worked (1H 2021: 170,000 man-hours) with no lost time incidents (1H 2021: none).
- Safely drilled well JKT-01Z, on plan, time and budget and tied into production facilities.
- Completed well engineering for the PAT-E1 Lower Eocene sidetrack, designed to appraise up to 864 Bcf contingent gas resources.
- Procured long-lead items for up to two wells, to support a back-to-back drilling campaign across blocks XI^B and XI^F.
- Completed over 23 workovers, across multiple fields, on production wells.
- Strong and consistent production performance during the period:
    - Total production of 93.3 Mboe, comprising 64.9 Mbbls of oil and 28.4 Mboe of gas (1H 2021: 87.0 Mboe, comprising 55.5 Mbbls of oil and 31.5 Mboe of gas).
    - Average daily production of 515 boepd (1H 2021: 481 boed).
    - Production increase was driven by the success of well JKT-01Z, which more than offset the production decline of other wells.
- Oil sales of 45.6 Mbbls (1H 2021: 41.9 Mbbls), with revenue of $4.16 million (1H 2021: $2.33 million), representing a weighted average price of $91 per barrel (1H 2021: $56 per barrel).
- Gas sales of 106.8 MMcf (1H 2021: 103.0 MMcf), with revenue of $429,000 (1H 2021: $328,000), representing a weighted average price of $4.02/Mcf (1H 2021: $3.18/Mcf).
- Negotiated with the existing buyer a gas sales price increase of over 30%.
- Profit for the period from continuing operations of $627,000 (1H 2021: loss of $2,051,000).
- Cash position of $1.4 million as at 30 June 2022 (30 June 2021: $5.5 million).

Post period events:

- Completed an internal contingent resource study of the Middle Eocene reservoirs across the Samgori and Patardzeuli oil fields.

- Developed, and prepared to execute, a three-project strategy designed to produce proven oil and gas reserves and evaluate significant contingent oil and gas resources across the portfolio.
- Independently verified internal technical work and plans for the initial phase of Project I following completion of a Competent Person's Report ("CPR") across the Krtsanisi Anticline, West Rustavi/Krtsanisi Field.
- Initiated Project II with the successful deepening of well JSR-01, safely, on plan, and below budgeted cost.

CHIEF EXECUTIVE OFFICER'S STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022:

Dear Shareholder

The first half of the year has been a period of solid progress operationally, and during this period and in the three months since the interim accounts date we have also made considerable process in defining and beginning to implement our three-project strategy, to produce proven oil and gas reserves and evaluate significant contingent oil and gas resources across the portfolio.

We have seen a material increase in revenue and cash generated from operations in the first half of this year, thanks to good production performance, robust capital discipline and higher oil prices. Production for the period was driven by an active drilling and workover programme, including the successful JKT-01Z well. We have also commenced seismic re-interpretation and fracture attribute analysis across the XI^B licence.

Revenue from production has been carefully managed to maximise our capital allocation towards increasing oil and gas production and advancing Projects I, II and III, and we also continue to pursue discussions for debt or debt-type financing to accelerate those projects. As we explained in our recent announcements, the projects comprise:

- Project I - the development of the Middle Eocene oil reservoir in the West Rustavi / Krtsanisi field, initially comprising three sidetracks and two new wells;
- Project II – self-funded infill development of the Middle Eocene oil reservoir in the prolific Patardzeuli field; and
- Project III – the evaluation and development of the substantial natural gas resource throughout the Eocene in Blocks XI^F and XI^B

Our technical and operational performance continues to go from strength to strength, as demonstrated by the recently announced CPR, and reflected in the successful self-funded deepening of the well JSR-01, and we look forward to further progressing and updating shareholders on our three-project strategy.

In summary, Block is better placed than ever to realise the material value opportunity that exists across its portfolio.

Paul Haywood
Chief Executive Officer
30 September 2022

Stephen James BSc, MBA, PhD (Block's Subsurface Manager) has reviewed the reserve, resource and production information contained in this announcement. Dr James is a geoscientist with over 40 years' experience in field development and reservoir management.

****ENDS****

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION AS STIPULATED UNDER THE UK VERSION OF THE MARKET ABUSE REGULATION NO 596/2014 WHICH IS PART OF ENGLISH LAW BY VIRTUE OF THE EUROPEAN (WITHDRAWAL) ACT 2018, AS AMENDED. ON PUBLICATION OF THIS ANNOUNCEMENT VIA A REGULATORY INFORMATION SERVICE, THIS INFORMATION IS CONSIDERED TO BE IN THE PUBLIC DOMAIN.

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Notes to editors

Block Energy plc is an AIM-listed independent oil and gas company focused on production and development in Georgia, applying innovative technology to realise the full potential of previously discovered fields.

Block has a 100% working interest in Georgian onshore licence blocks IX and XI^B. Licence block XI^B is Georgia's most productive block. During the mid-1980s, production peaked at 67,000 bopd and cumulative production reached 100 MMbbls and 80 MMbbls of oil from the Patardzeuli and Samgori fields, respectively. The remaining 2P reserves across block XI^B are 64 MMboe, comprising 2P oil reserves of 36 MMbbls and 2P gas reserves of 28 MMboe. (Source: CPR Bayphase Limited: 1 July 2015). Additionally, following an internal technical study designed to evaluate and quantify the undrained oil potential of the Middle Eocene within the Patardzeuli field, the Company has estimated gross unrisked 2C contingent resources of 200 MMbbls of oil.

The Company has a 100% working interest in licence block XI^F containing the West Rustavi onshore oil and gas field. Multiple wells have tested oil and gas from a range of geological horizons. The field has so far produced over 75 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 unrisked 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 Gustavson Associates: 1 January 2018).

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

The Company offers a clear entry point for investors to gain exposure to Georgia's growing economy and the strong regional demand for oil and gas.

Glossary

- bbls: barrels. A barrel is 35 imperial gallons.
- Bcf: billion cubic feet.
- boe: barrels of oil equivalent.
- boepd: barrels of oil equivalent per day.
- bopd: barrels of oil per day.

- Mbbls: thousand barrels.
- Mboe: thousand barrels of oil equivalent.
- Mcf: thousand cubic feet.

- MMbbls: million barrels.
- MMboe: million barrels of oil equivalent.
- MMcf: million cubic feet.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months period ended 30 June 2022

	Note	6 months ended 30 June 2022 Unaudited $'000	6 months ended 30 June 2021 Unaudited $'000
Continuing operations			
Revenue		4,589	2,663
Cost of sales		(2,161)	(2,535)
Gross profit		2,428	128
Administrative expenses		(2,061)	(2,133)
Operating profit/(loss)		**367**	**(2,005)**
Other income		240	-
Finance income		20	-
Finance expense		-	(46)
Profit/(loss) for the period before taxation		**627**	**(2,051)**
Taxation		-	-
Profit/(loss) for the period from continuing operations (attributable to the equity holders of the parent)		**627**	**(2,051)**
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		286	73
Total comprehensive profit/(loss) for the period attributable to the equity holders of the parent		**913**	**(1,978)**
Profit/(loss) per share (basic)	4	0.10c	(0.33)c
Profit per share (diluted)	4	0.08c	-

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

		30 June 2022	31 December 2021
		Unaudited	**Audited**
		$'000	**$'000**
Non-current assets			
Property, plant and equipment	5	24,229	24,345
		24,229	24,345
Current assets			
Inventory		5,260	4,585
Trade and other receivables		591	752
Cash and cash equivalents		1,410	1,244
Total current assets		7,261	6,581
Total assets		31,490	30,926
Equity and liabilities			
Capital and reserves attributable to equity holders of the Company:			
Share capital	6	3,501	3,482
Share premium		34,650	34,625
Other reserves		10,752	10,260
Foreign exchange reserve		532	246
Accumulated deficit		(20,774)	(21,548)
Total Equity		28,661	27,065
Liabilities			
Trade and other payables		790	1,556
Provisions		2,039	2,305
Total current liabilities		2,829	3,861
Total equity and liabilities		31,490	30,926

Consolidated Statement of Changes in Equity

As at 30 June 2022

	Share capital $'000	Share premium $'000	Accumulated deficit $'000	Other reserve $'000	Foreign exchange reserve $'000	Total equity $'000
Balance at 30 June 2021 (unaudited)	**3,387**	**34,549**	**(19,108)**	**10,056**	**117**	**29,001**
Loss for the period	-	-	(2,732)	-	-	(2,732)
Exchange differences on translation of operations in foreign currency	-	-	-	-	129	129
Total comprehensive loss for the period	**-**	**-**	**(2,732)**	**-**	**129**	**(2,603)**
Shares issued	23	76	-	-	-	99
Share based payments	-	-	-	553	-	553
Options exercised	72	-	210	(267)	-	15
Options expired	-	-	82	(82)	-	-
Total transactions with owners	**95**	**76**	**292**	**204**	**-**	**667**
Balance at 31 December 2021 (audited)	**3,482**	**34,625**	**(21,548)**	**10,260**	**246**	**27,065**
Profit for the period	-	-	627	-	-	627
Exchange differences on translation of operations in foreign currency	-	-	-	-	286	286
Total comprehensive profit for the period	**-**	**-**	**627**	**-**	**286**	**913**
Shares issued	6	25	-	-	-	31
Share based payments	-	-	-	652	-	652
Options exercised	13	-	-	(13)	-	-
Options expired	-	-	147	(147)	-	-

Total transactions with owners	**19**	**25**	**147**	**492**	**-**	**683**
Balance at 30 June 2022 (unaudited)	**3,501**	**34,650**	**(20,774)**	**10,752**	**532**	**28,661**

Condensed Consolidated Interim Statement of Cash Flows

For the six months period ended 30 June 2022

		6 months ended 30 June 2022 Unaudited $'000	6 months ended 30 June 2021 Unaudited $'000
Operating activities			
Profit/(loss) for the period before income tax		627	(2,051)
Adjustments for:			
Finance income		(20)	-
Depreciation and depletion	5	950	1,193
Increase in provisions		-	45
Share based payments expense		652	941
Foreign exchange movement		34	(53)
Net cash flows from operating activities before changes in working capital		**2,243**	**75**
Decrease/(increase) in trade and other receivables		161	(332)
Decrease in trade and other payables		(767)	(345)
Increase in inventory		(675)	(840)
Net cashflows from/(used in) operating activities		**962**	**(1,442)**
Investing activities			
Cash received from acquisition of BRL		-	278
Expenditure in respect of PP&E		(1,076)	(1,063)
Cash used in investing activities		**(1,076)**	**(785)**
Financing activities			
Proceeds from issue of equity		-	1,314
Proceeds from exercise of options		-	152
Net cash flows from financing activities		**-**	**1,466**
N**et decrease in cash and cash equivalents**		**(114)**	**(761)**
Cash and cash equivalents at start of period		1,244	6,331
Effects of foreign exchange rate changes on cash and cash equivalents		280	(62)
Cash and cash equivalents at end of period		**1,410**	**5,508**

Notes to the Condensed Consolidated Interim Financial Statements

For the six months period ended 30 June 2022

1. Interim Financial Statements

The Condensed Consolidated Interim Financial Statements of the Group, which comprises Block Energy plc and its subsidiaries, for the six-month period from 1 January 2022 to 30 June 2022, were approved by the directors on 28 September 2022.

The Condensed Consolidated Interim Financial Statements have not been reviewed by the Group's auditors.

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

2. Summary of significant accounting policies

Management has prepared these interim accounts in accordance with IFRS accounting policies as applied at 31 December 2021 (without the disclosure requirements of IFRS). They do not include all of the information required in annual financial statements, and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021 and any public announcements made by Block Energy Plc during the interim reporting period. All amounts presented are in thousands of US dollars unless otherwise stated.

The comparative information relates to the six-month period ended 30 June 2021, except in the Condensed Consolidated Statement of Financial Position, where the comparisons are to the amounts as at 31 December 2021.

The accounting policies adopted in this half-yearly financial report are the same as those adopted in the 2021 Annual Report and Financial Statements, other than the implementation of new IFRS reporting standards as set out below.

<u>Going concern</u>

The directors have prepared cash flow forecasts for a period of 15 months from the date of signing these financial statements for the Company and the Group. The forecasts indicate the Group has sufficient funds to meet its liabilities as they fall due until December 2023. If the wells in the current drilling campaign do not produce commercial quantities of oil or gas, the Group would revisit its plans to drill subsequent wells in the prevailing market environment and in light of the success of other drilling, and would still aim to ensure that the Company and the Group can continue to meet their liabilities and commitments through to December 2023.

The Group's operations presently generate sufficient revenues to cover operating costs and capital expenditures, supporting the continued preparation of the Group's accounts on a going concern basis. The directors are nevertheless conscious that oil prices have risen rapidly during the past twelve months due, in part, to recent global political uncertainty, and could rise further but could also fall in the year ahead, and that future production levels depend in part on the success of future drilling. As part of their going concern assessment, the directors have performed a reverse stress test on a low oil price scenario in which future drilling is inhibited or unsuccessful, and have concluded that it remains possible that future revenues in such a scenario might not cover all operating costs and planned capital expenditures, creating a material uncertainty that may cast doubt over the Group's ability to continue as a going concern. Whilst acknowledging this material uncertainty, the directors remain confident of making further cost savings and/or raising finance when required and, therefore, the directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Adoption of new and revised accounting standards

During the current period the Group adopted all the new and revised standards, amendments and interpretations that are relevant to its operations and are effective for accounting periods beginning on 1 January 2022. This adoption did not have a material effect on the accounting policies of the Group.

New standards, amendments and interpretations not yet adopted by the Group.

The standards and interpretations that are relevant to the Group, issued, but not yet effective, up to the date of these interim accounts have been evaluated by the Directors and they do not consider that there will be a material impact of transition on the financial statements.

3. Operating segments

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

4. Profit/loss per share

The calculation of profit per share for the six months ended 30 June 2022 is based on the profit for the period attributable to ordinary shareholders of $627,000 and the weighted average number of shares of 656,329,007 and is 0.10 cents from continued operations. The calculation of loss per share for the six months ended 30 June 2021 is based on the loss for the period attributable to ordinary shareholders of $2,051,000 and the weighted average number of shares of 621,445,266 and is 0.33 cents from continued operations.

The calculation of fully diluted profit per share for the six months ended 30 June 2022 is based on the profit for the period attributable to ordinary shareholders of $627,000 and the weighted average number of shares of 656,329,007 plus warrants outstanding of 10,809,194 and options outstanding of 104,274,756 at year end and is 0.08 cents from continued operations. (No prior year figure has been calculated as in the opinion of the directors, all the outstanding share options and warrants are anti-dilutive and hence, basic and fully diluted loss per share are the same.)

5. Property, plant and equipment

Unaudited Cost	Development & Production Assets $'000	PPE/Computer/ Office equipment/ Vehicles $'000	Total $'000
At 1 January 2022	26,962	1,802	28,764
Additions	998	78	1,076
Reduction of baseline oil asset /Disposals	(244)	(6)	(250)
Foreign exchange movements	-	8	8
At 30 June 2022	27,716	1,882	29,598
Accumulated depreciation and impairment			
At 1 January 2022	4,029	390	4,419
Charge	820	130	950
Foreign exchange movements	-	-	-
At 30 June 2022	4,849	520	5,369
Carrying amount			
At 30 June 2022	22,867	1,362	24,229

Unaudited Cost	Development & Production Assets $'000	PPE/Computer/ Office equipment/ Vehicles $'000	Total $'000
At 1 January 2021	22,096	777	22,873
Reclassification	(780)	780	-
Additions	844	219	1,063
Reduction of baseline oil asset /Disposals	(392)	-	(392)
Foreign exchange movements	-	(43)	(43)
At 30 June 2021	21,768	1,733	23,501
Accumulated depreciation and impairment			
At 1 January 2021	1,457	105	1,562
Reclassification	(92)	92	-
Charge	1,083	110	1,193
Foreign exchange movements	-	(45)	(45)
At 30 June 2021	2,448	262	2,710
Carrying amount			
At 30 June 2021	19,320	1,471	20,791

No impairment was recognised in the six months ended 30 June 2022 (2021: Nil).

6. Share capital

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 or 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 30 June 2022, the Company's share capital consisted of 658,669,945 Ordinary Shares (30 June 2021: 624,623,513) and 2,095,165,355 Deferred Shares (30 June 2021: 2,095,165,355).

7. Other matters

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