
# Annual Report and Financial Statements

Year ended 31 December 2024

BLOCK ENERGY PLC

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# Company Information

## Officers and Advisors

**Directors**

| | |
|---|---|
| Paul Haywood | Chief Executive Officer |
| Philip Dimmock | Independent Non-Executive Chairman |
| Jeremy Asher | Independent Senior Non-Executive Director |

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Block Energy Plc is quoted on AIM (Symbol BLOE)

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# Strategic Report

## Strategy and Business Model

Block Energy PLC strategically manages a diversified and robust portfolio of assets in Georgia, designed to systematically convert resources into reserves, reserves into production, and ultimately deliver significant shareholder value.

The portfolio spans seven Production Sharing Contracts ("PSCs") covering multiple stages of the Exploration and Production ("E&P") lifecycle, featuring both producing fields and high-impact exploration opportunities. The Company structures these assets as distinct Projects, to clearly communicate their strategic intent and potential.

**Project I** – West Rustavi/Krtsanisi (Middle Eocene): This core production and development asset has delivered consistent results, with six successful wells drilled between 2018 and 2024, supported by comprehensive subsurface analysis and operational improvements. An independent reserve report (ERCE, 2022) over a portion of the field known as the 'Krtsanisi Anticline' confirmed gross reserves (3P) of 3.01 MMbbl oil and 2.14 BCF gas. Current plans to implement 'slim-hole' drilling technologies promise to significantly reduce costs across a full field development programme and sustain profitable production.

**Project II** – Patardzueli-Samgori (Middle Eocene): A prolific oil field, discovered in the 1970s and developed into the early 1980s, the field produced approximately 180 MMbbl over a period of 8 years. Project II offers substantial redevelopment potential based upon an analysis of original oil in place vs. recovery to date. The asset holds a significant remaining gross 2C contingent resource of 235 MMbbl (Block Energy, 2022). The Company is leveraging its comprehensive subsurface evaluations and suitable enhanced oil recovery techniques to attract partners for redevelopment of the field.

**Project III -** Patardzueli-Samgori, Rustavi, Teleti, South Dome (Lower Eocene, Upper Cretaceous): Project III is a transformative appraisal programme targeting substantial gas resources in deeper reservoirs of the Patardzueli-Samgori, Rustavi, Teleti, and South Dome fields. The fields collectively host a gross 2C contingent resource of 2.77 TCF with a notable Net Present Value (NPV) of approximately $1.65 billion (Block Energy, 2024). Fully costed and defined appraisal and development plans are in place for the three discovered fields, with work ongoing on the recently acquired South Dome field. An independent assessment of the contingent resources in the Patardzeuli-Samgori field indicates gross 2C recoverable resources of 1,074 BCF (OPC, 2024). An ongoing farm-out process has attracted multiple industry participants, underscoring the project's significant commercial viability and strategic importance.

**Project IV** – Exploration Prospects (Chokrak, Maikop, Oligoacene, Upper Eocene, Middle Eocene): Project IV encompasses a highly prospective exploration programme primarily focused on the Martkopi Terrace prospect within the XIQ licence. This prospect alone offers substantial gross mean unrisked recoverable of 267.2 MMbbl oil and 213.4 BCF gas (DeGoyler MacNaughton, 2023). Block holds an initial 10% interest in the XIQ licence with an option to increase this to 22%. Block's collaboration with the operator and active negotiations for farm-in partners further reinforce the attractiveness and strategic value of Project IV.

**Carbon Capture and Storage (CCS)** – Patardzueli-Samgori, South Dome (Middle Eocene): Block's pioneering CCS initiative, in collaboration with JSC Rustavi Azot (Indorama Corporation), positions the Company at the forefront of regional carbon management. Independent studies have confirmed significant $CO_2$ sequestration potential of up to 256 million tonnes (OPC, 2023). The Company is focused on ensuring disciplined capital allocation and ongoing enhancement of shareholder returns.

The accompanying asset map illustrates the strategic locations and potential of Block Energy's diverse asset base:

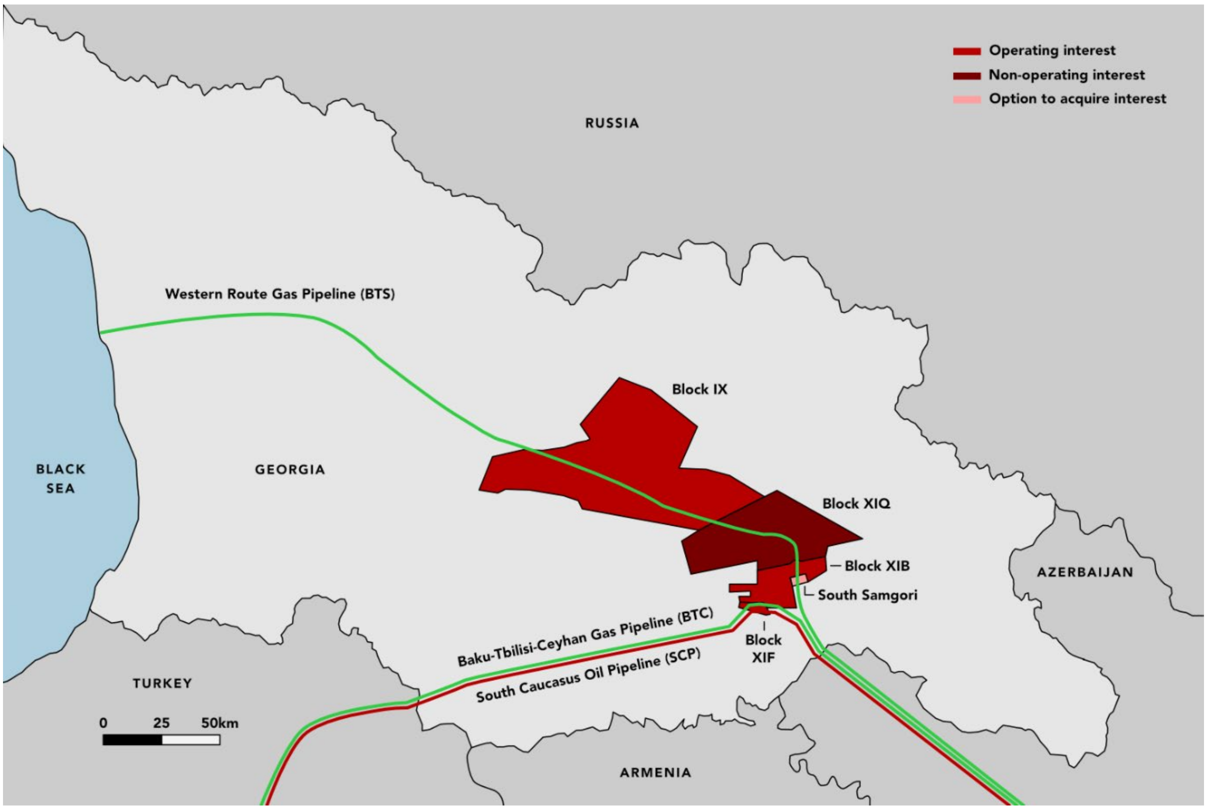


*Figure 1 - Location of Block Energy assets*

The Company's Projects and assets are as follows:

| Project | Associated Field(s) | Associated PSC(s) | Reservoir | Hydrocarbon Type | Project Stage | Company Participating Interest |
|---|---|---|---|---|---|---|
| Project I | West Rustavi/Krtsanisi | XIB/XIF | Middle Eocene | Oil and Gas | Production & development | 100% |
| Project II | Patardzueli-Samgori | XIB | Middle Eocene | Oil | Field redevelopment | 100% |
| Project III | Patardzueli-Samgori, Rustavi, Teleti, South Dome (Prospect) | XIB/XIF | Lower Eocene, Upper Cretaceous | Gas | Appraisal & Exploration | 100% |
| Project IV* | Martkopi Terrace (Prospect), Norio Intermediate (Prospect), Norio Deep (Prospect), Norio East (Prospect) | IX, XIQ, South Samgori | Middle Eocene, Chodrak, Maikop | Oil & Gas | Exploration | 100% (IX), 10% (XIQ), Option (South Samgori) |
| CCS† | Patardzueli-Samgori | XIB | Middle Eocene | Carbon Dioxide | Pilot | 100% |
| n/a | Norio | Norio | Maikop | Oil | Production | 100% |
| n/a | Satskhenisi | Satskhenisi | Maikop | Oil | Production | 90% |

*Project IV:

- Block Energy holds 100% of the IX PSC.
- Block Energy holds 10% of the XIQ PSC, with Georgia Oil and Gas Limited holding 68% (Operator) and Georgian Oil and Gas Corporation holding 22%.
- Block Energy holds an option to acquire an interest in the South Samgori PSC from Georgia Oil and Gas.

†CCS:

- Block Energy holds 100% of the XIB PSC. The Company is partnered with JSC Rustavi Azot, a subsidiary of Indorama Corporation Pte Ltd, on a pilot study.

The Company's reserves and resources are as follows:

| Field/Project | Type | Units | Reserves/Resources | | | | Block Energy Interest | Source |
|---|---|---|---|---|---|---|---|---|
| Reserves | | | 1P (Gross) | 2P (Gross) | 3P (Gross) | Mean | (%) | |
| Krtsanisi Anticline (Project I) | Oil | MMbbl | 0.19 | 1.07 | 3.01 | - | 100% | ERCE. 2022 (5 well programme) |
| | Gas | BCF | 0.34 | 1.07 | 2.14 | - | 100% | |
| Contingent Resources | | | 1C (Gross) | 2C (Gross) | 3C (Gross) | Mean | | |
| West Rustavi/Krtsanisi (Full Field Project I) | Oil | MMbbl | 12.5 | 19.5 | 27.5 | - | 100% | Block Energy, 2022 |
| | Gas | BCF | 79.6 | 123.6 | 180.6 | - | 100% | |
| Patardzueli-Samgori (Project II) | Oil | MMbbl | 105.1 | 235.0 | 396.0 | - | 100% | Block Energy, 2022 |
| Patardzueli-Samgori (Project III) | Gas | BCF | 926.0 | 1,072.0 | 1,222.0 | 1,073.0 | 100% | OPC, 2024 |
| Rustavi (Project III) | Gas | BCF | 884.0 | 1,062.0 | 1,245.0 | 1,064.0 | 100% | Block Energy, 2024 |
| Teleti (Project III) | Gas | BCF | 493.0 | 638.0 | 802.0 | 644.0 | 100% | Block Energy, 2024 |
| Prospective Resources | | | 1U (Gross) | 2U (Gross) | 3U (Gross) | Mean | | |
| South Dome (Project III) | Gas | BCF | 501 | 574 | 651 | - | 100% | Block Energy, 2025 |
| Martkopi Terrace (Project IV, XIQ) | Oil | MMbbl | 135.8 | 239.4 | 420.4 | 267.2 | 10% | DeGoyler MacNaughton, 2023 |
| | Gas | BCF | 105.6 | 193.3 | 337.9 | 213.4 | | |
| Remainder XIQ Prospects & Leads | Oil | MMbbl | 49.4 | 120.9 | 315.0 | 165.5 | 10% | |
| | Gas | BCF | 72.2 | 139.0 | 330.9 | 179.8 | | |
| Carbon Storage | | | Low | Mid | High | - | | |
| Patardzueli-Samgori (CCS) | $CO_2$ Storage | MT | 57.0 | 151.5 | 246.0 | - | 100% | OPC, 2023 |

## Project I

Project I is the development of the Middle Eocene reservoir of the West Rustavi/Krtsanisi field which is located within the XIF & XIB licence blocks (both of which are wholly held by the Company).

The Company has conducted significant operational and subsurface activity on the field since acquiring XIF in a staged transaction commencing in 2018 and XIB in 2020. The Company has undertaken a 3D seismic survey and drilled six successful wells between 2018 and 2024 (being WR-16aZ, WR-38Z, WR-B01a, JKT-1Z, WR-B01Z and WR-34Z). The Company has also installed and operates a production facility on the WR-16aZ wellsite and has developed a pipeline network of multiphase pipelines in the field. It monetises gas through a local third-party owned gas network.

In 2022, Block engaged independent reserve auditors, ERC Equipoise ("ERCE") to audit a development plan associated with the first phase of development of the field, incorporating a total of five wells. The report, published in July 2022 assigns gross 3P reserves of 3.01 MMbbl and 2.14 BCF to the five well development area. Performance from the wells associated with this reserve report (being JKT-1Z, WR-B01Z and WR-34Z) has been in line with expectations, giving confidence to continue with the development of the field. Internal contingent resources for the field (published in 2022) ascribe 19.5 MMbbl in the 2C case, demonstrating significant upside. An update to the internal contingent resource report as well as the work on a full field development plan is ongoing.

In 2024, additional subsurface work has been undertaken as well as various operational initiatives including workovers to maintain production rates. Plans are well advanced for additional drilling on Project I, with the 'slim hole' engineering design and risk register completed which would see a significant reduction in drilling expenses as compared to the previous well design. The 'slim hole' technology allows the Company's own A-80 heavy workover rig to be used for drilling.

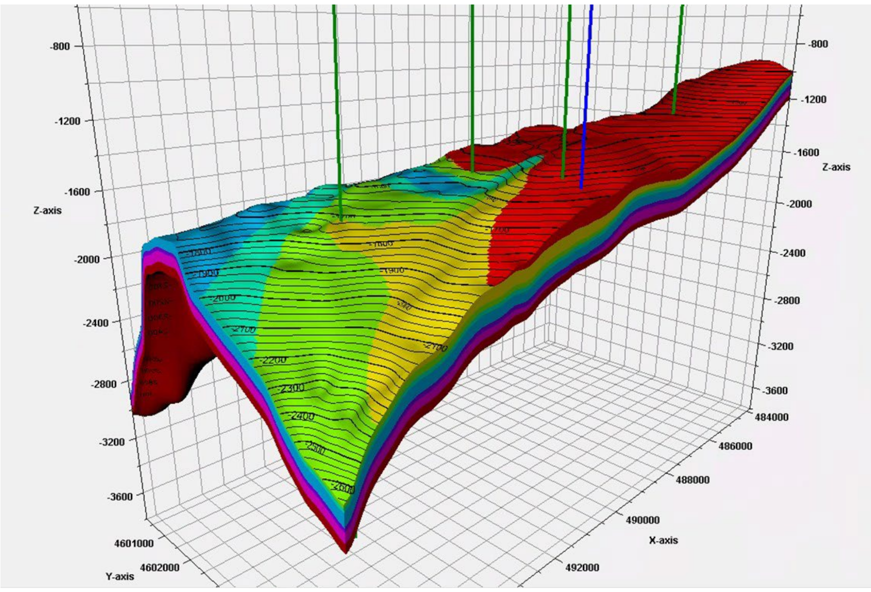


*Figure 2 - Project I 3D Reservoir Model*

Project I is a robust, geoscience led project which has benefited from directional drilling and production operations. With commercial production from the field in place since 2019 and six successful wells drilled, supported by an independent reserve evaluation, the Company believes that the asset's development strategy is sound.

The Project delivers material cashflows to the Company, which are then reinvested in the development of its higher impact projects within the portfolio.

The Company's plans to continue development of Project I by way of drilling additional sidetracks/new wells utilising the 'slim hole' well design, supported by the ongoing geophysical and subsurface work to improve understanding of the complex reservoir architecture. Production and development costs associated with the asset are low and there is material upside available in the broader Project I area which contains 19.5 MMbbl gross 2C contingent resources (Block Energy, 2022).

## Project II

Project II is focused on redeveloping the Patardzueli-Samgori field at Middle Eocene level in licence XIB.

Patardzueli-Samgori produced at high rates (c. 70,000 bopd) in the 1970s-1980s before production suddenly ceased in the late 1980s, due to poor reservoir management practices and lack of capital investment. Approximately 180 MMbbl was produced during this time. Successful wells in this field were high-rate producers, with initial production rates in excess of 5,000 bopd.

Remaining contingent resource estimates (Block Energy, 2022) ascribe a gross 2C contingent resource of 235 MMbbl (within Patardzueli-Samgori). In 2022, the Company deepened the JSR-01 well seeking to prove that deeper oil resources existed within the field. The well initially produced oil (and remains on intermittent production), informing the Company's longer term appraisal programme.

During 2024, the Company has been in discussions with various service providers and enhanced oil recovery ("EOR") specialists around potential field redevelopment strategies and applicable technologies and therefore subsurface evaluation and engineering work on Project II was completed in the year in support of these discussions, strengthening the Company's ability to embark on an organised farmout campaign, in due course.

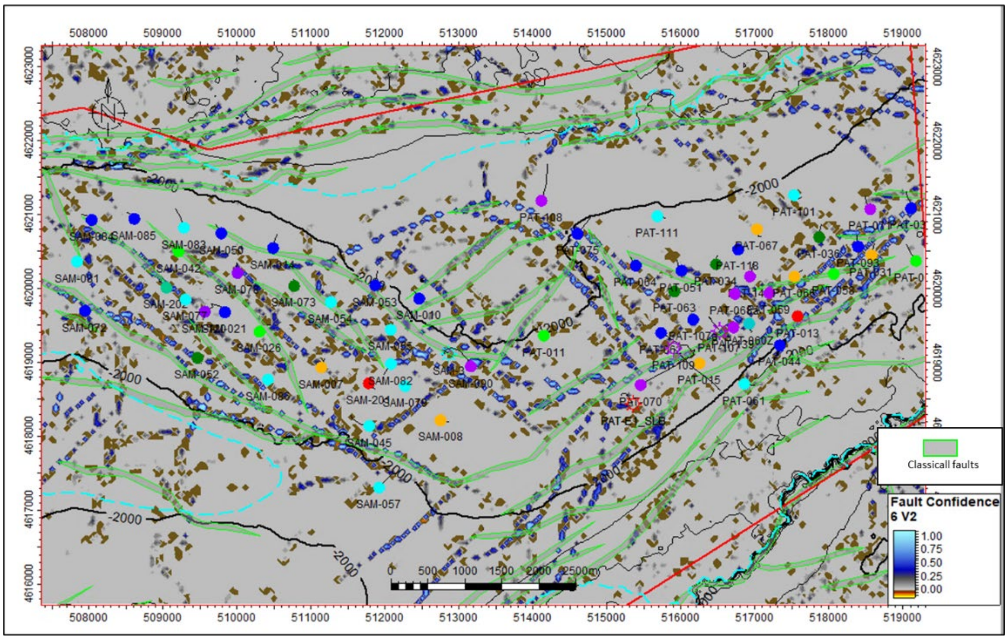


*Figure 3 - Project II fault confidence seismic attribute map (classical & AI interpretations) with cumulative production from legacy wells*

## Project III

Project III comprises the appraisal and monetisation of the substantial discovered gas resources (2.77 TCF 2C gross contingent resources with an associated net present value ("NPV") 10 of $1.65 billion); (Block Energy, 2024) at deeper intervals in the Company's XIF and XIB licences. These volumes are located within the Lower Eocene and Upper Cretaceous reservoirs.

Four fields have been identified within this Project: Patardzueli-Samgori, Rustavi, Teleti and South Dome ("the Fields"). Three of the fields (being Patardzueli-Samgori, Rustavi and Teleti) have gas proven on test from previous drilling. More than 15 wells have either discovered and/or produced gas from these reservoirs, with some tests being at high commercial rates. The Company acquired the operational rights to South Dome ("South Dome" or "SSD") in 2025, which to date has not been drilled to Lower Eocene or Upper Cretaceous reservoir depth but which is highly prospective.

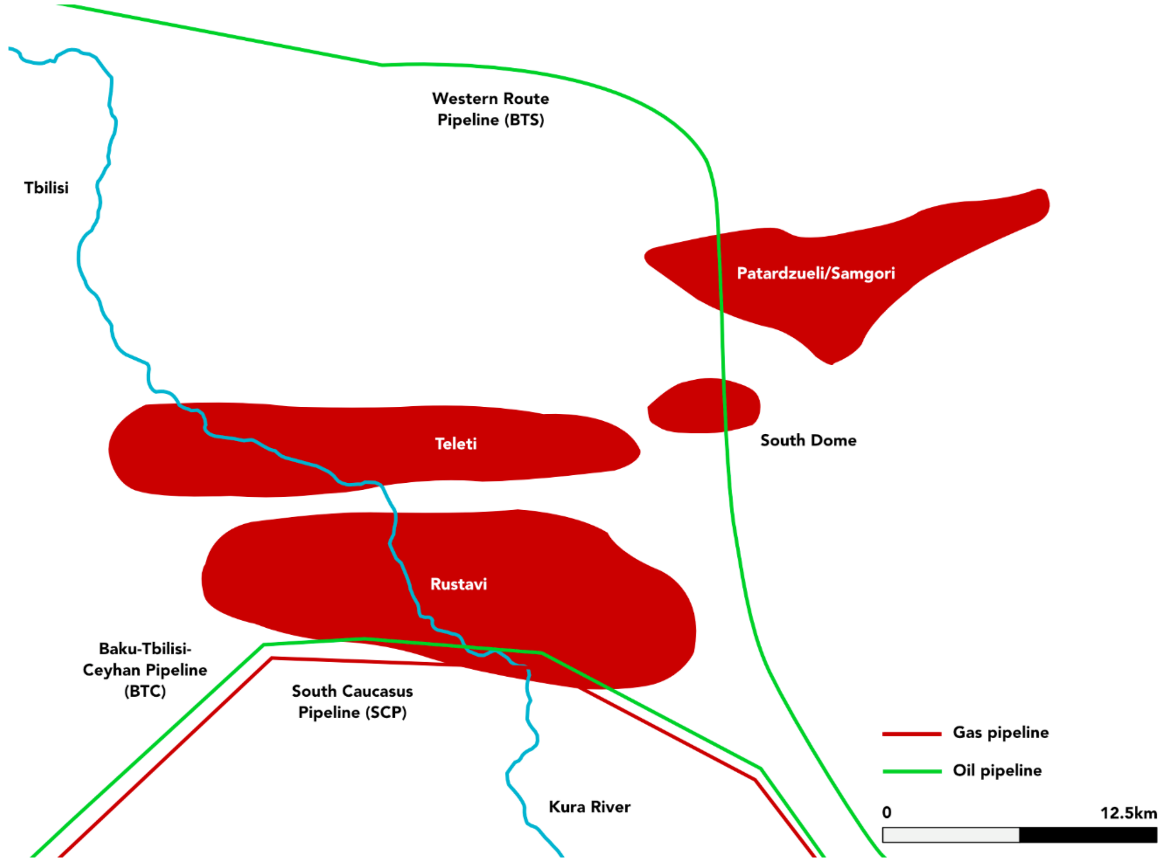


*Figure 4 - Project III field map at Lower Eocene depth*

The Company completed internal contingent resource estimates for these fields in 2023/4 and as part of this work developed costed appraisal and full-field development plans. This work (on Patardzueli-Samgori) was audited to PRMS standards by a leading geoscience consultancy, Oilfield Production Consultants (OPC) Limited ("OPC"), with the results of the audit being announced in early 2024.

OPC concluded that the Block Energy internal contingent resource estimations and methodologies were consistent with industry practice and in line with PRMS guidance.

Following the OPC report, the Company launched a farm-out process, seeking capital from industry to complete an appraisal campaign on the Patardzueli-Samgori field. The Company engaged a reputable UK-based upstream advisor, to manage an independent process in order to secure the best possible transaction for shareholders. This farm-out process is ongoing with good interest shown from a range of potential partners across industry. The Company remains in active discussions and due diligence processes with multiple parties around a potential farm-in to the Project III fields.

The target reservoirs are naturally fractured clastics (Lower Eocene) and carbonates (Upper Cretaceous) and are of significant thickness (1.0 km and 0.5 km in the Lower Eocene and Upper Cretaceous respectively). Significant subsurface work to identify the scale of the resource as well as the development concept has been completed. The fields benefit from full 3D seismic coverage as well as previous drilling, including the PAT-E1 well drilled by Schlumberger in 2018. Commercially, the field is well positioned for monetisation, with the major South Caucuses Pipeline ("SCP"), transporting gas to Turkey and Europe within 15 km from the location of the planned Gas Processing Plant.

2C gross contingent resources for the fields are a total of 2.77 TCF (1,072 BCF Patardzueli-Samgori, OPC 2024; 1,062 BCF Rustavi, Block Energy 2024; 638 BCF Teleti, Block Energy 2024). 2U gross prospective resources within South Dome (to which the operational rights were acquired in 2025) are 574 BCF (Block Energy, 2025).

## Project IV

Project IV is an exploration programme which commenced in 2022 with the farm-out of two portions of Block XIB to Georgia Oil and Gas Limited ("GOGL") in a transaction which saw GOGL fund the acquisition and processing of 210 km new 2D seismic data and the reprocessing of 1,000 km existing seismic data within the Didi Lilo and South Samgori areas (previously part of XIB). This transaction was announced in 2022 and completed in Q1 2023.

In 2023, GOGL, as the operator, continued exploration study work and data interpretation for the leads and prospects identified within both Didi Lilo and South Samgori. The primary achievement on this Project in 2023 was the completion of a DeGoyler MacNaughton independent prospective resource report which ascribed gross unrisked mean prospective resources to the Martkopi Terrace prospect of 267.2 MMbbl and 213.4 BCF gas. Total gross unrisked mean prospective resources in the DeGoyler MacNaughton report stand at 451.5 MMbbl and 823.3 BCF.

In 2024, GOGL and Block worked to unitise multiple PSCs (being XIC, XIK, XIM, XIN, XIQ and Didi Lilo) into a single enlarged PSC, XIQ in order to better position the asset for a potential farm-out. Block acquired a 10% interest in this licence in 2025 by way of exercising an option granted by GOGL in 2024. Block retains a further option to acquire an additional 12% in the XIQ licence (to take the total to 22% if exercised).

The 2025 work programme on XIQ focuses on the Martkopi Terrace prospect, which is a large prospect located to the north of Patardzueli-Samgori. A re-entry of Martkopi-10, which was drilled in the Soviet period but did not reach the Middle Eocene reservoir, is planned in 2025 with the objective being to assess its suitability for deepening or side-tracking.  Block has already met its financial commitments with respect to its interest in XIQ for 2025.

GOGL is continuing farm-out efforts on Project IV and is in advanced negotiations with third parties on a potential farm-in to XIQ.

Similar efforts to unitise several PSCs with respect to the South Samgori area are ongoing and Block retains a back-in right through an Option Agreement should this process be successful.

In addition to the partnership with GOGL on XIQ and South Samgori, the Company also holds a 100% interest in exploration licence IX, which is believed to contain large exploration potential. The minimum work programme on IX is complete and the Company continues to undertake geological studies on the licence, to define suitable next steps.

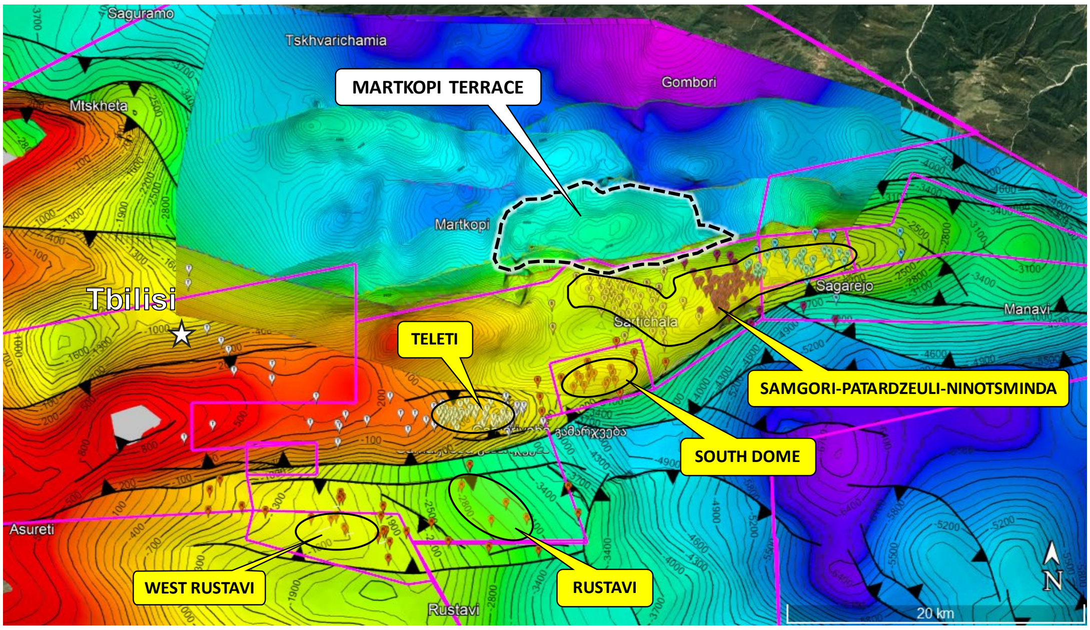


*Figure 5 - Project IV Martkopi Terrace Top Middle Eocene Structure Map (courtesy GOGL)*

## Carbon Capture and Storage (CCS)

In 2023, the Company engaged OPC to undertake a study of the Patardzueli-Samgori Middle Eocene reservoir for carbon sequestration potential. The study was led by Professor Eric Oelkers, a leading expert in the field of water-rock interactions and a co-founder of Carbfix, an operational carbon sequestration project in Iceland utilising the same technology as that proposed for Patardzueli-Samgori Middle Eocene.

The OPC report concluded that the field has the potential to store up to 256 million tons ("MT") of $CO_2$ through the injection of $CO_2$ dissolved into water. This reservoir could become one of the largest $CO_2$ storage sites in Eastern Europe, offering a new revenue stream and demonstrating our ESG commitment

Following a Memorandum of Understanding ("MOU") signed with JSC Rustavi Azot ("Rustavi Azot"), a subsidiary of Indorama Corporation Pte Ltd, the Company commenced Phase 2 studies on the CCS project in November 2024. These studies include desktop, field and laboratory work and a planned $CO_2$ injection test and monitoring and verification process expected to commence in 2025. Work to date on this project has exceeded expectation, with the laboratory results and water injection test as part of Phase 2 both delivering successful results as announced in Q1 2025. Work is ongoing to finalise the surface facility design and monitoring and verification plan in advance of the planned pilot injection of $CO_2$ into the reservoir. Rustavi Azot will be providing the $CO_2$ for the pilot injection.

Given the proposed technology and the significant existing well stock in Patardzueli-Samgori field that could easily be reconverted to $CO_2$ injection, the costs estimated by OPC per ton of carbon stored were low, significantly lower than typical carbon storage projects.

The CCS Project is located within Georgia's industrial hub and benefits from being in proximity (less than 25 km) to sources of significant industrial $CO_2$ emissions, including a fertiliser plant, two gas-fired power stations and an oil refinery in addition to other smaller emitters all offering the potential to capture and transport $CO_2$ via pipeline or liquefication process to the Company's CCS pilot location.

The Company plans further development of this project throughout 2025 - in line with its long-term sustainability goals.

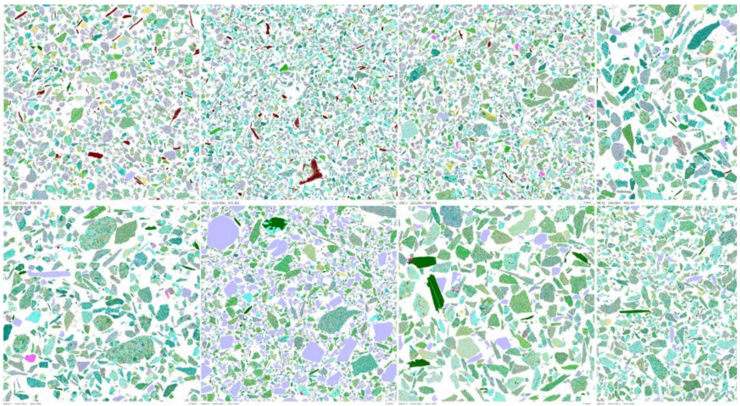

*Figure 6 – X-Ray Spectroscopy Analysis of Middle Eocene Rock Samples*

The four Projects and the CCS opportunity give the Company a robust and balanced platform for growth. Block's activities range from low-cost development work focused on short-term cashflow to delivering on a major farm-out process targeted at unlocking a multi TCF gas resource. The portfolio encompasses exploration upside as well as a major sustainability-driven project. The Company's focus is on delivering these high-impact Projects with disciplined allocation of capital in order to provide strong shareholder returns.

Block continued to make progress in executing its four Project strategy in the year ended 31 December 2024:

- Continued focus on strong Health, Safety, Environment and Social ("HSES") practices, with further updates to its HSES plans, training matrixes and leadership development.
  - Delivered 283,205 operational man-hours with one Lost Time Incident ("LTI"); (2023: 299,824 with one LTI).

- Improved cash position and stable overall financial performance:
  - The Company remained cashflow positive, with the cash position again improving to $1,136,000 ($713,000 in 2023 and $450,000 in 2022).
  - Decrease in G&A and other costs, despite higher Project III, CCS and Project IV related costs, reflecting ongoing cost and operational discipline within the business.
  - Strategic decision to pause Project I drilling in the year, based on strong cash position, cash requirements and marginally lower than expected natural production decline.
  - Revenue of $7,533,000 (2023: $8,366,000) reflecting natural production decline and marginally lower commodity pricing.
  - Positive EBITDA of US$ 1.06 million (2023: US$ 1.47 million), in line with expectation.

- Focus on high-impact projects saw continued good progress:
  - Published an independent engineering report on the Patardzueli-Samgori field (as part of Project III), ascribing 1,074 BCF 2C contingent resources to the field and a project net present value (10) of US$ 501 million
  - Published updated internal contingent resource reports on Rustavi and Teleti Project III, supporting a combined Project III project net present value (10) of US$1.67 billion.
  - Launched the farm-out campaign for Project III, with good uptake from potential industry partners with farm-out discussions and due diligence activity ongoing.
  - Published an independent evaluation of the carbon storage potential of the Patardzueli-Samgori Middle Eocene as part of the CCS project.
  - Signed a Memorandum of Understanding with JSC Rustavi Azot ("Rustavi Azot"), a subsidiary of Indorama Corporation Pte Ltd with respect to pilot studies on the CCS opportunity.
  - Commenced Phase 2 studies on the CCS project.
  - Completed work on the new 'slim hole' well engineering for Project I.
  - Farmout of Project IV progressing.

- Robust production, better than expected and in-line with the 2022 ERCE reserve report:
  - Total group production of 131,579 barrels of crude oil (2023: 151,184 barrels).
  - Total Group gas production of 274 MMCF (2023: 283 MMCF).
  - Average annual production of 485 boepd (2023: 543 boepd).
  - Production reflected natural decline, which was marginally better than expected, and the strategic decision to pause Project I drilling, to focus financial & human resources on the high-impact projects.

# Chairman's Statement

**Dear Shareholder,**

Last year was characterised by further progress in the delivery of the Company's high impact strategy, underpinned by an improving cash position. Realisation of value from high impact assets, such as those being developed by Block, inevitably takes time. This can overshadow the progress being made behind the scenes.

The Company is now at an inflection point, with several material catalysts possibly coming to fruition over the coming year. These include the farmout of Project III, commercialisation of the Company's CCS project, following the pilot injection of carbon, and the farmout of project IV.

Reaching this point is a testament to the strategy in place, which has sought to balance progress in the high impact projects, with a balance sheet able to support these initiatives. It is also a reflection of the strength of the management team, which has successfully adapted the business by streamlining the Company and maintaining an unwavering focus on value.

Putting this in context, it is important to recognise that Block is delivering on the back of internally generated cashflows and has not sought an injection of additional equity capital for over 4 years. In the listed E&P space, this places Block in a relatively unique position.

The team in Georgia should be congratulated for their hard work in driving the Company's various projects forward while maintaining safety and protecting the environment. Having spent time with them on the ground in Georgia, I have witnessed their dedication first hand, and I would like to extend my thanks for their effort and commitment.

Their success and progress are supported by close and productive relationships with the Georgian authorities and commercial partners. These relationships are invaluable, having been built over many years, creating a sense of mutual trust and confidence.

Relationships aside, Georgia remains a positive environment in which to work and invest. It is pro-business, and investment is underpinned by a well-functioning political and legal system, which protects the right of ownership, while encouraging risk investment and business development.

Georgia sits at a crossroads for energy distribution and trade between east and west. It, as such, has easy market access, via established infrastructure, that runs close to the Company's licences. That, combined with a strong and positive culture, make it highly attractive to foreign investment. This is reflected in the country's GDP growth, which has far outstripped that of the wider EU.

The professionalism of the team is further reflected in the Company's safety record. Safety remains the foremost priority for the Company at all levels. It remains the first item on the agenda at all Board meetings and is based on a clear system of responsibility and reporting, which starts on the ground each day during the daily briefing.

The Board believes the strategy in place is the right one and that over time it will deliver on the material value inherent within the Company's assets. It is a strategy that is showing evident progress, while effectively balancing the risk and reward profile for investors and Block. The Board looks forward to continuing to support and guide the team in the year ahead and to updating shareholders further on the Company's progress.

P A Dimmock

Philip Dimmock
**Non-Executive Chairman**

## Chief Executive Officer's Statement

Dear Shareholder,

Block Energy PLC made substantial progress in 2024, successfully advancing our multi-project strategy and delivering another year of positive cash flow. Our unwavering commitment to safety, environmental stewardship, and proactive community engagement continues to reinforce our reputation as a responsible and sustainable energy company.

Health, Safety, and Sustainability remain fundamental pillars of our operations. Despite an intensive operational schedule involving over 283,000 man-hours, we recorded only one minor Lost Time Incident (LTI) during the year. This excellent safety performance is a direct result of our robust management systems and deeply embedded safety culture. Additionally, we have significantly strengthened ties with local communities through targeted employment initiatives, comprehensive training programs, and collaborative social projects.

Project III remains central to our strategic growth, highlighted by the publication of an Independent Engineering Report (IER) in early 2024. This report and Block's internal contingent resource estimates identified over 2.77 TCF of 2C contingent recoverable gas resources across the Patardzeuli-Samgori, Rustavi, and Teleti fields, with an estimated Net Present Value of $1.65 billion. The ensuing farm-out process has attracted considerable industry interest. The Company remains in active discussions and due diligence processes with multiple parties around a potential farm-in to the Project III fields.

Project IV, through licence XIQ, represents another compelling farm-out opportunity, advanced by operator Georgia Oil and Gas Limited ("GOGL"). Ongoing discussions aim to secure a fully carried exploration programme, encompassing 3D seismic acquisition and targeted exploration drilling. Block Energy currently holds an initial 10% interest in XIQ, with an option to increase this to 22%. The licence includes the highly prospective Martkopi Terrace prospect, independently assessed to contain mean unrisked recoverable prospective resources of 267.2 million barrels of oil, with total XIQ licence resources estimated at 451.5 MMbbl of oil and 823.3 BCF of gas (DeGoyler MacNaughton, 2023). Block has fully funded its current obligations under the initial work programme and continues to actively pursue further unitisation opportunities in the South Samgori area alongside GOGL.

Project II is emerging as a promising farm-out candidate complemented by the significant remaining oil potential within the field of 235 MMbbl 2C resources (Block Energy, 2022), prompting us to actively explore strategic partnerships that will advance this project. The development of Project II further aligns with our goal of diversifying revenue streams across our high-value asset portfolio.

Our Carbon Capture and Storage (CCS) initiative, developed in partnership with JSC Rustavi Azot, a subsidiary of Indorama Corporation, has made notable advancements throughout the period. Early studies have affirmed our reservoirs' exceptional capacity for large-scale carbon sequestration, placing it among Eastern Europe's highest-ranking storage potentials. Current workstreams are focused on establishing clear pathways toward commercial viability within both mandatory and voluntary carbon markets, aiming to position Block Energy as a pioneering force in regional carbon management.

Strategically, in 2024, we intentionally paused further drilling on Project I, choosing to reallocate capital and human resources towards advancing higher-value, transformative projects. Nevertheless, we remain prepared to recommence drilling operations to sustain stable production levels above corporate breakeven thresholds as needed. Our disciplined financial management and rigorous approach to cost control continue to underpin this strategic flexibility.

Financially, we improved our cash position year-on-year through prudent financial and operational management, despite lower revenues received. We anticipated production from Project I (and therefore revenue in the year) to decline through the strategic decision to pause drilling and developed the budget and 2024 objectives with this in mind. At year-end, we had US$ 1.14 million in cash (2023: US$ 0.71 million), oil inventory of 11.1 Mbbl (2023: 16.6 Mbbl) and delivered positive EBITDA in the year of US$ 1.06 million (2023: US$ 1.47 million), which was in line with expectation.

To enhance our financial flexibility, we successfully extended our existing US$ 2.0 million senior secured loan facility to February 2026, ensuring that we have ample working capital to reinvest cashflows into our high-impact projects in order to drive value creation for our shareholders. This was achieved through spending on Projects III, CCS and II and the 2025 acquisition of an interest in the XIQ PSC (Project IV).

We acknowledge prevailing market conditions have created a disconnect between our intrinsic asset values and current market capitalisation. Independent resource assessments, however, clearly highlight the considerable upside within our portfolio. Our ongoing operational progress is explicitly aimed at bridging this valuation gap and delivering substantial shareholder value.

Looking ahead to 2025, we anticipate several critical milestones, including the advancement and commercialisation of Projects III and IV, alongside meaningful progress on Project II and further developments in our CCS initiatives. These opportunities offer material avenues for value creation, and we approach each with measured optimism and strategic prudence.

We sincerely appreciate your continued support and look forward to providing regular updates as we progress through a promising year.

Warm regards,

Paul Haywood
Chief Executive Officer
Block Energy PLC

# Financial Review

**Income Statement**

The Group's revenue from oil and gas sales decreased to $7,533,000 (2023: $8,366,000) primarily due to lower production levels from Project I. The current year revenue from sales of crude oil of $6,678,000 (2023: $7,413,000) comprised the sale of 97,961 barrels (2023: 106,000 barrels), which equated to an average revenue per barrel of $68.20 (2023: $69.93).

During the year, the Group produced 131,579 barrels of crude oil (2023: 151,185 barrels). Gas production stood at 274 MMCF (2023: 282 MMCF). This gross production figure includes the State of Georgia's share of production before cost recovery and profit sharing.

The natural decline seen in Project I wells in the year was less than expected and no new wells were drilled in 2024 as part of a focus on developing the Company's high impact Projects including Project III and CCS. Production performance remains in line (slightly biased to the upside) with the 2022 ERCE reserve report type curves.

Strategically, the Company took the decision to pause drilling on Project I in order to pursue its high-impact projects. The Company remained cashflow positive and whilst not requiring any further external finance in the year, the existing loan facility was extended until February 2026.

The Group had 11,060 barrels of crude oil inventory as at 31 December 2024 (31 December 2023: 16,611 barrels).

In the year, the Group sold gas to the value of $855,000 (2023: $953,000).

The total comprehensive loss for the year was $609,000 (2023: $2,213,000). The improvement on prior year is primarily associated with the one-off $2,210,000 impairment charge in 2023, associated with the decision to fully impair Norio and Satskhenisi, although both cost of sales and administrative costs decreased in 2024 as compared to the prior year as the cost savings initiatives were completed.

With respect to operating activities before impairment, the Group delivered a loss of $202,000 (2023: profit of $74,000). EBITDA decreased to $1,061,000 (2023: $1,469,000) and this was mainly attributed to reduced revenues due to lower production levels and a slight reduction in average oil and gas prices over the year.

The Company continues to closely monitor costs, operational performance and efficiency. Cost of sales (before depreciation and depletion of oil and gas assets) fell by $308,000 (from $3,826,000 to $3,518,000). Other administrative costs fell by $89,000 (from $2,657,00 to $2,568,000) and share based payments also fell by $28,000 (from $414,000 to $386,000) in the year. These savings were achieved even with increased spending on the development of Projects III and CCS, as well as corporate activity associated with the Project III farm-out, the unitisation of licences associated with Project IV and new ventures activity.

Overall, in 2024, the Company's financial performance remained stable and significant progress was made in the development of the high-impact projects, which are seen as key catalysts for the growth in shareholder value.

**Liquidity, Counterparty Risk and Going Concern**

The Group monitors its cash position, cash forecasts and liquidity regularly and has a conservative approach to cash management, with surplus cash held on term deposits with major financial institutions.

The directors have prepared cash flow forecasts for a period of 12 months from the date of signing these financial statements. The Group's forecasts are reviewed regularly to assess whether any actions to curtail expenditure or cut costs are required.

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 been volatile during the past few years and could rise or fall in the year ahead, and that future production levels depend on both depletion rates from existing wells and the success of future drilling.

The directors also recognise that the outstanding $2.0 million secured loan is due for full redemption in February 2026 and that there are scenarios in which the Company may not be in a position to settle this liability on time. Nonetheless, the directors remain confident that the loan can either be repaid or renegotiated, or that new lenders could take a portion, or that other financing options will become available to the Company, and therefore judge that the Company retains sufficient flexibility and optionality around the loan to prepare the accounts on a going concern basis.

As part of their going concern assessment, the directors have examined multiple scenarios in which oil prices and/or future production levels fall substantially and have concluded that it remains possible that future revenues in at least some scenarios 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 if 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.

**Impairment**

There was no impairment recognised in the year (2023: $2,210,000).

**Cash Generative Units**

The Company currently reports on the basis of Cash Generative Units ("CGUs") associated with West Rustavi, Rustaveli, Norio and Satskhenisi.

The Company continues to review the appropriateness of reporting on the basis of these named CGUs given its well-communicated multi-project strategy. It is expected that in 2025, based upon potential corporate development activity, that the Company will either report on the basis of a singular CGU (owing to the proximity of the licences and fields) or alternatively on a Projects basis (owing to the different stage of development between Projects I, II, III, IV and CCS).

**Results and Dividends**

The results for the year and the financial position of the Group are shown in the following financial statements:

- The Group has incurred a pre-tax loss of $609,000 (2023: loss of $2,213,000).
- The Group achieved positive EBITDA of $1,061,000 (2023: $1,469,000).
- The Group has net assets of $25,313,000 (2023: $25,706,000).
- The Directors do not recommend the payment of a dividend (2023: $nil).

## Principal Risks and Uncertainties

There are general risks associated with the oil and gas extraction industry as well as those specific to Block Energy. The Board through the Audit and Risk Committee regularly reviews the risks to which the Company is exposed and endeavours to mitigate these risks as far as it can. Given the current size and simplicity of the business, the Board considers that there is no immediate necessity to establish an independent audit function.

The following summary outlines the principal risks and uncertainties facing the Company at its present stage of development:

| Description | Impact | Mitigation |
| --- | --- | --- |
| Strategic Risk | | |
| Regional and political tensions could have an adverse effect on the local economy and our business. | Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey and could be adversely affected by political unrest either internally or in surrounding countries. Internal unrest or policy shifts in Georgia could disrupt operations and deter investment. Regional conflicts or sanctions may also affect trade routes and the overall business climate. | The Board monitors all political developments on an ongoing basis and receives regular reports from senior management in Georgia around the political and security situation. This ensures that good relations are maintained with the government and swift action can be taken if required. |
| Risks related to challenges in monetising assets at a favourable valuation, an unclear commercialisation strategy, and potential negative perceptions of project deliverability by prospective partners or investors. | Inability to monetise assets when needed may place pressure on the company's cash position, impact project funding, and limit the ability to raise capital. This could affect management credibility, lead to negative market sentiment, and constrain future growth or shareholder value creation. | To reduce the likelihood of monetisation challenges, the Company benchmarks its projects against market opportunities, maintains contingency plans, and actively engages with third parties. To reduce the impact, it focuses on strong project economics, adapts to macroeconomic conditions, facilitates buyer relationships with host governments, and ensures transparency with potential equity investors. |
| The risk of not meeting expectations of key stakeholders, including investors, partners, governments, and local communities. | Disputes with local communities can disrupt operations and, in extreme cases, lead to civil unrest or criminal activity, negatively affecting our financial performance, operational continuity, and reputation. Additionally, failure to meet shareholder or investor expectations may result in loss of capital, reduced investor confidence, and reputational damage. There are also potential health, safety, and environmental ("HSE") risks to local communities that must be carefully managed to maintain our social licence to operate. | The Company adopts a shared value approach and maintains strong, transparent relationships with stakeholders—including local communities, governments, and shareholders—supported by ongoing engagement, ethical conduct, and a proactive ESG strategy. Regular monitoring of public sentiment, timely disclosure of material information, and investment in community initiatives further strengthen trust and reduce the risk of reputational or operational disruption. These measures also help mitigate the impact by preserving stakeholder confidence and ensuring resilience |

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| | | during periods of scrutiny or unrest. |
| Key Personnel and Talent Management Risk | Loss of key personnel or inability to attract and retain skilled staff could disrupt business continuity, delay project delivery, and impair strategic execution. It may also weaken leadership effectiveness, reduce organisational performance, and impact investor confidence. | The Company recognises its people as a core asset and aligns compensation with investor outcomes to support retention and motivation. Organisational capability is strengthened through structured resource planning, succession planning, leadership development, and ongoing training. These initiatives reduce the likelihood of key personnel loss and mitigate the impact by ensuring continuity, resilience, and depth across critical roles. |
| The risk of a takeover that does not align with the long-term interests of shareholders and stakeholders, potentially benefiting only select individuals at the expense of broader value creation. | The risk of a takeover that undervalues the Company may result in significant loss of value for investors and missed long-term growth opportunities. Such a transaction could lead to asset stripping, disruption of strategic plans, or even the winding down of operations, ultimately undermining shareholder and stakeholder interests. | The Company actively monitors potential bidders and maintains open dialogue with investors, peers, and advisors to stay alert to takeover interest. Regular shareholder analysis, clear equity value communication, and updated valuations help defend against approaches that undervalue the business. By continuously unlocking asset value and maintaining strong stakeholder relationships, the Company is better positioned to reduce the impact of any unsolicited or undervalued bids. |
| Financial Risk | | |
| Oil and gas prices may decrease significantly. | Significant decreases in oil or gas prices over a sustained period would negatively affect the Group's cash flows, operating results and financial performance. It would also impact asset valuations and project economics. | The Company mitigates exposure to commodity price volatility by maintaining a strong cash position and preserving financial flexibility across its portfolio. Development plans are regularly reassessed to align with current price environments, while capex and overheads are managed prudently. New opportunities are evaluated with downside pricing scenarios in mind, reducing both the likelihood and impact of adverse price movements. |
| Currency exchange rate and interest fluctuations may negatively affect the Company. | The Group's consolidated financial statements are presented in United States Dollars. The major portion of both revenues and costs are denominated in United States Dollars also. However, part of its revenues is | The Company actively manages its debt portfolio to limit exposure and, where possible, secures fixed interest debt to reduce volatility. Holding cash reserves in U.S. Dollars provides a natural hedge |

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| | expressed and certain costs are incurred in British Pounds Sterling, Georgian Lari and other currencies. Changes in exchange rates may impact the Group's cost base and financial reporting. | aligned with the Group's USD-based operations, while balances in other currencies support local needs. Cash is kept in current or short-term deposits to preserve liquidity and manage currency-related impacts. |
| The Company may face challenges in accessing capital, or securing it at a reasonable cost. | Limited access to reasonably priced capital could increase the cost of financing, reduce free cashflow, reduce project valuations, and restrict the Company's ability to fund growth. This may hinder execution of the development strategy, impair asset monetisation, and weaken overall shareholder returns. | The Company mitigates capital access risk by maintaining funding flexibility through diversification of capital sources, prudent debt use, and disciplined asset selection. Capital allocation is guided by regular commercial reviews, with investment directed only to projects that demonstrate strong value potential. In parallel, the Company rigorously reviews its capital investment programme, applies robust procurement processes, and monitors cost performance to ensure spending remains efficient and aligned with strategic priorities—building on a strong track record of delivering projects within budget. |
| Inability to repay loans and/or fund exploration work - resulting in inability to deliver the business strategy. | Defaulting on planned repayments could put underlying assets at risk and force the Company to seek additional debt or equity financing under unfavourable terms, reducing value for shareholders. This may slow value creation and lead to a loss of stakeholder confidence and support. | The Company reduces the likelihood of default by focusing its budget on priority assets, maintaining a disciplined annual budgeting process, and regularly reviewing cash flow, working capital, and funding options to ensure financial commitments can be met. Board-approved work programmes and monthly financial reviews support proactive risk management. In the event of funding pressure, portfolio flexibility through farmouts or asset sales helps mitigate the impact. |
| The risk that the counterparties may be unable to lift and sell the Company's oil. Related to this is also credit risk. | The Company is reliant on two major counterparties for all revenue, creating a risk of non-receipt of funds if either fails to lift or pay for product. While credit risk from financially distressed third parties exists, the greater concern is the inability to monetise production due to market or logistical constraints faced by the buyer. | The Company reduces the likelihood of non-lifting or non-payment by maintaining regular engagement with existing buyers, monitoring market conditions, and identifying potential alternative offtake partners. To reduce impact, it holds sufficient cash reserves to manage through temporary disruptions in revenue. |

| Operational Risk | | |
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| Risk of reduced asset life and underperformance due to inefficient operations and high costs. | If new assets fail to deliver expected reserves or production rates, the Company may face higher-than-anticipated appraisal and development costs, delaying growth and limiting reserve replacement. This could lead to a loss of investor and market confidence, reduced technical credibility with host governments, and potential divestment of assets below intrinsic value, ultimately triggering a reassessment of the Company's strategy and business plan. | The Company reduces the likelihood of underperforming assets by focusing on technically led acquisition strategies, using advanced subsurface analysis, peer-reviewed evaluations, and expert input to guide decision-making. Rigorous risk assessments, post-drill reviews, and alignment with strategic growth goals ensure only high-potential, cost-effective opportunities are pursued. Impact is further mitigated through disciplined portfolio management, selective asset exits and maintaining a diverse asset base to balance performance risk. |
| Subsurface and Drilling Operations Risk. | Operational delays or failures may lead to reduced cash flow, missed project milestones, and increased costs, negatively affecting the Company’s financial performance and market valuation. Prolonged disruptions or regulatory issues could damage stakeholder confidence, delay value creation, and compromise the Company’s ability to meet strategic objectives. | The Company reduces the likelihood of operational delays by employing a highly qualified subsurface team, using advanced analysis techniques, and ensuring rigorous contractor selection through its procurement process. Ongoing market reviews and experienced personnel enable fast, effective responses to drilling opportunities. Impact is mitigated through cost-efficient drilling strategies, such as slim-hole wells, and the use of advanced seismic and AI technologies to improve well success rates. |
| Data Control and Cybersecurity Risk. | A loss of access to critical subsurface data would significantly disrupt operations, delaying or halting exploration and development activities. Cybersecurity breaches or system failures could result in commercial loss, environmental or safety incidents, and operational downtime. Loss of intellectual property through staff departure or compromised systems may reduce the Company’s technical advantage and strategic flexibility. | The Company mitigates data and cybersecurity risks by regularly reviewing third-party provider security, ensuring key subsurface data remains accessible, and monitoring system vulnerabilities. Strict internal policies govern the use of Company systems, reducing exposure to breaches. In the event of disruption, impact is minimised through off-site data storage, cloud backups, and contingency measures to maintain operational continuity. |

| HSES Risks | | |
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| Accidents and risks associated with operations (e.g. blowout, fire, injury). | Serious accidents can result in a shut-down of operations, injury or loss of life, damage to equipment or property, damage to the environment and a loss of credibility and/or licence. | The Company has a robust HSES framework, supported by a dedicated full-time HSES department, regular staff training, and a Board-level HSES Committee that actively oversees performance and incident response. HSES is deeply embedded in the Company's culture and contracts, with policies including daily safety meetings, PPE provision, observation cards, equipment inspections, and on-site medical support during drilling. Regular reviews, an Emergency Response Plan, and insurance coverage help reduce the likelihood and impact of incidents, ensuring operational safety and preparedness. |
| Environmental contamination caused by oil and water spills or gas leakages. | A significant environmental incident could result in harm to people and the environment, lead to reputational damage—potentially attracting local or global media attention—and cause production downtime and revenue loss. | The Company reduces environmental incident risk through robust HSES systems, best-practice well integrity standards, spill response plans, and strict operational procedures. Field-based staff receive regular training to improve environmental awareness and reduce contamination risks, while routine inspections and infrastructure upgrades minimise the chance of spills or equipment failure. Oversight is further strengthened by a Board-level ESG committee, reinforcing the Company's commitment to environmental stewardship and continuous improvement. Insurance coverage is in place to help mitigate financial impacts if an incident occurs. |
| Climate Change and Energy Transition Risk. | The energy transition may lead to falling hydrocarbon demand and prices, increased regulatory and reporting costs, and rising pressure from stakeholders to meet climate targets. Failure to comply could result in fines, reputational damage, and loss of investor confidence and capital. | The Company integrates environmental objectives into its strategy by focusing on low-cost, high-value resource monetisation with minimal environmental impact. It actively advances its carbon position through improved reporting, flaring reduction, and the ongoing investment into its Carbon Capture and Storage (CCS) initiative. Ongoing engagement with stakeholders helps preserve investor confidence and mitigate |

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| | | the impact of increasing climate-related scrutiny and regulation. |
| Legal and Compliance Risks | | |
| Risk of Fraud, Corruption, or Sanctions Breach by the Company or Associated Persons. | Accusations or findings of fraud, corruption, or sanctions breaches could lead to severe reputational damage, triggering the withdrawal of support from shareholders, governments, lenders, and partners. Investigations may cause significant business disruption and result in legal outcomes such as fines, director disqualifications, or deferred prosecution agreements. In extreme cases, this could lead to the loss of key assets, PSCs, or entire projects. | The Company reduces the likelihood of fraud, corruption, or sanctions breaches through robust policies, thorough due diligence processes, mandatory training, and a strong internal control framework—including whistleblowing channels, annual certification and regular policy reviews. All counterparties are assessed for legal and sanctions risk, and contracts include protective clauses. In the event of an incident, insurance coverage provides a financial safety net, provided compliance frameworks have been followed. |

## Statement of Corporate Responsibility

Block Energy PLC has a practical and open approach to Corporate Responsibility: our programme is focused on doing the right thing, managing risk and investing sustainably in the community in which we operate.

**Impact of Culture on Decision Making**

Our investment decisions carefully consider environmental and social impacts and how such impacts are best managed for all stakeholders. Our operations should not compromise the well-being of current or future generations. This responsible behaviour is a crucial element for our long-term business success.

For Block Energy this means:

- Acting with respect for people, communities and the environment;
- Acting honestly and openly with all stakeholders, fully respecting the rule of law and human rights;
- Contributing to the economic and cultural development goals of Georgia;
- Integrating sustainability and Corporate Responsibility into our strategy, planning, implementation and management systems;
- Providing clear public reporting on our management systems and performance.

The Company has prepared several detailed Environmental Impact Statements ("EIS") to cover its operations. These have been submitted to and discussed with the Georgian authorities.

**Health, Safety, Environmental and Social Performance**

The Company strives for continuous improvement and Block Energy is committed to maintaining high standards of health, safety, environmental and social performance ("HSES") across all its oil and gas operations. To achieve this, as an integral part of our business, we:

- Have established a board-level HSE and ESG committee which meets regularly.
- Identify, assess and manage HSES risks to people, the environment and assets in order to avoid adverse direct or indirect effects from our operations.
- Ensure that our operations comply, at a minimum, with applicable health, safety, environmental and social laws and regulations, as well as best practicable industry standards.
- Maintain high ethical standards in carrying out our business activities.
- Provide the necessary leadership, training and resources to enable effective HSES management throughout our organisation.
- Strive to prevent and minimise the impact of our operations on the environment.
- Ensure continuous improvement of HSES performance by setting objectives and targets and apply focused auditing, reviews and external benchmarking.
- We select competent staff, contractors and suppliers to manage and support the business.
- Ensure that the highest priority is placed on emergency preparedness and contingency planning and that any plans are tested regularly to ensure that any incidents are responded to in a timely and effective manner.
- Foster a culture where accidents, incidents and near misses are reported and investigated and that lessons learned are shared.
- Consult with and respond to the concerns of our stakeholder on our health, safety environmental and social performance.
- Ensure that HSES policy is communicated to all staff and contractors and that it is clearly displayed in all Block Energy premises and operational sites and made publicly available.
- Empower the Company's directors, employees and contractors to take responsibility for maintaining high HSES standards.

**Section 172 (1) Statement and Stakeholder Engagement**

The Directors believe they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole, as required by s172 of the Companies Act 2006.

We understand that our long-term success depends on our relationships with our stakeholders. We strive to provide our stakeholders with timely and effective information, responses and support. The following table summarises how we identify and seek to meet their needs, interests and expectations.

| Stakeholder | Reason For Engagement | How We Engage |
|---|---|---|
| **Employees.** Our capacity to design and execute our strategy depends on the health, development and retention of our dedicated and skilled staff. | Transparent and regular communications with our staff is essential for ensuring an understanding of commitment to the Company's objectives.<br><br>As an oil and gas exploration and production company we have particular health, safety, environmental and social obligations (see "Communities and Environment" below). | Management in London and Georgia have daily team meetings. The wider international team has a weekly meeting. The Executive Director and senior management make regular trips to Georgia to work with our staff onsite. The management team have regular one-on-ones with every staff member and transparent performance targets are mutually agreed.<br><br>We also undertake training and development sessions (particularly around HSES, compliance and event prevention) and ensure that our staff are properly motivated and included within the Company's aims and objectives. |
| **Shareholders.** We provide transparent, accessible, regular and balanced information to our shareholders and investors to ensure support and confidence. | Understanding the perspectives of our shareholders and their sentiment regarding the business, its prospects and the performance of management as well as meeting regulatory requirements. | We publish announcements on the London Stock Exchange's website and our website and across our online channels.<br><br>Interviews with our directors and senior management are published as videos or podcasts and accessible to a large audience. We operate an investor mailing list subscription service. We issue regular updates to our corporate presentation. We attend investor relation events and meet with industry analysts. We publish our annual and interim accounts and are physically available for any shareholder at the AGM. We hold one-to-one sessions with our largest shareholders. |
| **Industry Bodies, Local and National Governments.** Our operations and business practices must meet certain legal and regulatory requirements. | We work hard to meet our regulatory obligations to retain our good standing with regulators, the Georgian government and the wider oil and gas sector. Our relationship with the local and national government is a key to our success and has taken a long time to develop. | We adhere to Georgian state regulations and since inception, have maintained good standing on all interests associated with its working interest in all Production Sharing Contracts. We commit to fulfilling our AIM obligations. We engage an independent auditor to perform an audit of the Company's processes and financial risks. We engage an independent auditor in Georgia to ensure our local financial reporting meets local standards and regulations. We have developed comprehensive Market Abuse Regulations ("MAR") and anti-bribery policies. We take legal compliance extremely seriously. |
| **Communities and Environment.** Our operations are embedded in a | We understand that our operations can have negative effects on the local economy or environment if | We have written HSES policies and ensure that all staff and contractors adhere to such policies. HSES performance is embedded into the director's and senior management's performance targets. We have a strong |

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| complex local economic and environmental ecosystem. | not properly managed and if risks are not properly mitigated. We place the highest focus on ensuring that our operations are conducted in a safe, responsible manner and that we make a positive contribution to local communities. | focus on HSES and ensure that it is embedded in to all of our operational and management processes and receive daily reports on HSES compliance. We investigate all HSES policy breaches and work to remedy them.<br><br>We maintain two board-level committees, the HSE Committee and the ESG Committee which are tasked with further developing our policies, compliance and performance. We monitor and report emissions and environmental performance. We work with National and Local government to support the communities in the areas where we operate and invest in local community programmes. We provide employment and personal development opportunities for all employees, whilst further extending this support, into the local communities in which we operate. We also maintain a website for our operating company, Block Operating Company, in the Georgian language to ensure local communities and more broadly, people of Georgia, can remain informed on our Company's activity. |
| **Suppliers.** We engage contractors and purchase from a wide range of suppliers, around the globe. | We recognise that our suppliers and contractors are essential to our operational and financial success and understand that third parties working on our operations can impact our HSES policies. | We integrate our MAR, anti-bribery and HSES policies into all agreements with contractors. Where contractors are working in our operations, we ensure that HSES briefings and training are undertaken.<br><br>We have robust financial processes for settling our invoices with our contractors and service providers and take care to ensure we source products and services from ethical suppliers. Where possible and commercially competitive, we try to ensure goods are sourced locally, so to support local businesses. |

The Board is responsible for establishing and communicating policies and procedures for risk management and internal controls. We recognise that risk management is an essential business practice, and we work to balance risk, return, threat and opportunity. We maintain a detailed risk register which is routinely reviewed by the Audit and Risk Committee and the Board.

**Climate Change**

In today's oil and gas sector stakeholders and investors are keenly interested in the theme of climate change and we can assure them that Block is wholly committed to good environmental stewardship. We have a robust approach to corporate responsibility and sustainability issues, underpinned by our commitment to high standards of health and safety and environmental stewardship.

Consistent with our strategy, we aim to flare zero gas and reduce our carbon dioxide emissions as much as possible. We have established a Board-level ESG committee with a remit to build on and improve our environmental processes and policies. In 2024, we continued our work on a carbon capture storage project in line with our long-term sustainability goals and in early 2025, we completed an agreement with JSC Rustavi Azot to investigate capture and sequestration of carbon from the emissions from their fertiliser factory within our Patardzeuli-Samgori Middle Eocene reservoir.

We are aware of the changing regulatory landscape in the UK, particularly with the incorporation of disclosures under the Task Force on Climate-Related Financial Disclosures ("TCFD") to LSE main board companies and we will comply with any requirements imposed by the AIM Rules for Companies.

## Board of Directors

The current Board consists of three directors: two independent non-executive directors and an executive director.

**Paul Haywood | Chief Executive Officer**

*Committee Memberships: Nominations Committee, ESG Committee, HSE Committee.*

Paul is the founder of Block Energy and has more than 13 years' experience in the Georgian oil and gas sector, having identified, managed and completed the acquisition, development and sale of several oil and gas assets before establishing Block Energy. More broadly, Paul has spent much of his career building growth projects, leveraging a cross-functional skill set encompassing strategy, implementation, capital and transaction management. Paul is currently a non-executive director of AIM quoted Synergia Energy plc, where he is Chairman of the Remuneration Committee and resource focused advisory firm, Plutus Strategies.

*Key skills and competencies: vast capital markets and global energy experience, Georgia knowledge and strong project delivery record.*

**Philip Dimmock | Non-Executive Chairman**

*Committee memberships: Remuneration Committee (Chair); Nominations Committee (Chair); Audit and Risk Committee; Disclosure Committee; Technical Committee; HSE Committee (Chair)*

Philip spent a significant part of his career at BP in a wide variety of senior positions, including manager of the Forties oil field. Subsequently, his executive roles included Vice President International/Managing Director UK at Ranger Oil Ltd/Canadian Natural Resources and Vice President Operations at Vanco Energy. In non-executive board positions, Philip was a director of Nautical Petroleum Plc and the Senior Independent Director of Gulf Keystone Petroleum Ltd. He currently serves as Adviser to Oando Energy Resources Inc. Philip has an MA in Physics from the University of Oxford.

*Key skills and competencies: extensive oil and gas sector experience and knowledge, career board member*

**Jeremy Asher | Senior Independent Non-Executive Director**

*Committee memberships: Audit and Risk Committee (Chair); Nominations Committee; Remuneration Committee; Disclosure Committee*

Jeremy is Chairman & CEO of Tower Resources plc. In recent years he served as a director of NYSE-listed Pacific Drilling SA, Deputy Chairman of London-listed Gulf Keystone Petroleum Ltd, and as a director of TASE-listed Oil Refineries Ltd. Previously he co-headed the global oil products business at Marc Rich & Co (now Glencore AG) and then acquired and developed a 275,000 b/d oil refinery in Germany, before serving as CEO of PA Consulting Group and advising and investing in numerous companies in the energy sector. He holds a BSc (Econ) from the London School of Economics and an MBA from the Harvard Business School.

*Key skills and competencies: extensive oil and gas sector experience, professional consultant and manager*

The Strategic Report was approved by the Directors and signed on behalf of the board on the 21 May 2025.

Paul Haywood
**Director**

# Report of the Directors

The Directors present their report and the audited financial statements of Block Energy PLC ("the Company") for the year ended 31st December 2024.

## Principal Activity

The principal activity of the Company is oil and gas exploration, development and production.

## Incorporation and Admission to Trading on AIM

The Company was incorporated on 8th February 2005 and was admitted to trading on AIM on 11th June 2018.

## Results and Dividends

The results for the year are set out on page 17.

This Report covers the year ended 31st December 2024.

The Directors do not recommend the payment of a dividend (2023: $nil).

## Review of Business and Future Developments

A review of the business and likely future development of the Company is set out in the Chief Executive Officer's Statement on pages 15-16.

## Going Concern

The directors have prepared cash flow forecasts for a period of 12 months from the date of signing these financial statements. Further information is set out in Note 1 to this Report.

## Risk Management

Risk management is integral to the business with management continuously monitoring and managing risk within the relevant business areas. Every material decision is preceded by an evaluation of the applicable commercial and operational risks. Regular reviews of risks and management of these are undertaken and presented to the Board. The Group maintains an Audit and Risk Committee and a Risk Register.

## Principal Risks and Uncertainties

The principal risks the Board have reviewed are disclosed on pages 19-24 of this Report.

## Share Capital

Details of shares issued by the Company during the year are set out in Note 18 to the Financial Statements.

## Directors and Directors' Interests

The Directors of the Company who served during the year ended 31st December 2024 are listed below, and the current Board member's biographies are on page 28 of this Report.

| | |
|---|---|
| Paul Haywood | Chief Executive Officer |
| Philip Dimmock | Independent Non-Executive Chairman |
| Jeremy Asher | Independent Senior Non-Executive Director |

Details of Directors' interests in shares are disclosed on page 40 of this Report.

## Director's and Officers' Liability Insurance

The Group provided director's and officer's liability insurance at a cost of $21,000 (2023: $25,000).

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the Group and Company financial statements in accordance with UK adopted International Accounting Standards. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock exchange for companies trading securities on AIM.

In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK-adopted international accounting standards have been followed, in accordance with the provisions of the Companies Act (2006), subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act (2006). They are also responsible for safeguarding the assets of the Company and that they are taking reasonable steps for the prevention and detection of fraud or other irregularities.

## Website Publication

The Directors are responsible for ensuring the Annual Report and Financial Statements are made available on a website. Financial statements are published on the Company's website in accordance with the relevant legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

## Governance Statement

We have chosen to adhere to the updated Quoted Companies Alliance Corporate Governance Code for Small and Medium Size Quoted Companies (2024 version); ("QCA Code"). Our full statement of compliance with the QCA Code is provided in the Governance Report on pages 32-37 of this Report.

## Section 172 (1) Statement and Engagement with Stakeholders

How we comply with Section 172 of the Companies Act 2006 and engage with Stakeholders is set out in the Statement of Corporate Responsibility on pages 25 - 27 of this Report.

## Engagement With Shareholders

The Directors attach great importance to maintaining good relationships with shareholders and the Company is active in regularly communicating with both its institutional and private shareholders. The Company also issued regular updates to shareholders. Market sensitive information is notified in accordance with the AIM Rules for Companies and the Market Abuse Regulation.

## Political Contributions

During the year ended 31st December 2024, political donations totalled $nil (2023: $nil).

## Financial Instruments

The main financial risks arising from the Group's activities are liquidity risk, commodity price risk, increased costs and currency risk. These are monitored by the Board in line with the Company's Risk Register.

Budgets and cashflow forecasts are regularly prepared and fund-raising initiatives undertaken as and when required. Risk is inherent in the nature of the business and is managed to the best of the Board's ability. Further details on financial instruments are shown in note 23.

## Auditors and Disclosure of Information to Auditors

All of the current Directors have taken all of the steps that they ought to have taken to make themselves aware of any information needed by the relevant Auditors for the purposes of their audit and to establish that the Auditors are aware of that information. The Directors are not aware of any relevant audit information of which the Auditors are unaware.

PKF Littlejohn LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

The Report of the Directors was approved and authorised for issue on 21 May 2025.

Paul Haywood
**Director**

# Governance Report

## Corporate Governance Statement

We believe in the value and importance of good corporate governance and hold ourselves accountable to all our stakeholders - shareholders, staff, contractors, clients, suppliers and the communities within which we operate.

High standards of Corporate Governance were maintained in 2024, continuing into the current year, The Board meets every two months for a thorough review all aspects of the business and the strategy and, in between, to consider and approve individual investment decisions or to resolve standalone situations. The Board Committees also meet frequently.

## QCA Corporate Governance Code (2023)

On 13 November 2023, the Quoted Companies Alliance ("QCA") published a revised QCA Corporate Governance Code 2023 (the "Revised Code"). The Revised Code maintains its ten-principle structure, but increases emphasis on environmental, social, and governance ("ESG") factors, remuneration policies, and the importance of corporate culture, as well as continuous communication with shareholders and stakeholders. The QCA has clarified its expectation for companies to consider how they apply each principle in the revised Code and provide clear and well-reasoned discourses to shareholders explaining the approach taken (including, if relevant, where they have chosen not to apply the Revised Code).

The revised QCA Code will apply to all companies for financial years beginning on or after 1 April 2024. However, the Board has decided to adopt this Revised Code early. The report below sets out how it meets the Revised Code.

## QCA Code Principles & the Company's Response

**Principle One: 'Establish a purpose, strategy and business model which promote long-term value for shareholders' (previously One)**

Block Energy's purpose is to deliver shareholder value through the development of its high-impact strategic projects. The Company is developing valuable intellectual property with regard to the specific geology of the region in which it operates in and is undertaking exploration and appraisal activities within the portfolio to meet this goal whilst remaining cashflow positive from existing production operations.

Georgia has long been recognised as a business-friendly country, with historically high rankings in global ease of doing business indices. It possesses proven but underdeveloped reserves of oil and gas, attracting growing interest from major energy companies. Georgia remains committed to European integration having already achieved EU Candidate status. Despite recent setbacks it still aims to achieve full membership by 2030. Continued progress depends on meeting EU benchmarks for governance and democratic reform.

Our objective to deliver shareholder value in the medium to long term is based on the continued commercialisation of our existing projects and the identification and development of new projects within and outside of Georgia to secure the Company's growth and long-term future.

We have designed a robust business model to implement our strategy, and this is set out in the strategic report on pages 3 to 28.

The Company continuously investigates and evaluates new production and exploration opportunities in Georgia, Africa, Europe and near Asia which have near term cash generation potential and where it can leverage on the skill set of its UK and Georgian staff.

We maintain a robust M&A screening framework and assess opportunities from a technical, commercial, economic and strategic perspective. We are an ambitious operating company and seek to grow our portfolio both organically and inorganically.

**Principle Two: 'Promote a corporate culture that is based on ethical values and behaviours' (previously Eight)**

Our core values underpin our long-term growth:

- We continually develop and nurture good relationships with our stakeholders: staff, shareholders, suppliers, national and local governments and the communities within which our operations are embedded.
- We are an agile and ambitious company. We have a team carefully selected for their skills and experience, we are committed to our values and we are dedicated to the successful execution of our current and future strategy.
- We endeavour to develop individual members of our staff and the team as a whole.
- We are committed to employing cost-effective technology and processes to achieve our objectives and deliver value to our stakeholders.
- We are courteous, honest and straightforward in all our dealings, honouring diversity, individuality and personal differences and are committed to observing the highest personal, professional and ethical standards in conducting our business.
- We are acutely conscious of our particular responsibilities as an oil and gas producer. Our HSES obligations are the first operations-related agenda item at all of our daily and weekly meetings as well as our Board meetings and we employ a full-time HSES department in Georgia to develop and manage our HSES processes.
- We recognise the risks posed by climate change and are committed to playing a responsible role as an oil and gas producer. We are actively exploring initiatives such as carbon capture to reduce our environmental impact.

Our values are expressed and communicated regularly to staff through internal communications and forums. They are included in our employment contracts, induction processes and training programmes.

The Board believes that the promotion of our core values across the Company's operations gives Block a critical competitive advantage, improving our internal efficiency and the quality of our stakeholder relationships.

**Principle Three: 'Seek to understand and meet shareholder needs and expectations' (previously Two)**

The Board strives to keep shareholders informed with clear and transparent information on the Company's operations, strategy and financial position. Details of all shareholder communications are provided on the Company's website, in compliance with AIM Rules. RNS updates, reports, circulars, videos, podcasts and presentations are all published on the Company's website or social media channels.

Primary responsibility for investor relations rests with the Chief Executive Officer, supported by the other Directors and senior management. Since Block Energy began trading on AIM on 11th June 2018, the Company has used multiple channels to understand the needs and expectations of its shareholder base.

The AGM is one of our many forums for dialogue with shareholders and we encourage all shareholders to attend and participate. The members of the Board attend the AGM, when possible, and are available to answer questions raised by shareholders.

In addition to maintaining digital communications channels, the Company maintains a dedicated email address (info@blockenergy.co.uk) which investors can use to contact the Company, and a mailing list. These are displayed prominently on our website together with our address and telephone number. All enquiries received are reviewed and distributed as appropriate. We also contract an experienced financial communications company to assist with our communications activities.

The Directors continually review our engagement with shareholders and our communications approach.

The Directors take every opportunity to communicate our purpose, strategy and business plan to existing and potential institutional investors. We routinely make presentations to institutions and industry analysts, particularly after the announcement of significant news. We keep in touch with institutional investors through a combination of formal meetings, participation at investor conferences, roadshows and informal briefing by management. The majority of meetings with shareholders and potential investors are arranged by the Company's brokers or directly with the Company. The brokers provide frequent feedback to the Company to assist in understanding sentiment and market expectation.

**Principle Four: 'Take into account wider stakeholder interests, including social and environmental responsibilities and their implications for long-term success' (previously Three)**

We understand that our long-term success depends on our relationships with our stakeholders. We set out our stakeholder engagement process in our Statement of Corporate Responsibility on pages 25-27 of this Report.

The revised Code calls for a stronger emphasis on ESG factors and their integration into the company's decision-making process.

The company integrates ESG factors into its strategy and operations, particularly focusing on environmental sustainability and social responsibility. Block Energy collaborates closely with Georgian authorities, investing in community programs and job creation. In the year we have worked with the Tbilisi Technical Institute to provide paid internships to students.

In early 2025, the Company completed an agreement with JSC Rustavi Azot to investigate capture and sequestration of carbon from the emissions from their fertiliser factory within our Patardzeuli-Samgori Middle Eocene reservoir. This marks a pleasing step towards reducing our carbon footprint and showcasing the company's commitment to reducing its environmental impact.

The Company continues to implement initiatives aimed at reducing emissions of methane and carbon dioxide from its field operations and motor vehicles. In 2024, the Company installed an in-house oil processing facility for the Patardzueli field which utilises previously vented gas to feed a heat exchanged for oil processing, reducing methane emissions.

**Principle Five: 'Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation' (previously Four)**

The Board is responsible for establishing and communicating robust systems to manage risk and implement internal control. We recognise that risk management is an essential business practice: we work to balance risk and return, threat and opportunity.

Risk assessments are carried out for future prospects and new risks (for existing projects) are identified through periodic assessments. This involves both internal teams and where necessary, external consultants who can provide fresh insights and identify emerging risks. The Company monitors industry trends and regulatory changes, especially those related to environmental legislation and sustainability standards. This helps in proactively identifying and assessing climate-related risks that could impact compliance, operational costs, or reputation.

The Board regularly reviews risk management strategies as part of its governance responsibilities. This process ensures that emerging risks are identified, communicated, and addressed effectively across the organisation. The Company uses cost effective technology to measure and contain geological risk. It maintains regular dialogue with central and local government bodies to identify and contain sovereign risk.

The following Committees play a crucial role in executing these governance functions.

*Audit and Risk Committee*

The Audit and Risk Committee meets to consider the scope of the annual audit and the interim financial statements and to assess the effectiveness of the Company's system of internal controls. It reviews the results of the external audit, its cost effectiveness, the objectives of the auditor and the independence of the auditor. Given the present size of the Company, the Audit and Risk Committee considers that an internal audit function is not currently justified. The Audit and Risk Committee currently comprises Jeremy Asher (Chair) and Philip Dimmock.

*Remuneration Committee*

The Remuneration Committee reviews the performance of the Executive Director and makes recommendations to the Board on matters relating to his remuneration and terms of employment. The Remuneration Committee also makes recommendations to the Board on proposals for granting share options and other equity incentives pursuant to the share option scheme. The Board sets the remuneration and terms and conditions of appointment of the non-executive Directors of the Group. The Executive Director is invited to attend for agenda items that require his contribution although he does not take part in any discussion on his own benefits and remuneration. The Remuneration Committee also has oversight over the remuneration policies for all staff. The Remuneration Committee currently comprises Philip Dimmock (Chair) and Jeremy Asher.

*Nominations Committee*

The Nominations Committee considers appointments to the Board, senior management positions and succession planning. The Nominations Committee currently comprises Philip Dimmock (Chair), Jeremy Asher and Paul Haywood. The Committee met informally through the year after Board meetings.

*Disclosure Committee*

The Disclosure Committee has the primary responsibility and authority to make decisions on disclosure delay for the purposes of the Market Abuse Regulations (“MAR”). The Disclosure Committee currently comprises Jeremy Asher (Chair) and Philip Dimmock.

*Technical Committee*

The Technical Committee meets every two months, and sometimes more frequently on an informal basis, to consider surface and sub-surface technical and operational matters. The Technical Committee currently comprises Guram Maisuradze (non-Board Chair) and Philip Dimmock.

*Health, Safety and Environment (HSE) Committee*

The HSE Committee aims to meet at least quarterly and reviews the Company’s HSE policies, performance and goals. The Committee meets in the event of any serious HSE lapse to review the causes and identify remedial action. The HSE Committee currently comprises Philip Dimmock (Chair), and Paul Haywood.

*Environmental, Social and Governance (ESG) Committee*

The ESG Committee meets during the year and reviews the Company’s environmental and social impact, including monitoring the Company’s emissions, any unplanned flaring of gas and the Company’s social impact. The ESG Committee currently comprises Philip Dimmock (Chair), Jeremy Asher and Paul Haywood.

**Principle Six ‘Establish and maintain the Board as a well-functioning, balanced team led by the Chair’ (previously Five)**

The members of the Board have a collective responsibility and legal obligation to promote the interests of the Company and are jointly responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the Chair.

The Board currently consists of three Directors, one executive and two independent non-executives, including the Chair. To support its work, the Board has established several committees, as detailed above in this Report. In accordance with the revised Code, the Board acknowledges its current lack of diversity, largely due to the limited pool of qualified candidates. However, it is committed to prioritising diversity considerations in future appointment should the Board’s size increase.

Board meetings are held regularly (at least one formal meeting every two months). All Directors, executive and non-executive, are required to attend and to make every effort to attend in person. They are also required to be available at other times as necessary for face-to-face and telephonic and video conference meetings with staff and investors.

Executive and non-executive Director attendance at Board and committee meetings during the year ended 31 December 2024 is summarised below:

| Director | Board Meetings | Audit & Risk Committee | Remuneration Committee | Technical Committee | HSE Committee | ESG Committee |
|---|---|---|---|---|---|---|
| Philip Dimmock | 8/8 | 4/4 | 3/3 | 6/6 | 1/1 | 1/1 |
| Jeremy Asher | 8/8 | 4/4 | 3/3 | 6/6 | - | - |
| Paul Haywood | 7/7 | - | - | 6/6 | 1/1 | 1/1 |

The Board follows a regular schedule to address key business, financial and operational matters. Relevant papers are provided in advance for review. Each committee has compiled a work plan to ensure that all Board responsibilities are covered. The Chair ensures Directors receive accurate and timely information for decision making. Board meetings are minuted, with all presented papers included. Directors can have concerns minuted and seek independent advice at the Company's expense, if needed.

The Directors also visit Georgia regularly to meet staff and stakeholders. In addition to these formal events, the Directors frequently discuss day-to-day Company matters in person and by conference call. The number of days committed to the Company is challenging to quantify because the Directors make themselves available as required.

The revised Code also recommends that shareholders vote annually on the re-election of all board members. However, the Company does not resubmit the entire Board each year. Our articles require one-third of the Board to be submitted for re-election annually. With only three directors, removal of more than one director at any time could cause unnecessary disruption, so while we acknowledge the new recommendation, we continue with our current approach.

**Principle Seven: 'Maintain appropriate governance structures and ensure that individually and collectively the directors have the necessary up-to-date experience, skills and capabilities' (previously Six and Nine)**

Together, the Directors have broad and deep experience in the governance of publicly listed companies, HSES management, well and production operations, petroleum reservoir engineering, oil and gas field development, contractual negotiation, commercial and financial experience and government and community relations. Two of our Directors have previous experience working in Georgia and all of our Directors have publicly listed company board experience.

Profiles of our executive and non-executive Directors, demonstrating their suitability for the responsibilities with which they have been entrusted, are available in this Report on page 28 and on our website.

The Board believes its blend of experience, skills, personal qualities and capabilities is sufficient to support effective strategy execution, with Directors staying updated through seminars, industry events, and professional advice.

The Nominations Committee regularly reviews Board expertise and appoints new directors as needed. Directors are kept informed on governance and AIM regulations and receive training from the Nominated Advisor and lawyers upon appointment. They also have access to the Company's advisors, Secretary, and external experts as needed.

The Board provides the Company's strategic leadership and operates within the scope of a robust corporate governance framework. It ensures delivery of long-term shareholder value by setting and promoting the culture, values and practices that operate throughout the business, and by defining the Company's strategic goals. The

Board delegates certain defined responsibilities to its Committees as described in detail on pages 34-35 of this Report.

**Principle Eight: 'Evaluate board performance based on clear and relevant objectives, seeking continuous improvement' (previously Seven)**

The performance of each member of the Board (and senior management) is evaluated either formally or informally, to assess their contribution to the Company's success. The Board is collectively responsible for the evaluation of the performance of each member. The Executive Director is incentivised to seek continuous improvement and innovation through remuneration schemes linked to share price and, ultimately, Company performance.

Evaluating board performance against annual objectives is challenging and costly for a small board, but we will undertake this process with external expertise if and when deemed necessary.

**Principle Nine 'Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture' (new principle)**

The revised Code emphasises the importance of aligning remuneration policies with the Company's purpose, strategy, and culture, ensuring they incentivise management to focus on long-term sustainable growth. It also recommends that shareholders have a voice in remuneration policies and reporting. The Remuneration Committee will take this new principle into account as it sets Board remuneration for the coming year. The Committee believes that its long-term incentive plan is consistent with this Principle, ensuring that remuneration structures are transparent and support long-term value creation for shareholders.

**Principle Ten: 'Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other key stakeholders'**

We provide regular updates on governance and performance through periodic RNS' and publication of both our annual and interim reports. We ensure that all this information is available on our website and is understandable for all stakeholders.

We use a variety of communication channels and maintain an up-to-date website which includes all relevant governance documents. The Company has an active shareholder dialogue, especially with institutional and major shareholders and is looking for ways to improve its communications with retail investors. Currently, the latter shareholders have the opportunity to meet, vote on governance matters and ask questions at the AGM.

The annual report and website clearly communicate our Board composition and corporate governance policies. They also set out our view on risks and opportunities and our financial information. We seek to actively engage with our shareholders and stakeholders, maintaining regular dialogue with our advisors to address any issues or concerns they may have.

# Remuneration Report

This Remuneration Report covers the year ended 31 December 2024 when the Committee comprised Philip Dimmock (Chair) and Jeremy Asher. At times, Paul Haywood attended as a guest and during the year, the Remuneration Committee formally met three times.

## Remuneration Policy

The Remuneration Committee, in forming its policy on remuneration, gives due consideration to the needs of the Group, the shareholders and the provisions of the QCA Corporate Governance Code. The ongoing policy of the Remuneration Committee is to provide competitive remuneration packages to enable the Group to retain and motivate its key executives and to cost-effectively incentivise them to deliver long-term shareholder value.

The Remuneration Committee keeps itself informed of relevant developments and best practice in the field of remuneration and seeks advice where appropriate from external advisers. It maintains oversight of the remuneration of staff, which is the responsibility of the Chief Executive Officer.

It is the aim of the Remuneration Committee to reward key executives for delivering value for the Group and for shareholders. The Remuneration Committee also applies the broader principle that Block Energy's executive remuneration should be competitive with the remuneration of Directors of comparable companies.

The remuneration policy for the non-executive Directors is determined by the Board, considering best practice and the Articles of Association.

## Components of the Remuneration Package

The main components of the remuneration package for executive Directors and senior management are:

- Base salary;
- Pension and other benefits;
- Performance-related annual cash bonus scheme; and
- Long-term incentive plan ("LTIP'').

**Base salary**

The policy is to pay a fair and reasonable base salary, set around the median level of comparable companies. The base salary is reviewed annually by the Remuneration Committee, having regard to the performance of the Company and economic conditions and any changes to an individual's job scope.

**Pension and other benefits**

The Company contributes 10% of base salary to the pensions of the executive Director.

During 2025, the Company is considering providing other benefits, such as insurance products, to some of its employees.

**Performance-related cash bonus scheme**

Each year, the Remuneration Committee develops a set of individual and corporate key performance indicators ("KPIs") with the aim of measuring performance accurately and consistently and then rewarding performance appropriately.

For executives and staff, the KPIs are weighted 60% for the individual KPIs and 40% for the corporate ones. The CEO has up to 150% of his base salary available for a bonus payment.

Senior managers can receive up to 50% of their base salary as a bonus.

For each KPI, performance measures are established for Threshold, Target and Stretch levels. There is also provision for a degree of discretion for the Board of Directors, including circumstances where no bonuses will be paid regardless of performance.

**Description of Corporate KPIs for the year ended 31 December 2024**

- HSESG Performance - sought to reward top performance across all sections of the business and was measured by the number of lost time incidents and the delivery & implementation of the updated HSESG plan. During the period there was one major lost time incident and therefore this target measure was not achieved.
- Production (on existing wells) – production targets were set and the Stretch measure was reached as baseline production was 8% above budget.
- New Georgian Ventures – targets were set to execute at least one of the new Georgian Ventures. The CCS venture was executed and therefore the Stretch measure target was achieved.
- Operating costs budget performance – targets were set to bring operating costs down against those budgeted. A Stretch level was achieved.

**Description of Chief Executive Officer's individual KPIs for the year ended 31 December 2024**

- New Ventures: The Group completed the acquisition of a 10% participating interest in the XIQ PSC with an option to increase this to 22%. Stretch level was achieved.
- Strategic Financing: Business growth requires additional funding. In the prior year, a $2M loan was secured to finance new work programmes and avoid highly dilutive equity; this loan was successfully restructured in the current year. Threshold level was achieved.
- Personal Development: Participated in regular training and workshops to enhance strategic thinking and meet ongoing professional development goals. Stretch level was achieved.
- HSE & Governance Leadership: Regular monthly HSE meetings have been held with active CEO participation, and two workshops have been conducted to address the concerns raised and improve process and performance. Stretch level was achieved.

**Description of KPIs for the year ending 31 December 2025**

For 2025, the KPIs for the CEO remain aligned with the Company's objectives for the year ending 31 December 2025 at both Corporate and Individual levels. The weighting of Individual KPIs remains at 60% and the weighting of Corporate KPIs remains at 40% of the total. At the Corporate Level, the KPIs are based on production, work programme and cost management, in addition to HSE excellence.

At the individual level, KPIs for the Chief Executive Officer will continue to be based on the development of New Ventures, Strategic Financing, Personal and Strategic Development and HSE & Governance Leadership. The Remuneration Committee will ensure that these KPIs are well defined for the coming reporting period.

**Long-Term Incentive Plan ("LTIP")**

The LTIP aligns executive Director interests with those of shareholders and drives superior long-term performance. Under the LTIP, executive Directors and other members of the management team may be awarded share options that vest over a three-year period and have an exercise period of ten years. The vesting of any LTIP awards granted to executive Directors continues to be conditional on certain performance milestones being satisfied.

## Directors' Remuneration

| | Salary $ | Bonus $ | Fees $ | Pension $ | LTIP $ | **Year ended 31 December 2024 Total $** | Year ended 31 December 2023 Total $ |
|---|---|---|---|---|---|---|---|
| Non-Executive Directors | | | | | | | |
| Jeremy Asher | - | - | 55,053 | - | - | **55,053** | 56,450 |
| Philip Dimmock | - | - | 68,575 | - | - | **68,575** | 71,252 |
| Kenneth Seymour | - | - | - | - | - | **-** | 1,977 |
| Executive Directors | | | | | | | |
| Paul Haywood | 284,244 | 296,425[1] | - | 28,424 | 23,950 | **633,042** | 547,972 |
| **Total** | **284,244** | **296,425** | **123,628** | **28,424** | **23,950** | **756,670** | **677,651** |

[1] Paid in equity in March 2025

## Directors' Interests in Shares

The directors who held office at the end of the year had the following interests in the Ordinary Shares of the Company:

| | **31 December 2024** | 31 December 2023 |
|---|---|---|
| Non-Executive Directors | | |
| Jeremy Asher | 2,437,830 | 2,347,830 |
| Philip Dimmock | 3,982,674 | 3,982,674 |
| Executive Directors | | |
| Paul Haywood | 44,770,452[1] | 12,544,381 |
| **Total** | **51,190,956** | **18,874,885** |

[1]This holding is at the date of these report and accounts.

The Directors held 6.65% of the total share capital of the Company (2023: 2.6%) at the date of these report and accounts.

## Directors' Interests in Options

The Directors who held office at the end of the year had the following interests in options to acquire Ordinary Shares of the Company:

| | **31 December 2024** | 31 December 2023 |
|---|---|---|
| Non-Executive Directors | | |
| Jeremy Asher | - | - |
| Philip Dimmock | 928,612 | 928,612 |
| Executive Directors | | |
| Paul Haywood | 76,809,783 | 61,948,032 |
| **Total** | **77,738,395** | **62,876,644** |

A detailed breakdown of Directors' interests in options is set out below:

| Director | Grant date | Expiry date | Life | Number | Exercise price |
|---|---|---|---|---|---|
| | | | (years) | | (pence) |
| Paul Haywood | 9 June 2018 | 11 June 2028 | 10.0 | 7,756,428 | 4.0 |
| Paul Haywood | 1 March 2021 | 1 March 2031 | 10.0 | 6,000,000 | 4.0 |
| Paul Haywood | 6 April 2021 to 3 December 2021 | 6 April 2031 to 3 December 2031 | 10.0 | 2,564,462 | 0.0 |
| Paul Haywood | 4 January 2022 to 1 December 2022 | 4 January 2032 to 1 December 2032 | 10.0 | 16,774,469 | 0.0 |
| Paul Haywood | 8 April 2022 | 8 April 2032 | 10.0 | 14,500,000 | 1.325 |
| Paul Haywood | 4 January 2023 to 5 April 2023 | 4 January 2033 to 5 April 2033 | 10.0 | 14,352,673 | 0.0 |
| Paul Haywood | 29 May 2024 | 29 May 2034 | 10.0 | 14,861,751 | 0.0 |
| Philip Dimmock | 6 April 2021 to 3 December 2021 | 6 April 2031 to 3 December 2031 | 10.0 | 732,700 | 0.0 |
| Philip Dimmock | 4 January 2022 | 4 January 2032 | 10.0 | 195,912 | 0.0 |
| | | | **Total** | **77,738,395** | |

Philip Dimmock
**Chairman of the Remuneration Committee**

# Independent Auditor’s Report to the Members of Block Energy PLC

**Opinion**

We have audited the financial statements of Block Energy plc (the ‘parent company’) and its subsidiaries (the ‘group’) for the year ended 31 December 2024 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 December 2024 and of the group’s loss for the year then ended ;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Material uncertainty related to going concern**

We draw attention to note 1 of the financial statements which references the reliance upon the oil and gas production, oil prices and the success of future drilling to generate sufficient revenue to continue to fund the Group’s cash requirements and the impact of potential downside scenarios on the Group’s ability to cover its ongoing operating costs. Should such downside scenarios occur the Group and Parent Company would be required to secure further funding. We also note that the outstanding $2.0m secured loan is due for full redemption in February 2026 and that there are scenarios in which the Company may not be in a position to settle this liability on time. As stated in note 1, these conditions are necessarily considered to represent a material uncertainty that may cast significant doubt over the Group's and the Parent Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors’ assessment of the group’s and parent company’s ability to continue to adopt the going concern basis of accounting included:

- Critically assessing the Directors' financial forecasts through comparing actual outcomes in the current year against prior forecasts. Underlying key assumptions, including revenue, production

volumes, operating and capital expenditure were assessed by considering factors such as commitments, historical revenue profiles, historical actuals and forecasted production levels, and operating expenditure historic actuals in order to assess the reasonableness of the forecasts.
- Considering sensitivities over various sales volumes.
- Assessing the reasonableness of key assumptions underpinning the forecasts by reference to Brent crude oil prices, Georgian gas prices, current production sharing agreements, expenditure and commitments and considered the implications of the trends in the global economy on the Group. Where appropriate, confirming the key inputs to publicly available information and underlying source documentation.
- Performing sensitivity analysis on the cash flow forecast to consider the available headroom under different reasonably possible scenarios such as a decrease in oil and gas prices, an increase in exchange rate, and lower than anticipated initial production rates from new wells.
- Making enquiries of Management and Directors and reviewing Board minutes and key operational contracts to assess the completeness of commitments considered in the cash flow forecasts.
- Reviewing post year end information such as minutes of board meetings and Regulatory New Service (RNS) Announcements.
- Evaluating the adequacy of disclosures made in the financial statements in respect of going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Our application of materiality**

| Entity | Basis for materiality | Materiality |
|---|---|---|
| *Block Energy Plc – Group* | *2% of net asset (2023: 2% of net assets)* | *$499,000 (2023: $549,000)* |
| *Parent company* | *2% of net assets (2023: 2% of net assets)* | *$450,000 (2023: $461,000)* |

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we consider net assets to be the most significant determinant of the group's and parent company's financial performance used by shareholders as the group continues to progress its oil and gas development assets and the parent company continues to support the group's oil and gas development activities.

Whilst materiality for the group financial statements as a whole was set at $499k (2023: $549k), material components of the group were audited to a level of performance materiality ranging between $209k - $279k (2023: $323k to $147k) to ensure sufficient coverage of key balances. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. At the planning stage materiality is used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes during the audit.

We agreed with management that we would report to the Audit Committee all individual audit differences identified during the course of our audit in excess of $24k (2023: $27k) for the financial statements as a whole and $22k (2023: $23k) for the parent company. We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

**Our approach to the audit**

Our group audit scope focused on the principal areas of operation being the UK and Georgia.

Our Group audit scope focused on the companies within the Group which hold the Group's assets being Block Energy Plc, Georgian New Ventures Inc and Block Rustaveli Limited Georgia which were all subject to a full scope audit and Block Operating Company LLC, Block Norioskhevi Limited, and Block Rustaveli Limited (BVI) which to were subject to a specific scope audit whereby procedures were performed on one or more classes of transactions, account balances or disclosures. Together with the Group consolidation, which was also subject to a full scope audit, these represented the main components of the Group. All audit work on the components was conducted by the Group audit team with the assistance of staff from the local Georgian PKF Member Firm.

The remaining components of the Group were considered non-significant and were principally subject to analytical review procedures. These procedures were performed by the Group audit team.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key Audit Matter | How our scope addressed this matter |
|---|---|
| **Carrying value of oil and gas development assets – Group and Parent (note 2 and 12)** | |
| **The Group's development and production assets which are categorised within property, plant and equipment, represent the most significant asset on the consolidated statement of financial position amounting to $22.1m as at 31 December 2024 (2023: $22.7m). Management and the Directors are required to assess whether there are any potential impairment triggers which would indicate that the carrying value of the assets may not be recoverable for each cash generating unit. The indicators of impairment assessment in relation to the development and production assets under the relevant accounting standard and the resulting assessment of the assets' recoverable amount require the exercise of significant judgement by Management and the Directors. Given the significance of the assets to the Group's consolidated statement of financial position and the significant management judgements and estimates involved in this area, we considered this a key audit matter.** | Our work in this area included:<br>• Obtaining evidence regarding the compliance with licence terms and that they remain in good standing.<br>• Reviewing third party reports obtained from Directors and Management's experts relating to the reserves and resources impacting the impairment model and indicators.<br>• Reviewing Management's IAS 36 impairment indicator review paper and critically challenge the key judgements.<br>• Reviewing of the Competent Person Reports and other external and internal reserve reports in place and assess their scope of work, including an evaluation of their competence, capabilities and independence.<br>• A review of management's internal production forecasts to the CPR in place and assess the appropriateness of any differences which arise.<br>• Agreeing the key assumptions used by the directors and management in determining the recoverable amount of the development & production asset, such as oil price and discount rates and compared to industry averages and |

<table>
<tr><td></td><td>benchmarked against publicly available information. We considered assumptions such as production levels and sales in the light of historic results and underlying agreements such as the production sharing agreements.<br>• Confirming the development and producing asset disclosures are in line with the requirements of the applicable financial reporting framework.</td></tr>
<tr><td>Carrying value of investments in subsidiaries and loans due from subsidiary companies in the Parent Company (Note 2 and 3)</td><td></td></tr>
<tr><td>Under International Accounting Standard 36 ‘Impairment of Assets’, companies are required to assess whether there is any indication that an asset may be impaired at each reporting date. Key judgements and assumptions regarding the impairment of investments include the timing, extent and probability of future cash flow from its subsidiary companies.<br>The Parent Company also has loans due from subsidiary companies amounting to $22m (2023: $23m), which are assessed in accordance with IFRS 9.<br>As at 31 December 2024, the investments represent a significant balance of $6.4m (2023: $6.5m) on the Company balance sheet and there is a risk it could be impaired and that intragroup loans may not be recoverable as a result of the subsidiary companies incurring losses.</td><td>Our work in this area included:<br>• Reconfirming ownership documents for investments in subsidiaries held by the parent company.<br>• Reviewing management’s assessment of impairment indicators as per IAS 36 Impairment of Assets and challenging management on key assumptions and judgements therein.<br>• Assessing the appropriateness of the methodology applied by management in their assessment of the recoverable amount of intragroup loans by comparing it to the Group’s accounting policy.<br>• Reviewing management’s assessment of the intragroup balance receivables in respect of the requirements set out in IFRS 9 Financial Instruments.<br>• Checking that intragroup loans have been reconciled and confirm that there are no material differences.<br>• Evaluating the presentation and disclosures in the financial statements.</td></tr>
</table>

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management about the potential instances of non-compliance with laws and regulations both in the UK and in overseas subsidiaries. We also selected a specific audit team based on experience with auditing entities within this industry of a similar size.

- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from:
  - Companies Act 2006
  - AIM Rules
  - Local industry regulations in Georgia
  - Local tax and employment law
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
  - Making enquiries of management
  - A review of Board minutes
  - A review of legal ledger accounts
  - A review of Regulatory News Service (RNS) announcements
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the estimates, judgements and assumptions applied by management in the assessment of carrying value of development assets and investment balances gave the greatest potential for management bias, that there is potential for fraud in relation to revenue recognition, we addressed this by reviewing the appropriateness of revenue recognition policies in line with IFRS 15. There were no other significant fraud risks.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Daniel Hutson (Senior Statutory Auditor)** — 15 Westferry Circus

**For and on behalf of PKF Littlejohn LLP** — Canary Wharf

**Statutory Auditor** — London E14 4HD

*21 May 2025*

# Financial Statements

## Consolidated Statement of Consolidated Income for the Year Ended 31st December 2024

| | Note | **Year ended 31 December 2024** | Year ended 31 December 2023 |
|---|---|---|---|
| ***Continuing operations*** | | **$'000** | $'000 |
| **Revenue** | 4 | **7,533** | **8,366** |
| Cost of sales | 3 | (3,518) | (3,826) |
| Depreciation and depletion of oil and gas assets | 5 | (1,236) | (1,374) |
| Total cost of sales | | (4,754) | (5,200) |
| **Gross profit** | | **2,779** | **3,166** |
| Other administrative costs | 6 | (2,568) | (2,657) |
| Share based payments charge | 22 | (386) | (414) |
| Foreign exchange movement | | (27) | (21) |
| **Results from operating activities before impairment** | | **(202)** | **74** |
| Impairment on non-core oil and gas assets | 12 | - | (2,210) |
| **Total operating loss** | | **(202)** | **(2,136)** |
| Other income | 8 | 35 | 26 |
| Finance income | | 33 | 7 |
| Finance expense | 9 | (475) | (110) |
| | | (407) | (77) |
| **Loss for the year before taxation** | | **(609)** | **(2,213)** |
| Taxation | 10 | - | - |
| **Loss for the year from continuing operations (attributable to the equity holders of the parent)** | | **(609)** | **(2,213)** |
| ***Items that may be reclassified subsequently to profit and loss:*** | | | |
| Exchange differences on translation of foreign operations | | (135) | 74 |
| **Total comprehensive loss for the year (attributable to the equity holders of the parent)** | | **(744)** | **(2,139)** |
| Loss per share basic and diluted | 11 | **(0.08)c** | (0.31)c |

| | | | |
|---|---|---|---|
| ***Earnings before interest, tax, depreciation and amortisation (EBITDA)*** | 3a | ***1,061*** | ***1,469*** |

All activities relate to continuing operations.

The notes on pages 52 to 75 form part of these consolidated financial statements.

## Consolidated Statement of Financial Position for the Year Ended 31st December 2024

| | Note | **31 December 2024** | 31 December 2023 |
|---|---|---|---|
| | **Note** | **$'000** | $'000 |
| **Non-current assets** | | | |
| Intangible assets | | 268 | 50 |
| Property, plant and equipment | 12 | 22,976 | 23,851 |
| **Total non-current assets** | | **23,244** | **23,901** |
| **Current assets** | | | |
| Inventory | 13 | 4,299 | 4,377 |
| Trade and other receivables | 14 | 804 | 971 |
| Cash and cash equivalents | 15 | 1,136 | 713 |
| **Total current assets** | | **6,239** | **6,061** |
| **Total assets** | | **29,483** | **29,962** |
| **Equity and liabilities** | | | |
| Capital and reserves attributable to equity holders of the Parent Company: | | | |
| Share capital | 18 | 3,733 | 3,705 |
| Share premium | 19 | 34,879 | 34,856 |
| Other reserves | 20 | 5,066 | 4,766 |
| Foreign exchange reserve | | 633 | 768 |
| Accumulated deficit | | (18,998) | (18,389) |
| **Total equity** | | **25,313** | **25,706** |
| **Non-current liabilities** | | | |
| Borrowings | 16 | 2,000 | - |
| **Total non-current liabilities** | | **2,000** | **-** |
| **Current liabilities** | | | |
| Trade and other payables | 16 | 1,237 | 1,176 |
| Borrowings | 16 | - | 2,000 |
| Provisions | 17 | 933 | 1,080 |
| **Total current liabilities** | | **2,170** | **4,256** |
| **Total liabilities** | | **4,170** | **4,256** |
| **Total equity and liabilities** | | **29,483** | **29,962** |

The financial statements were approved by the Board of Directors and authorised for issue on 21 May 2025 and were signed on its behalf by:

Paul Haywood
**Director**

The notes on pages 52 to 75 form part of these consolidated financial statement

## Consolidated Statement of Changes in Equity for the Year Ended 31st December 2024

| | Share Capital $'000 | Share Premium $'000 | Accumulated Deficit $'000 | Other Reserves $'000 | Foreign Exchange Reserve $'000 | Total Equity $'000 |
|---|---|---|---|---|---|---|
| **Balance at 31 December 2022** | **3,565** | **34,765** | **(16,349)** | **4,525** | **694** | **27,200** |
| Loss for the year | - | - | (2,213) | - | - | (2,213) |
| Exchange differences on translation of foreign operations | - | - | - | - | 74 | 74 |
| ***Total comprehensive loss for the year*** | ***-*** | ***-*** | ***(2,213)*** | ***-*** | ***74*** | ***(2,139)*** |
| Issue of shares | 133 | 91 | - | - | - | 224 |
| Share based payments | - | - | - | 414 | - | 414 |
| Options exercised | 7 | - | - | - | - | 7 |
| Options expired | - | - | 173 | (173) | - | - |
| ***Total transactions with owners*** | ***140*** | ***91*** | ***173*** | ***241*** | ***-*** | ***645*** |
| **Balance at 31 December 2023** | **3,705** | **34,856** | **(18,389)** | **4,766** | **768** | **25,706** |
| Loss for the year | - | - | (609) | - | - | (609) |
| Exchange differences on translation of foreign operations | - | - | - | - | (135) | (135) |
| ***Total comprehensive loss for the year*** | ***-*** | ***-*** | ***(609)*** | | ***(135)*** | ***(744)*** |
| Issue of shares | 28 | 23 | - | - | - | 51 |
| Share based payments | - | - | - | 632 | - | 632 |
| Shares held by EBT | - | - | - | (332) | - | (332) |
| ***Total transactions with owners*** | ***28*** | ***23*** | ***-*** | ***300*** | ***-*** | ***351*** |
| **Balance at 31 December 2024** | **3,733** | **34,879** | **(18,998)** | **5,066** | **633** | **25,313** |

The notes on pages 52 to 75 form part of these consolidated financial statements.

## Consolidated Statement of Cashflows for the Year Ended 31st December 2024

| | Note | **Year ended 31 December 2024 $'000** | Year ended 31 December 2023 $'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Loss for the year before tax | | (609) | (2,213) |
| *Adjustments for:* | | | |
| Depreciation and depletion | 5 | 1,236 | 1,374 |
| Impairment | 12 | - | 2,210 |
| Finance charges | | 475 | 110 |
| Disposal of PP&E at nil value | 12 | - | 89 |
| Finance income | 9 | (33) | (7) |
| Other income and finance income | 8 | (35) | (26) |
| Creditors paid in shares | | 31 | 108 |
| Share based payments expense | 7 | 386 | 414 |
| Foreign exchange movement | | (47) | 22 |
| **Operating cash flows before movements in working capital** | | **1,404** | **2,081** |
| Decrease/(increase) in trade and other receivables | | 167 | (411) |
| Increase in trade and other payables | | (252) | (516) |
| Decrease in inventory | | 78 | 414 |
| **Net cash flow from operating activities** | | **1,397** | **1,568** |
| **Cash flow from investing activities** | | | |
| Income received | | 6 | 33 |
| Expenditure in respect of Intangible assets | | (218) | (50) |
| Expenditure in respect of PP&E | 12 | (445) | (3,040) |
| **Net cash used in investing activities** | | **(657)** | **(3,057)** |
| **Cash flow from financing activities** | | | |
| Proceeds from borrowings | 16 | - | 2,000 |
| Interest paid | 9 | (311) | (248) |
| **Net cash (outflow)/inflow from financing activities** | | **(311)** | **1,752** |
| **Net increase in cash and cash equivalents in the year** | | **429** | **263** |
| **Cash and cash equivalents at start of year** | | 713 | 450 |
| Effects of foreign exchange rate changes on cash and cash equivalents | | (6) | - |
| **Cash and cash equivalents at end of year** | | **1,136** | **713** |

The notes on pages 52 to 75 form part of these consolidated financial statements.

**Significant non-cash transactions**

The only significant non-cash transactions were the issue of shares and share options detailed in notes 18 and 22.

# Notes Forming Part of the Consolidated Financial Statements

## Corporate Information

Block Energy Plc ("Block Energy") gained admission to trading on AIM on 11th June 2018, trading under the symbol of BLOE.

The Consolidated financial statements of the Group, which comprises Block Energy Plc and its subsidiaries, for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the Directors on 21 May 2025. Block Energy is a Company incorporated in the UK whose shares are publicly traded. The address of the registered office is given in the officers and advisers section of this report. The Company's administrative office is in London, UK.

The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 3 to 28 and the Report of the Directors on pages 29 to 31.

**1. Significant Accounting Policies**

IAS 8 requires that management shall use its judgement in developing and applying accounting policies that result in information which is relevant to the economic decision-making needs of users, that are reliable, free from bias, prudent, complete and represent faithfully the financial position, financial performance and cash flows of the entity.

***Basis of Preparation***

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. All amounts presented are in thousands of US dollars unless otherwise stated. Foreign operations are included in accordance with the policies set out below.

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and as regards the Company financial statements, as applied in accordance with the requirements of the Companies Act 2006. The Financial Statements have also been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in accordance with UK-adopted international accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based, or as a result of new information or more experience. Such changes are recognised in the period in which the estimate is revised.

***New and Amended Standards Adopted by the Group***

There were no new or amended accounting standards that required the Group to change its accounting policies for the year ended 31 December 2024 and no new standards, amendments or interpretations were adopted by the Group.

***New Accounting Standards Issued but not yet Effective***

| Standard | Effective date | Overview |
|---|---|---|
| IFRS 18 Presentation and Disclosure in Financial Statements and<br><br>IFRS 19 Subsidiaries without Public Accountability: Disclosures | 1 January 2027 | IFRS 18 (replacing IAS 1) introduces new profit or loss presentation requirements to enhance comparability. Early adoption is allowed, but UK/EU endorsement is pending (UK expected late 2025).<br><br>IFRS 19 allows eligible subsidiaries to apply IFRS with reduced disclosures, simplifying group reporting. Early adoption is permitted, but special rules apply if adopted before IFRS 18. UK/EU endorsement is also pending, with UK considerations for FRS 101's framework. |
| Company size thresholds | 6 April 2025 | From 6 April 2025**,** UK company size thresholds will increase by ~50%**,** reducing reporting requirements for some businesses. Obsolete directors' report rules will be removed, and a 2025 consultation will explore further reporting simplifications. |
| UK Sustainability Reporting Standards | 1 January 2026 (expected no earlier) | The UK Government's endorsement of ISSB's IFRS Sustainability Disclosure Standards is expected in early 2025, with UK Sustainability Reporting Standards (UK SRS) available by Q1 2025. The FCA may require UK-listed companies to apply UK SRS, while the Government will decide on broader mandatory disclosures. UK SRS will be effective no earlier than 1 January 2026 and align with existing TCFD-based regulations, aiming to avoid reporting duplication. |

The standards and interpretations that are relevant to the Group, issued, but not yet effective, up to the date of the Financial Statements are listed below. The Group intends to adopt these standards, if applicable, when they become effective.

The Directors have evaluated the impact of transition to the above standards and do not consider that there will be a material impact of transition on the financial statements.

***Change in Crude Oil Inventory Valuation Policy***

During the current financial year, the Group changed its accounting policy and departed from *IAS 2 Inventories* for the valuation of its crude oil inventory. Previously, inventories were valued at the lower of cost and net realisable value. Under the new policy, inventories are now measured at their net realisable value, which is Brent market price less the contracted discount. The Company believe that this provides a more representative view of realisable value, aligns more accurately with internal management reporting and removes the judgemental approach of allocation of certain costs.

This change has been applied prospectively from 1 January 2024 and no restatement of prior period figures has been made.

Management believes the new policy provides more relevant and reliable information due to the active market and short turnover cycle of oil products. This departure is made in accordance with IAS 1.20, as continued compliance with IAS 2 was thought to be misleading.

Had IAS 2 been applied, inventory would have been $59,000 lower and profit before tax $59,000 lower.

***Basis of Consolidation***

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and by other parties;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

***Business Combinations***

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The difference between the consideration paid and the acquired net assets is recognised as goodwill. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained. Any difference arising between the fair value and the tax base of the acquiree's assets and liabilities that give rise to a deductible difference result in recognition of deferred tax liability. No deferred tax liability is recognised on goodwill.

***Acquisitions***

The Group and Company measure consideration at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree
- Plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Cost related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred.

***Asset Acquisition***

Acquisitions of mineral exploration licences through the acquisition of non-operational corporate structures that do not represent a business and therefore do not meet the definition of a business combination, are accounted for as the acquisition of an asset. An example of such would be increases in working interests in licences.

The consideration for the asset is allocated to the assets based on their relative fair values at the date of acquisition.

***Going Concern***

The directors have prepared cash flow forecasts for a period of 12 months from the date of signing these financial statements. The Group's forecasts are reviewed regularly to assess whether any actions to curtail expenditure or cut costs are required.

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 been volatile during the past few years and could rise further but could also fall back in the year ahead, and that future production levels depend on both depletion rates from existing wells and the success of future drilling.

The directors also recognise that the outstanding $2.0 million secured loan is due for full redemption in February 2026 and that there are scenarios in which the Company may not be in a position to settle this liability. Nonetheless, the directors remain confident that the loan can either be repaid, or renegotiated, or that new lenders could take a portion, or that other financing options will be available to the Company and therefore judge that the Company retains sufficient flexibility and optionality around the loan to prepare the accounts on a going concern basis.

As part of their going concern assessment, the directors have examined multiple scenarios in which oil prices and/or future production levels fall substantially and have concluded that it remains possible that future revenues in at least some scenarios 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 if 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.

***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 CGU's 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 license/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 exploration and evaluation 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 cash generating unit.

In accordance with IFRS 6 the Group firstly considers the following facts and circumstances in their assessment of whether the Group's exploration and evaluation 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 cash generating unit. 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 cash-generating unit's recoverable amount exceeds its carrying amount. A reversal of impairment loss is recognised in the profit or loss immediately.

***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 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 oil assets are not subject to depreciation until commercial production starts. Depreciation is calculated on a unit-of-production basis in order to write off the cost of an asset as the reserves that it represents are produced and sold. Any periodic reassessment of reserves will affect the depreciation rate on a prospective basis. The unit-of-production depreciation rate is calculated on a field-by-field basis using proved, developed reserves as the denominator and capitalised costs as the numerator. The numerator includes an estimate of the costs expected to be incurred to bring proved, developed, not-producing reserves into production. Infrastructure that is common to a number of fields, such as gathering systems, treatment plants and pipelines are depreciated on a unit-of-production basis using an aggregate measure of reserves or on a straight-line basis depending on the expected pattern of use of the underlying asset.

*Proven 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.

The CGU’s identified by the company are Corporate along with West Rustavi, Rustaveli, Satskhenisi and Norio given they are independent projects under individual Production Sharing Contracts (“PSCs”). 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 recognised. 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 recognised 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:

- PP&E - 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.

***Leases***

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

***Inventories***

Crude oil inventories are stated at Brent less any contractual discounts. This is adjusted if the sale of inventories after that date gives additional evidence about its net realisable value at the balance sheet date.

The cost of crude oil is expensed in the period in which the related revenue is recognised.

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***

Provisions for decommissioning are recognised in full when wells have been suspended, or facilities have been installed.

A corresponding amount equivalent to the provision is also recognised as part of the cost of either the related oil and gas exploration and evaluation asset or property, plant and equipment as appropriate. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements.

Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to the related asset.

The unwinding of the discount on the decommissioning provision is included as a finance cost.

***Borrowing Costs***

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take over one accounting period to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

***Taxation and Deferred Tax***

Income tax expense represents the sum of the current tax and deferred tax charge for the period.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases and is accounted for using the balance sheet liability method.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Judgement is applied in making assumptions about future taxable income, including oil and gas prices, production, rehabilitation costs and expenditure to determine the extent to which the Group recognises deferred tax assets, as well as the anticipated timing of the utilisation of the losses.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted and are expected to apply in the period when the liability is settled, or the asset realised. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

***Foreign Currencies***

Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange prevailing at the reporting date: $1.29 /£1 (2023: $1.27/£1). Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Exchange differences are taken to the Statement of Comprehensive Income.

The Company's functional currency is the pound sterling and its presentational currency is the US dollar and accordingly the financial statements have also been prepared in US dollars. The functional currencies of Block Norioskhevi Ltd, Satskhenisi Limited, Georgia New Ventures Inc and Block Rustaveli Limited are the US dollar and the functional currencies of their branches in Georgia are the Georgian Lari.

***Foreign Operations***

The assets are translated into US dollars at the exchange rate at the reporting date and income and expenses of the foreign operations are translated at the average exchange rates. Exchange differences arising on translation are recognised in other comprehensive income and presented in the other reserves category in equity.

***Determination of Functional Currency and Presentational Currency***

The determination of an entity's functional currency is assessed on an entity by entity basis. A company's functional currency is defined as the currency of the primary economic environment in which the entity operates. The functional currency of the Parent Company is the pound sterling, because it operates in the UK, where the majority of its transactions are in pounds sterling. The functional currencies of Block Norioskhevi Ltd, Satskhenisi Limited, Georgia New Ventures Inc and Block Rustaveli Limited are the US dollar, because the majority of their transactions by value is in US dollars, and the functional currencies of their branches in Georgia are the Georgian Lari, because the majority of their transactions by value is in Georgian Lari.

The presentational currency of the Group for year ended 31 December 2024 is US dollars. The presentational currency is an accounting policy choice.

***Revenue***

Revenue from contracts with customers is recognised when the Group satisfies its performance obligation of transferring control of oil or gas to a customer. Transfer of control is usually concurrent with both transfer of title and the customer taking physical possession of the oil or gas, which is determined by reference to the oil or gas sales agreement. This performance obligation is satisfied at that point in time.

The transaction price is agreed between the Group and the customer, with the amount of revenue recognised being determined by considering the terms of the Production Sharing Contract ("PSC") and the oil sales agreement for each oil sale or the gas sales agreement for each gas sale.

***Finance Income and Expenses***

Finance costs are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Finance expenses comprise interest or finance costs on borrowings.

***Financial Instruments***

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

*Fair Value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities, for which fair value is measured or disclosed in the Financial Statements, are categorised within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 – valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable.

*Financial Assets*

Financial assets are initially recognised at fair value, and subsequently measured at amortised cost, less any allowances for losses using the expected credit loss model, being the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset.

For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

*Financial Liabilities*

Financial liabilities are classified as either financial liabilities at fair value through profit and loss (FVTPL) or as other financial liabilities. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged or cancelled, or they expire.

Financial liabilities are classified at FVTPL when the financial liability is either held for trading or it is designated at FVTPL. A financial liability is classified as held for trading if it has been incurred principally for the purpose of repurchasing it in the near term or is a derivative that is not a designated or effective hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

***Share Based Payments***

The fair value of options granted to Directors and others in respect of services provided is recognised as an expense in the Statement of Comprehensive Income with a corresponding increase in equity reserves – 'other reserves'.

On exercise of, or expiry of unexercised share options, the proportion of the share-based payment reserve relevant to those options is transferred from other reserves to the accumulated deficit. On exercise, equity is also increased by the amount of the proceeds received.

The fair value is measured at grant date and charged over the accounting periods which the option becomes unconditional.

The fair value of options are calculated using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Vesting conditions are non-market and there are no market vesting conditions. These vesting conditions are included in the assumptions about the number of options that are expected to vest. At the end of each reporting period, the Company revises its estimate of the number of options that are expected to vest. The exercise price is fixed at the date of grant and no compensation is due at the date of grant. Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with the fair value of the goods and services received.

Warrants issued for services rendered are accounted for in accordance with IFRS 2 recognising either the costs of the service if it can be reliably measured or the fair value of the warrant (using the Black-Scholes model). The fair value is recognised as an expense in the accounting period that the warrant is granted and there is no revision to this estimate in future accounting periods.

Warrants issued as part of share issues have been determined as equity instruments under IAS 32. Since the fair value of the shares issued at the same time is equal to the price paid, these warrants, by deduction, are considered to have been issued at nil value.

***Employee Benefit Trust (EBT)***

The Group has consolidated its Employee Benefit Trust in the current year as it is under its control. Shares held by the EBT are recorded in equity as a deduction in Other Reserves. When the Group issues shares to the EBT to satisfy employee share-based payments, the shares are recorded at cost in Other Reserves, consistent with the share-based payment expense recognised. This accounting treatment aligns the issuance of shares with the associated IFRS 2 charge recognised in equity.

**2. Critical Accounting Judgments, Estimates and Assumptions**

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continuously evaluated based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

*Recoverable Value of Development & Production assets – Judgement, Estimates and Assumptions*

Costs capitalised in respect of the Group's development and production assets are required to be assessed for impairment under the provisions of IAS 36. Such an estimate requires the Group to exercise judgement in respect of the indicators of impairment and also in respect of inputs used in the models which are used to support the carrying value of the assets. Such inputs include estimates of oil and gas reserves, production profiles, oil price, oil quality discount, capital expenditure (including an allocation of salary costs), inflation rates, and pre-tax discount rates that reflect current market assessments of (a) the time value of money; and (b) the risks specific to the asset for which the future cash flow estimates have not been adjusted. The Directors concluded that there were no indications of impairment in the current year.

*Asset Decommissioning Provisions – Estimates and Assumptions*

The Group's activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate of the asset decommissioning costs in the period in which they are incurred. Such estimates of costs include pre-tax discount rates that reflect current market assessments of (a) the time value of money; and (b) the risks specific to the asset for which the future cash flow estimates have not been adjusted. Actual costs incurred in future periods could differ materially from the estimates.

Additionally, future changes to environmental laws and regulations, life of development and production assets, estimates and discount rates could affect the carrying amount of this provision. The Board assessed the extent of decommissioning required as at 31 December 2024 and concluded that a provision of $933,000 (2023: $1,080,000) should be recognised in respect of future decommissioning obligations at Rustaveli, West Rustavi, Satskhenisi and Norio (see note 17).

*Share Options and Warrants – Estimates and Assumptions*

Share options issued by the Group relate to the Block Energy Plc Share Option Plan and warrants issued relates to the cost of borrowing. The grant date fair value of such options and warrants is calculated using a Black-Scholes model whose input assumptions are derived from market and other internal estimates.

The key estimates include volatility rates and the expected life of the options, together with the likelihood of non-market performance conditions being achieved (see note 22).

*Impairment of Investments and Loans to Subsidiaries – Parent Company only*

The Company assesses at each reporting date whether there is any objective evidence that investments/receivables in subsidiaries are impaired. To determine whether there is objective evidence of impairment, a considerable amount of estimation is required in assessing the ultimate realisation of these investments/receivables, including valuation, creditworthiness and future cashflow. Although no impairment of investments was indicated at year end the Company identified certain intercompany receivables as being impaired.

During the year the Company carried out an assessment of the expected credit loss arising on intercompany receivables. This was calculated as a total loss allowance of $8,402,000 (2023: $8,097,000) therefore an additional amount of $305,000 (2023: $4,387,000) was provided for in the current year parent company financial statements.

## 3. Segmental Disclosures

IFRS 8 requires segmental information for the Group on the basis of information reported to the chief operating decision maker for decision making purposes. The Company considers this role as being performed by the Board of Directors. The Group's operations are focused on oil and gas development and production activities (Oil and Gas Extraction segment) in Georgia and has a corporate head office in the UK (Corporate segment). Based on risks and returns the Directors consider that there are two operating segments that they use to assess the Group's performance and allocate resources being the Oil and Gas Extraction in Georgia, and the corporate segment including unallocated costs.

The Board of Directors primarily uses a measure of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA), see below, to assess the performance of the operating sectors.

### 3 a) *Adjusted EBITDA*

Adjusted EBITDA excludes discontinued operations and the effects of significant items of income and expenditure which might have an impact on the quality of earnings, such as restructuring costs, legal expenses, and impairments where the impairment is the result of an isolated, non-recurring event.

| | **31 December 2024** | 31 December 2023 |
|---|---|---|
| ***Adjusted EBITDA*** | **$'000** | $'000 |
| Oil and Gas extraction – Georgia | 2,758 | 3,331 |
| Corporate and other | (1,697) | (1,862) |
| **Total adjusted EBITDA** | **1,061** | **1,469** |

Adjusted EBITDA reconciles to operating profit before income tax as follows:

| | **31 December 2024** | 31 December 2023 |
|---|---|---|
| | **$'000** | $'000 |
| **Total adjusted EBITDA** | **1,061** | **1,469** |
| Depreciation and depletion | (1,236) | (1,374) |
| Impairment | - | (2,210) |
| Finance and other income | 68 | 33 |
| Finance costs and foreign exchange | (502) | (131) |
| **Loss before income tax from continuing operations** | **(609)** | **(2,213)** |

### 3 b) *Other profit and loss disclosures*

| **Year ended 31 December 2024** | **Oil and Gas Extraction $'000** | **Corporate and other $'000** | **Group Total $'000** |
|---|---|---|---|
| Revenue | 7,533 | - | 7,533 |
| Cost of sales | (3,518) | - | (3,518) |
| Depreciation and depletion | (1,235) | (1) | (1,236) |
| Administrative costs | (944) | (1,624) | (2,568) |
| Share based payments | (312) | (74) | (386) |
| Finance and other income | 64 | 4 | 68 |
| Net Finance costs and Forex | (92) | (410) | (502) |
| **Profit/(loss) from operating activities** | **1,496** | **(2,105)** | **(609)** |
| **Total non-current assets** | **23,240** | **4** | **23,244** |

| **Year ended 31 December 2023** | **$'000** | **$'000** | **$'000** |
|---|---|---|---|
| Revenue | 8,366 | - | 8,366 |
| Cost of sales | (3,826) | - | (3,826) |
| Depreciation and depletion | (1,373) | (1) | (1,374) |
| Impairment | (2,210) | - | (2,210) |
| Administrative costs | (1,209) | (1,862) | (3,071) |
| Finance and other income | 19 | 14 | 33 |
| Net Finance costs and Forex | (69) | (62) | (131) |
| **Loss from operating activities** | **(302)** | **(1,911)** | **(2,213)** |
| **Total non-current assets** | **23,901** | **-** | **23,901** |

### *3 c) Segment assets and liabilities*

| Segmental Assets | 31 December 2024 $'000 | 31 December 2023 $'000 |
|---|---|---|
| Oil extraction – Georgia | 29,050 | 29,452 |
| Corporate and other | 433 | 510 |
| | **29,483** | **29,962** |

| Segmental Liabilities | 31 December 2024 $'000 | 31 December 2023 $'000 |
|---|---|---|
| Oil extraction – Georgia | 1,514 | 1,522 |
| Corporate and other | 2,656 | 2,734 |
| | **4,170** | **4,256** |

## 4. Revenue

| | Year ended 31 December 2024 | Year ended 31 December 2023 |
|---|---|---|
| | **$'000** | $'000 |
| Crude oil revenue | 6,678 | 7,413 |
| Gas revenue | 855 | 953 |
| | **7,533** | **8,366** |

## 5. Depreciation and Depletion on Oil and Gas assets

| | Year ended 31 December 2024 | Year ended 31 December 2023 |
|---|---|---|
| | **$'000** | $'000 |
| Depreciation of PP&E | 311 | 307 |
| Depletion of oil and gas assets | 925 | 1,067 |
| | **1,236** | **1,374** |

## 6. Expenses by nature

| | Year ended 31 December 2024 | Year ended 31 December 2023 |
|---|---|---|
| | **$'000** | $'000 |
| Employee benefit expense | 1,367 | 1,413 |
| Share option charge | 386 | 414 |
| Professional and legal | 557 | 465 |
| Fees to Auditor in respect of the Group audit | 115 | 97 |
| Regulatory fees | 28 | 30 |
| Operating lease expense | 79 | 68 |
| Office and other costs | 422 | 584 |
| | **2,954** | **3,071** |

## 7. Directors and employees

| | Year ended 31 December 2024 | Year ended 31 December 2023 |
|---|---|---|
| | **$'000** | $'000 |
| *Employment costs (inc. Directors' remuneration):* | | |
| Wages and salaries | 1,637 | 1,286 |
| Pensions | 33 | 30 |
| Social security costs | 58 | 97 |
| | 1,728 | 1,413 |
| Share based payments | 386 | 414 |
| | **2,114** | **1,827** |

The share-based payments comprised the fair value of options granted to Directors and employees in respect of services provided.

Wages and salaries include amounts that are recharged between subsidiaries. Some of these costs are then capitalised as development and production assets ($193,000), reported within cost of sales ($168,000) and the remainder are classified in administration expenses ($1,367,000).

The average monthly number of employees during 2024 was 114 (2023: 147) split as follows:

| | Year ended 31 December 2024 | Year ended 31 December 2023 |
|---|---|---|
| Management | 5 | 8 |
| Technical | 94 | 110 |
| Administration | 15 | 29 |
| | **114** | **147** |

| | Year ended 31 December 2024 | Year ended 31 December 2023 |
|---|---|---|
| | **$'000** | **$'000** |
| Amounts attributable to the highest paid Director: | | |
| Director's salary and bonus | 581 | 466 |
| Pension | 28 | 15 |
| Share based payments | 24 | 67 |
| | **633** | **548** |

Key management and personnel are considered to be the Directors.

## 8. Other income

| | Year ended 31 December 2024 | Year ended 31 December 2023 |
|---|---|---|
| | **$'000** | $'000 |
| Other income | 4 | 26 |
| Impairment reversal | 31 | - |
| | **35** | **26** |

## 9. Finance Expense

| | Year ended 31 December 2024 | Year ended 31 December 2023 |
|---|---|---|
| | **$'000** | $'000 |
| Interest paid and payable on borrowings (note 16) | 311 | 248 |
| Warrant cost of borrowings (note 21) | 244 | 125 |
| Arrangement fee | - | 55 |
| | 555 | 428 |
| Less borrowing costs capitalised (note 12) | (124) | (361) |
| | **431** | **67** |
| Unwinding of decommissioning provision (note 17) | 44 | 43 |
| | **475** | **110** |

## 10. Taxation

Based on the results for the year, there is no charge to UK or foreign tax. This is reconciled to the accounting loss as follows:

| | Year ended 31 December 2024 | Year ended 31 December 2023 |
|---|---|---|
| **UK taxation** | **$'000** | $'000 |
| UK Group loss on ordinary activities | (609) | (2,213) |
| Loss before taxation at the average UK standard rate of 25% (2023:23.5%) | (143) | (520) |
| Effect of: | | |
| Zero tax rate income | (1,883) | (1,966) |
| Disallowable expenses | 89 | 125 |
| Tax losses for which no deferred income tax asset was recognised | 2,581 | 4,304 |
| **Current tax** | **-** | **-** |

The Group offsets deferred tax assets and liabilities if, and only if, it has a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to corporation taxes levied by the same tax authority. Due to the tax rates applicable in the jurisdictions of the Group's subsidiary entities (being 0% in both years) no deferred tax liabilities or assets are considered to arise.

The Group has not recognised deferred income tax assets for tax losses carried forward for entities in which it is not considered probable that there will be sufficient future taxable profits available for offset. Unrecognised deferred income tax assets relate to unused tax losses. The Company has UK corporation tax losses available to carry forward against future profits of approximately $ 7,307,000 (2023: $ 6,698,000 - estimated).

## 11. Loss Per Share

The calculation for loss per Ordinary Share (basic and diluted) is based on the consolidated loss attributable to the equity shareholders of the Company is as follows:

| | **Year ended 31 December 2024** | Year ended 31 December 2023 |
|---|---|---|
| Loss attributable to equity Shareholders ($'000) | (609) | (2,213) |
| Weighted average number of Ordinary Shares | 729,860,105 | 702,875,778 |
| Loss per Ordinary share ($/cents) | (0.08)c | (0.31)c |

Loss and diluted loss per Ordinary Share are calculated using the weighted average number of Ordinary Shares in issue during the year. Diluted share loss per share has not been calculated as the options and warrants have no dilutive effect given the loss arising in the year.

## 12. Property, Plant and Equipment

| | **Development & Production Assets $'000** | **PPE/Computer / Office Equipment / Motor Vehicles $'000** | **Total $'000** |
|---|---|---|---|
| ***Cost*** | | | |
| At 1 January 2023 | 29,115 | 2,072 | 31,187 |
| Additions* | 3,286 | 115 | 3,401 |
| Disposals | - | (151) | (151) |
| Change in decommissioning provision | (686) | - | (686) |
| Foreign exchange movements | 4 | (4) | - |
| **At 31 December 2023** | **31,719** | **2,032** | **33,751** |
| Additions* | 408 | 161 | 569 |
| Disposals | - | (27) | (27) |
| Change in decommissioning provision | (160) | - | (160) |
| Foreign exchange movements | - | (9) | (9) |
| **At 31 December 2024** | **31,967** | **2,157** | **34,124** |
| ***Accumulated depreciation*** | | | |
| At 1 January 2023 | 5,711 | 661 | 6,372 |
| Disposals | (3) | (54) | (57) |
| Charge for the year | 1,067 | 307 | 1,374 |
| Impairment | 2,210 | - | 2,210 |
| **At 31 December 2023** | **8,985** | **914** | **9,899** |
| Disposals | - | 5 | 5 |
| Charge for the year | 925 | 311 | 1,236 |
| Foreign exchange movements | (1) | 9 | 8 |
| **At 31 December 2024** | **9,909** | **1,239** | **11,148** |
| ***Carrying Amount*** | | | |
| At 31 December 2023 | 22,733 | 1,118 | 23,851 |
| **At 31 December 2024** | **22,058** | **918** | **22,976** |

*This includes additions of $124,000 (2023: $361,000) which relates to capitalised borrowing costs.

Carrying amount of property plant and equipment by cash generative unit (CGU):

| | Norio<br>**$'000** | Satskhenisi<br>**$'000** | West Rustavi<br>**$'000** | Rustaveli<br>**$'000** | Corporate<br>**$'000** | Total<br>**$'000** |
|---|---|---|---|---|---|---|
| ***Carrying amount:*** | | | | | | |
| **At 31 December 2024** | **8** | **-** | **16,530** | **5,952** | **486** | **22,976** |
| At 31 December 2023 | 14 | 28 | 16,967 | 6,403 | 439 | 23,851 |

The impairment charge in prior year of $2.2m arose on the production and development assets held by Norio and Satskhenisi following a decision to define these assets as non-core to the business operations. This was a result of an extensive review of the cost of operations and decision not to allocate additional capital for the further development of these CGUs. Following this decision, the oil and gas assets at Norio and Satskhenisi were written down to $nil. The remaining assets within this CGU relate to non-oil and gas assets only.

**13. Inventory**

| | **31 December 2024** | 31 December 2023 |
|---|---|---|
| | **$'000** | $'000 |
| Spare parts and consumables | 3,230 | 3,286 |
| Crude oil | 1,069 | 1,091 |
| | **4,299** | **4,377** |

**14. Trade and Other Receivables**

| | **31 December 2024** | 31 December 2023 |
|---|---|---|
| | **$'000** | $'000 |
| Trade debtors | 574 | 233 |
| Other receivables | 118 | 420 |
| Prepayments | 112 | 318 |
| | **804** | **971** |

The fair value at amortised cost is considered to be equivalent to the book value as none of these receivables are considered to be impaired.

**15. Cash and Cash Equivalents**

| | **31 December 2024** | 31 December 2023 |
|---|---|---|
| | **$'000** | $'000 |
| Cash and cash equivalents | **1,136** | **713** |

Cash and cash equivalents consist of balances in bank accounts used for normal operational activities. The vast majority of the cash was held in an institution with a Standard & Poor's credit rating of A-1.

## 16. Trade and Other Payables

| | **31 December 2024** | 31 December 2023 |
|---|---|---|
| | **$'000** | $'000 |
| Trade and other payables | 740 | 1,041 |
| Accruals | 497 | 135 |
| | **1,237** | **1,176** |

Trade and other payables principally comprise amounts outstanding for corporate services and operational expenditure.

In 2023, the Company entered into a $2,000,000 (2022: $nil) loan with a simple interest rate of 16% becoming payable every quarter. This was drawn down in two tranches, with $1,060,000 being drawn down on 1 February 2023 and the remainder of $940,000 being drawn down on 10 May 2023. The maturity date of this loan was set at 18 months from the date of the drawdowns and so has been recognised as a short-term loan in the prior year accounts.

On 31 July 2024, the Company announced the extension of this loan facility for a further 18 months to 2 February 2026, with each lender receiving further warrants with an exercise price of 0.85p and expiry date of 30 July 2027. 91,185,133 warrants were issued which corresponds to an exercise value equal to 50% of the total loan commitments under this facility. More details of these warrants and their valuation are set out in note 21. The loan has been reclassified into non-current liabilities in the current year to reflect this extension.

The loan was advanced for the purpose of the drilling of side tracks and associated works as part of the Company's Project development strategy in relation to the development of the Middle Eocene reservoir within West Rustavi/Krtsanisi (Project I).

## 17. Provisions

| | **31 December 2024** | 31 December 2023 |
|---|---|---|
| **Decommissioning provision** | **$'000** | $'000 |
| Brought forward | 1,080 | 1,723 |
| Unwinding of discount on provision | 44 | 43 |
| Change in decommissioning provision in the year | (191) | (686) |
| Carried forward | **933** | **1,080** |

Decommissioning provisions are based on management estimates of work and the judgement of the Directors. By its nature, the detailed scope of work required, and timing of such work is uncertain.

## 18. Share Capital

| Called up, allotted, issued and fully paid | No. Ordinary Shares | No. Deferred Shares | Nominal Value $ |
|---|---|---|---|
| **As at 31 December 2022** | **680,362,741** | **2,095,165,355** | **3,565,575** |
| Issue of equity on 4 January 2023 | 764,340 | - | 2,353 |
| Issue of equity on 6 February 2023 | 5,622,613 | - | 16,922 |
| Issue of equity on 7 March 2023 | 924,997 | - | 2,855 |
| Issue of equity on 5 April 2023 | 1,876,413 | - | 5,896 |
| Issue of equity on 03 August 2023 | 35,124,708 | - | 111,798 |
| **As at 31 December 2023** | **724,675,812** | **2,095,165,355** | **3,705,399** |
| Issue of equity on 28 May 2024 | 2,264,648 | - | 7,220 |
| Issue of equity on 28 May 2024 | 6,455,477 | - | 20,580 |
| **As at 31 December 2024** | **733,395,937** | **2,095,165,355** | **3,733,199** |

On 28 May 2024, the Company issued 2,264,648 Ordinary Shares to two service providers in lieu of cash settlement for services provided to the Company with a total value of £24,000 ($30,604).

On 28 May 2024, the Company issued 6,455,477 Ordinary Shares to the Employee Benefit Trust at par value.

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On 4 January 2023, the Company issued 414,879 Ordinary Shares to two service providers in lieu of cash settlement for services provided to the Company with a total value of £5,145 ($6,335).

On 4 January 2023, the Company issued 349,461 Ordinary Shares to three Non-Executive Directors, on exercise of their nil cost options.

On 3 February 2023, the Company issued 296,556 Ordinary Shares to three Non-Executive Directors on exercise of their nil cost options.

On 6 February 2023, the Company issued 5,173,662 Ordinary Shares to the Employee Benefit Trust at par value.

On 6 February 2023, the Company issued 152,395 Ordinary Shares to two service providers in lieu of cash settlement for services provided to the Company with a total value of £2,421 ($2,915).

On 7 March 2023, the Company issued 646,849 Ordinary Shares to two service providers in lieu of cash settlement for services provided to the Company with a total value of £7,783 ($9,608).

On 7 March 2023, the Company issued 278,148 Ordinary Shares to two Non-Executive Directors, on exercise of their nil cost options.

On 5 April 2023, the Company issued 1,400,025 Ordinary Shares to two Non-Executive Directors, on exercise of their nil cost options.

On 5 April 2023, the Company issued 476,388 Ordinary Shares to two service providers in lieu of cash settlement for services provided to the Company with a total value of £4,783 ($6,011).

On 3 August 2023, the Company issued 30,000,000 Ordinary shares to the Employment Benefit Trust at par value.

On 3 August 2023, the Company issued 5,124,708 Ordinary shares to three service providers in lieu of cash settlement for services provided to the Company with a total value of £68,589 ($87,326).

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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.

## 19. Share Premium Account

| | $'000 |
|---|---|
| Balance at 1 January 2024 | 34,856 |
| Premium arising on issue of equity shares | 23 |
| **Balance at 31 December 2024** | **34,879** |

| | $'000 |
|---|---|
| Balance at 1 January 2023 | 34,765 |
| Premium arising on issue of equity shares | 91 |
| **Balance at 31 December 2023** | **34,856** |

## 20. Reserves

The following describes the nature and purpose of each reserve within owners' equity.

| Reserves | Description and purpose |
|---|---|
| Share capital | Amount subscribed for share capital at nominal value. |
| Share premium account | Amount subscribed for share capital in excess of nominal value, less attributable costs. |
| Other reserves | The other reserves comprises the fair value of all share options and warrants which have been charged over the vesting period, net of the amount relating to share options which have expired, been cancelled and have vested. It also comprises the shares issued to the EBT so their value is matched against the options charged to this reserve. This movement has been shown in the Consolidated Statement of the Changes in Equity and is also set out in the table below |
| Foreign exchange reserve | Exchange differences on translating the net assets of foreign operations |
| Accumulated deficit | Cumulative net gains and losses recognised in the income statement and in respect of foreign exchange. |

| **Other Reserves** | **$'000** |
|---|---|
| Balance at 1 January 2024 | 4,766 |
| Share based payments | 320 |
| Share based payments – 2023 Bonus payments | 312 |
| Netting of EBT loan | (332) |
| **Balance at 31 December 2024** | 5,066 |
| | |
| Balance at 1 January 2023 | 4,525 |
| Share based payments | 414 |
| Options movement | (173) |
| **Balance at 31 December 2023** | **4,766** |

The Employee Benefit Trust (EBT) loan has been netted off against reserves as the shares held by the trust are considered part of the group and, accordingly, have been treated like treasury shares for consolidation purposes.

## 21. Warrants

| | **Number of Warrants** | **31 December 2024 weighted average exercise price** | Number of Warrants | 31 December 2023 weighted average exercise price |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 54,241,837 | 2.2p | 10,809,194 | 4p |
| Granted in the year | 91,185,133 | 0.85p | 44,682,643 | 1.8p |
| Expired in the year | - | - | (1,250,000) | 4p |
| Outstanding at the end of the year | 145,426,970 | 1.33p | 54,241,837 | 2.2p |

As at 31 December 2024, all warrants were available to exercise and were exercisable at prices between 0.85p and 12.5p (31 December 2023: 1.7p and 12.5p). The weighted average life of the warrants is 2.0 years (31 December 2023: 2.1 years).

The warrants granted during the year related to the cost of borrowing and therefore a fair value was calculated using the Black Scholes Model. This resulted in fair value charge of $244,000 being assigned to the warrants granted to the lenders. The inputs used for the model are shown below in note 22.

## 22. Share Based Payments

During the year, the Group operated a Block Energy Plc Share Option Plan (Share Option Scheme).

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. The application of IFRS 2 gave rise to a charge of $386,000 for the year ended 31 December 2024. The equivalent charge for the year ended 31 December 2023 was $414,000. The Group recognised total expenses (all of which related to equity settled share-based payment transactions) under the current plans of:

| | **Year ended 31 December 2024** | Year ended 31 December 2023 |
|---|---|---|
| | **$'000** | $'000 |
| Share option scheme | 386 | 414 |
| | **386** | **414** |

**Share Option Scheme**

The vesting period varies between 0 days to 3 years. The options expire if they remain unexercised after the exercise period has lapsed and have been valued using the Black Scholes model.

The following table sets out details of all outstanding options granted under the Share Option Scheme.

| | **2024 Options** | **2024 Weighted average exercise price** | 2023 Options | 2023 Weighted average exercise price |
|---|---|---|---|---|
| Outstanding at beginning of year | 99,785,841 | $0.01 | 100,106,152 | $0.02 |
| Granted during the year | 30,909,737 | $0.01 | 26,701,508 | $0.01 |
| Exercised during the year | - | - | 8,540,800 | $0.00 |
| Expired during the year | 300,001 | $0.02 | 18,481,019 | $0.03 |
| **Outstanding at the end of the year** | **130,395,579** | **$0.01** | **99,785,841** | **$0.01** |
| Exercisable at the end of the year | 95,190,127 | | 83,823,460 | |

The weighted average exercise price of the share options exercisable at 31 December 2024 is $0.01 (31 December 2023: $0.01). The weighted average contractual life of the share-based payments outstanding at 31 December 2024 is 9.44 years (31 December 2023: 9.16 years).

The estimated fair values of these share options, and the inputs used in the Black-Scholes model to calculate those fair values are as follows:

| Date of grant | Number of options | Estimated fair value | Share price | Exercise price | Expected volatility | Expected life | Risk free rate | Exp. dividends |
|---|---|---|---|---|---|---|---|---|
| 30 June 2017 | 1,200,000 | $0.04 | $0.01 | $0.03 | 84% | 5.5 years | 1.16% | 0% |
| 6 April 2018 | 4,400,000 | $0.05 | $0.04 | $0.03 | 84% | 10 years | 1.34% | 0% |
| 11 June 2018 | 18,098,332 | $0.04 | $0.05 | $0.05 | 84% | 10 years | 1.23% | 0% |
| 21 October 2019 | 6,325,000 | $0.05 | $0.06 | $0.15 | 109% | 9.0 years | 0.63% | 0% |
| 1 March 2021 | 10,800,00 | $0.04 | $0.04 | $0.06 | 192% | 9.5 years | 0% | 0% |
| 8 April 2022 | 25,200,000 | $0.01 | $0.02 | $0.02 | 105% | 10 years | 1.75% | 0% |
| 28 May 2024 | 8,301,887 | $0.01 | $0.013 | $0.013 | 70.5% | 10 years | 4.55% | 0% |
| | **Number of warrants** | | | | | | | |
| 31 December 2020 | 8,750,167 | $0.04 | $0.04 | $0.04 | 190% | 5 years | 0% | 0% |
| 1 February 2023 | 25,330,249 | $0.003 | $0.012 | $0.017 | 70.5% | 3 years | 3.76% | 0% |
| 10 May 2023 | 19,352,394 | $0.003 | $0.013 | $0.019 | 70.5% | 3 years | 3.57% | 0% |
| 2 August 2024 | 91,185,133 | $0.004 | $0.009 | $0.009 | 70.5% | 3 years | 3.71% | 0% |

All share-based payment charges are calculated using the fair value of options.

For the options and warrants granted in 2023 and 2024, expected volatility was determined by reviewing benchmark values from comparator companies. For the options granted prior to 2023, expected volatility was determined by reference to the volatility of historic trading prices of the Company's shares.

## 23. Financial Instruments

**Capital Risk Management**
The Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. The overall strategy of the Company and the Group is to minimise costs and liquidity risk.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued share capital, foreign exchange and other reserves and retained earnings as disclosed in the Consolidated Statement of Changes of Equity.

The Group is exposed to a number of risks through its normal operations, the most significant of which are interest, credit, foreign exchange and liquidity risks. The management of these risks is vested to the Board of Directors.

The sensitivity has been prepared assuming the liability outstanding was outstanding for the whole period. In all cases presented, a negative number in profit and loss represents an increase in finance expense/decrease in interest income.

**Credit Risk**
Credit risk is the risk that the Group will suffer a financial loss as a result of another party failing to discharge an obligation and arises from cash and other liquid investments deposited with banks and financial institutions and receivables from the sale of crude oil.

For deposits lodged at banks and financial institutions these are all held through a recognised financial institution. The maximum exposure to credit risk is $1,136,000 (2022: $ 713,000). The Group does not hold any collateral as security.

The carrying value of cash and cash equivalents and financial assets represents the Group's maximum exposure to credit risk at year end. The Group has no material financial assets that are past due.

The Company has made unsecured loans at a simple interest rate of 5% to its subsidiary companies. The loans are repayable on demand. A small amount of these loans have been made to subsidiaries which though revenue generating are not profit making, therefore there is a risk that they will not be fully recoverable. An assessment of the expected credit loss arising on intercompany loans is detailed in note 6 to the parent Company financial statements.

**Market Risk**
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Company comprises of currency risk (discussed below) and interest rate risk. Since there are no variable interest-bearing loans in the Group (the Group Borrowings are set at a fixed rate of 16%), no risk is therefore identified.

**Currency Risk**
Foreign currency risk can only arise on financial instruments that are denominated in a currency other than the functional currency in which they are measured. Translation-related risks are therefore not included in the assessment of the entity's exposure to currency risks. Translation exposures arise from financial and non-financial items held by an entity (for example, a subsidiary) with a functional currency different from the Group's presentational currency. However, foreign currency-denominated inter-company receivables and payables which do not form part of a net investment in a foreign operation would be included in the sensitivity analysis for foreign currency risks; this is because, even though the balances eliminate in the consolidated balance sheet, the effect on profit or loss of their revaluation under IAS 21 is not fully eliminated.

A 10% increase in the strength of the pound sterling against the US dollar would cause an estimated increase of $94,000 (2023: $221,000 increase) in the loss after tax of the Group for the year ended 31 December 2024, with a 10% weakening causing an equal and opposite decrease. The impact on equity is the same as the impact on loss after tax.

The Group's cash and cash equivalents and liquid investments are mainly held in US dollars, pounds sterling and Georgian Lari. At 31 December 2024, 1% (2023: 16%) of the Group's cash and cash equivalents and liquid investments were held in pounds sterling, 67% (2023: 78%) in Georgian Lari and 32% (2023: 6%) in US dollars.

**Liquidity Risk**
Liquidity risk arises from the possibility that the Group and its subsidiaries might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. In addition to equity funding, additional borrowings have been secured in the past to finance operations. The Company manages this risk by monitoring its financial resources and carefully plans its expenditure programmes. Financial liabilities of the Group comprise trade payables which mature in less than twelve months.

| Type | <3 months | 1-3months | 1-2 years | Total |
|---|---|---|---|---|
| | $'000 | | $'000 | $'000 |
| Trade payables | 1,237 | - | - | 1,237 |
| Borrowings | - | - | 2,000 | 2,000 |
| **Total** | **1,237** | - | **2,000** | **3,237** |

## 24. Categories of Financial Instruments

In terms of financial instruments, these solely comprise of those measured at amortised cost and are as follows:

| | **31 December 2024** | 31 December 2023 |
|---|---|---|
| | **$'000** | $'000 |
| Liabilities at amortised cost | 740 | 1,042 |
| Borrowings at amortised cost | 2,000 | 2,000 |
| | **2,740** | **3,042** |

| | | |
|---|---|---|
| Cash and cash equivalents at amortised cost | 1,136 | 713 |
| Financial assets at amortised cost | 804 | 971 |
| | **1,940** | **1,684** |

A fixed and floating charge has been placed over the assets owned by the Group as security for the $2m borrowings taken out in the year. This will be discharged in full on payment of these secured liabilities.

## 25. Subsidiaries

At 31 December 2023 and 2024, the Group consists of the following subsidiaries, which are wholly owned by the Company.

| Company | Country of Incorporation | Proportion of voting rights and equity interest |
|---|---|---|
| Block Norioskhevi Ltd | British Virgin Islands | 100% |
| Satskhenisi Ltd | Marshall Islands | 100% |
| Georgia New Ventures Inc. | Bahamas | 100% |
| Block Operating Company LLC | Georgia | 100% |
| Block Rustaveli Limited | British Virgin Islands | 100% |
| Didi Lilo & Nakarala Limited | British Virgin Islands | 100% |

***Subsidiaries - Nature of business***

The principal activity of Georgia New Ventures Inc, Satskhenisi Ltd, Block Norioskhevi Ltd, Block Rustaveli Limited and Didi Lilo & Nakarala Limited is oil and gas development and production.

The principal activity of Block Operating Company LLC is to be the operator of the oil and gas licenses held in Georgia.

***Registered office***

The registered office of Georgia New Ventures Inc. is Bolam House, King and George Streets, P.O. Box CB 11.343, Nassau, Bahamas.

The registered office of Satskhenisi Ltd is Trust Company Complex, Ajeltake road, Ajeltake Island, Majuro, Marshall Islands MH96960.

The registered office of Block Rustaveli Limited, Block Norioskhevi Ltd and Didi Lilo & Nakarala Limited is Aleman, Cordero, Galindo & Lee Trust (BVI) Limited, 3rd Floor, Yamraj Building, Market Square, P.O. Box 3175, Road Town, Tortola, British Virgin Islands.

The registered office of Block Operating Company LLC is 13A Tamarashvili Street, Tbilisi 0162, Georgia.

## 26. Commitments

Commitments at the reporting date that have not been provided for were as follows:

Operating lease commitment

At year end the total of future minimum lease payments under non-cancellable operating leases for each of the following periods was:

| | **31 December 2024** | 31 December 2023 |
|---|---|---|
| | **$'000** | $'000 |
| Within 1 year | 69 | 81 |
| Between 1 and 5 years | - | - |
| Total | 69 | 81 |

Short term leases are leases with a lease term of 12 months or less without a purchase option and are recognised on a straight-line basis as an expense in the profit or loss account.

## 27. Related Party Transactions

The Directors consider that there is no ultimate controlling party.

Key management personnel comprise of the Directors and details of their remuneration are set out in Note 7 and the Remuneration Report.

The Company extended its $2m loan facility during the year with further warrants granted to lenders. This included the following related parties, who also received further warrants as set out below:

| | |
|---|---|
| Paul Haywood - $115,000 loan facility | 5,243,145 warrants at a fair value cost of $14,000 |

## 28. Events Occurring After Year End

On 7 February 2025, the Company announced the issue of bonus options and shares for senior executives within the Company. These had been accrued in the accounts at year end. The Remuneration Committee elected to settle the bonuses by way of issue of 35,912,008 ordinary shares of 0.25p each ("Ordinary Shares") and 10,548,289 nil-cost options over Ordinary Shares ("Options"). The number of Ordinary Shares and Options has been determined by dividing the respective bonus by the Volume Weighted Average Price ("VWAP") of the Company's Ordinary Shares for January 2025 which equals 0.7385p per Ordinary Share.

On 27 March 2025, the Company announced the acquisition of a 10% participating interest in the XIQ Production Sharing Contract with an option to increase to 22%. The consideration was $1, with the Company being responsible for contributing its share of the 2025 work programme which is $77,000. This was acquired through the 100% acquisition of the subsidiary GOG SLADS Limited, a company incorporated in the British Virgin Islands on 12 March 2020 under BVI company number 2033094.

## Parent Company Statement of Financial Position for the Year Ended 31st December 2024

Company number: 05356303

| | Note | **2024 $'000** | 2023 $'000 |
|---|---|---|---|
| **Non- current assets** | | | |
| Investments | 2 | 6,422 | 6,533 |
| Property, plant and equipment | | 4 | - |
| | | 6,426 | 6,533 |
| **Current assets** | | | |
| Trade and other receivables | 3 | 21,994 | 23,017 |
| Cash and cash equivalents | 4 | 379 | 157 |
| **Total current assets** | | 22,373 | 23,174 |
| **Total assets** | | **28,799** | **29,707** |
| **Capital and reserves attributable to equity shareholders** | | | |
| Share capital | 5 | 3,733 | 3,705 |
| Share premium | 5 | 34,879 | 34,856 |
| Other reserves | 5 | 5,066 | 4,766 |
| Foreign exchange reserve | | (89) | 59 |
| Accumulated deficit | | (17,446) | (16,413) |
| **Total equity** | | **26,143** | **26,973** |
| **Non-current liabilities** | | | |
| Borrowings | 11 | 2,000 | - |
| **Total non-current liabilities** | | 2,000 | - |
| **Current liabilities** | | | |
| Trade and other payables | 6 | 656 | 734 |
| Borrowings | 11 | - | 2,000 |
| **Total current liabilities** | | 656 | 2,734 |
| **Total liabilities** | | **2,656** | **2,734** |
| **Total equity and liabilities** | | **28,799** | **29,707** |

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 by choosing not to present its individual Statement of Comprehensive Income and related notes that form part of these approved financial statements.

The Company's loss for the year from continuing operations is $ 1,033,000 (2023: loss of $ 4,929,000).

The financial statements were approved by the Board of Directors and authorised for issue on 21 May 2025 and were signed on its behalf by:

Paul Haywood
**Director**

The notes on pages 79 to 82 form part of these financial statements.

## Parent Company Statement of Changes in Equity for the Year Ended 31st December 2024

| | Share capital $'000 | Share premium $'000 | Accumulated deficit $'000 | Other reserve $'000 | Foreign currency reserve $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| **Balance at 31 December 2022** | **3,565** | **34,765** | **(11,657)** | **4,525** | **(360)** | **30,838** |
| *Comprehensive income* | | | | | | |
| Loss for the year | - | - | (4,929) | - | - | (4,929) |
| Exchange differences on translation of foreign operations | - | - | - | - | 419 | 419 |
| ***Total comprehensive income for the year*** | ***-*** | ***-*** | ***(4,929)*** | ***-*** | ***419*** | ***(4,510)*** |
| *Transactions with owners recognised directly in equity* | | | | | | |
| Shares issued | 133 | 91 | - | - | - | 224 |
| Share based payments | - | - | - | 414 | - | 414 |
| Options exercised | 7 | - | - | - | - | 7 |
| Options expired | - | - | 173 | (173) | - | - |
| ***Total transactions with owners*** | ***140*** | ***91*** | ***173*** | ***241*** | ***-*** | ***645*** |
| **Balance at 31 December 2023** | **3,705** | **34,856** | **(16,413)** | **4,766** | **59** | **26,973** |
| *Comprehensive income* | | | | | | |
| Loss for the year | - | - | (1,033) | - | - | (1,033) |
| Exchange differences on translation of foreign operations | - | - | - | - | (148) | (148) |
| ***Total comprehensive income for the year*** | ***-*** | ***-*** | ***(1,033)*** | ***-*** | ***(148)*** | ***(1,181)*** |
| *Transactions with owners recognised directly in equity* | | | | | | |
| Shares issued | 28 | 23 | - | - | - | 51 |
| Share based payments | - | - | - | 632 | - | 632 |
| Shares held by EBT | | | | (332) | | |
| ***Total transactions with owners*** | ***28*** | ***23*** | ***-*** | ***300*** | ***-*** | ***683*** |
| **Balance at 31 December 2024** | **3,733** | **34,879** | **(17,446)** | **5,066** | **(89)** | **26,475** |

The notes on pages 79 to 82 form part of these financial statements.

# Parent Company Statement of Cashflows for the Year Ended 31st December 2024

| | Note | **2024 $'000** | 2023 $'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Loss for the year before income tax | | (1,033) | (4,929) |
| *Adjustments for*: | | | |
| Depreciation | | 1 | 1 |
| Intercompany interest and other income | | (1,381) | (1,383) |
| Finance expense | | 431 | 66 |
| Increase in ECL provisions for loans | 10 | 305 | 4,387 |
| Creditors paid in shares | | 31 | 108 |
| Share based payments expense | | 353 | 362 |
| Foreign exchange movement | | (19) | - |
| **Operating cash flows before movements in working capital** | | **(1,312)** | **(1,388)** |
| Decrease/(increase) in trade and other receivables | 3 | 303 | (56) |
| Decrease in trade and other payables | 6 | (79) | (90) |
| **Net cash used in operating activities** | | **(1,088)** | **(1,534)** |
| **Cash flow from investing activities** | | | |
| Finance and other income | | 4 | 14 |
| Inter-Group amounts received/ (drawn down) | | 1,617 | (187) |
| **Net cash used in investing activities** | | **1,621** | **(173)** |
| **Cash flow from financing activities** | | | |
| Proceeds from borrowings | 11 | - | 2,000 |
| Finance costs | | (311) | (248) |
| **Net cash inflow from financing activities** | | **(311)** | **1,752** |
| **Net increase in cash and cash equivalents in the year** | | **222** | **45** |
| **Cash and cash equivalents at start of year** | | 157 | 112 |
| Effects of foreign exchange | | - | - |
| **Cash and cash equivalents at end of year** | 4 | **379** | **157** |

The notes on pages 79 to 82 form part of these financial statements.

# Notes Forming Part of the Parent Company Financial Statements

## 1. Accounting policies

***Basis of Preparation***

These financial statements have been prepared on a historical cost basis and in accordance with UK-adopted international accounting standards and as regards the Company financial statements, as applied in accordance with the requirements of the Companies Act 2006. All accounting policies are consistent with those adopted by the Group. These accounting policies are detailed in the notes to the consolidated financial statements, note 1. Any deviations from these Group policies by the Company are detailed below.

***Going Concern***

The Directors have prepared cash flow forecasts for a period of 24 months from the date of signing these financial statements. More details are included in note 1 to the consolidated financial statements.

***Investments in Subsidiaries***

Investments in subsidiaries are recorded at cost. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. Where these circumstances have reversed, the impairment previously made is reversed to the extent of the original cost of the investment.

## 2. Investments

| Shares in Group undertakings | **2024 $'000** | 2023 $'000 |
|---|---|---|
| Balance at 1 January | 6,533 | 6,209 |
| FX movement on translation of assets | (111) | 324 |
| **Balance at 31 December** | **6,422** | **6,533** |

Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid.

At 31 December 2024, the carrying amount of the Company's net assets of $26,143,000 (2023: $26,973,000) exceeded the Group's net assets of $25,313,000 (2022: $25,706,000). This is identified by IAS 36 Impairment of Assets as an indicator that assets may be impaired. Following a review of the assets held by the Company, the Directors do not believe an impairment is necessary at this time, but will keep this under review.

## 3. Trade and Other Receivables

| | **2024 $'000** | 2023 $'000 |
|---|---|---|
| Prepayments | 12 | 14 |
| Other receivables | 37 | 339 |
| Amounts due from Group undertakings | 21,945 | 22,664 |
| | **21,994** | **23,017** |

All of the above amounts are due within one year.

All trade and other receivables are denominated in pounds sterling. Amounts due from Group undertakings are denominated in US dollars and repayable on demand. The Company charges 5% interest per annum on intercompany loans.

Under IFRS 9, the Expected Credit Loss ("ECL") Model is required to be applied to the intercompany loans receivable from subsidiary companies, which are held at amortised cost. An assessment of the expected credit loss arising on intercompany loans has been calculated and a cumulative loss allowance of $8,402,000 has been provided for in the parent Company financial statements ($8,097,000 in 2023). No further impairment was indicated in the current year.

The prior year debtor of £332,000 due from the Company's EBT was reclassified in the year to Other Reserves to match the shares issued to the EBT against the cost of the share options issued to employees.

## 4. Cash at Bank

| | **2024** **$'000** | 2023 $'000 |
|---|---|---|
| Cash and cash equivalents | **379** | **157** |

Cash and cash equivalents consist of balances in bank accounts used for normal operational activities. The bank account is held within an institution with a credit rating of A-1.

At 31 December 2024, 2% (2023: 74%) of the cash balances held by the Company were held in UK Sterling, 97% (2023: 21%) in US Dollar and the remaining in other currencies, 1% (2023: 5%).

## 5. Share Capital and Reserves

Details of share capital and reserve movements in the year are set out in notes 18 and 20 to the consolidated financial statements.

## 6. Trade and Other Payables

| | **2024** **$'000** | 2023 $'000 |
|---|---|---|
| Trade and other payables | 128 | 236 |
| Accruals and other creditors | 528 | 498 |
| | **656** | **734** |

Trade and other payables at 31 December 2023 comprised balances in US dollars and pounds sterling.

## 7. Categories of Financial Instruments

In terms of financial instruments, these solely comprise of those measured at amortised cost and are as follows:

| | **31 December 2024 $'000** | 31 December 2023 $'000 |
|---|---|---|
| Trade and other payables | 158 | 599 |
| Borrowings | 2,000 | 2,000 |
| **Total financial liabilities at amortised cost** | **2,158** | **2,599** |

The carrying amounts of trade and other payables and the Borrowings are considered to be the same as their fair values due to their short-term nature. Details of the Borrowings are set out in note 16 to the consolidated financial statements.

| | **31 December 2024 $'000** | 31 December 2023 $'000 |
|---|---|---|
| Other receivables | 381 | 353 |
| Amounts due from Group undertakings | 21,945 | 22,664 |
| Cash and cash equivalents at amortised cost | 379 | 157 |
| **Total financial assets at amortised cost** | **22,705** | **23,174** |

The amounts due from Group undertakings includes a loss allowance of $8,097,000 (2022: $3,710,000). The loans are repayable on demand and include a 5% (2022: 5%) per annum interest rate charge. They are all denominated in US dollars, which differs from the parent Company's functional currency of pounds sterling, and therefore there is an exposure to foreign currency risk. There is no exposure to price risk as the underlying investments are expected to be held to maturity.

## 8. Financial and Capital Risk Management

The Company's exposure to financial risks is managed as part of the Group. Full details about the Group's exposure to financial risks and how these risks could affect the Group's future financial performance are given in note 23 to the consolidated financial statements. Information specific to the Company is given below.

***Credit Risk***

For deposits lodged at banks and financial institutions these are all held through a recognised financial institution. The maximum exposure to credit risk is $379,000 (2023: $157,000). The Company does not hold any collateral as security.

The Company has made unsecured interest payable loans to its subsidiary companies and repayments have commenced during the year. Although the loans are repayable on demand, they are unlikely to be fully repaid until the projects become more developed and the subsidiaries start to generate increased revenues. An assessment of the expected credit loss arising on intercompany loans has been calculated and a loss allowance of $8,402,000 (2023: $8,097,000) has been provided for in the parent Company financial statements.

***Currency Risk***

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company undertakes transactions denominated in currencies other than its functional currency (which is the pound sterling). For transactions denominated in US dollars, the Company manages this risk by holding US dollar against actual or expected US dollar commitments to act as an economic hedge against exchange rate movements.

The Company's cash and cash equivalents and liquid investments are mainly held in pounds sterling and US dollars. At 31 December 2024, 1% (2023: 5%) of the Group's cash and cash equivalents and liquid investments were held in a currency other than pounds sterling and US dollars. The currency risk is not considered to be significant and has not been calculated.  A 10% movement in the strength of the pound sterling against the US dollar would increase the net assets of the Company by $2,697,000 (2023: $2,716,000).

The exposure to other foreign currency exchange movements is not material. This sensitivity analysis includes foreign currency denominated monetary items and assumes all other variables remain unchanged. Whilst the effect of any movement in exchange rates upon revaluing foreign currency denominated monetary items is charged or credited to the income statement, the economic effect of holding pounds sterling against actual or expected commitments in pounds sterling is an economic hedge against exchange rate movements.

***Capital Management***

The capital of the Company is managed as part of the capital of the Group as a whole. Full details are contained in note 23 to the consolidated financial statements.

## 9. Commitments

Commitments at the reporting date that have not been provided for were as follows:

*UK operating lease commitment*

At 31 December 2024, the total of future minimum lease payments under non-cancellable operating leases for each of the following periods was:

| | **2024** | 2023 |
|---|---|---|
| | **$'000** | $'000 |
| Within 1 year | 42 | 52 |
| Between 1 and 5 years | - | - |
| Total | 42 | 52 |

Short term leases are leases with a lease term of 12 months or less without a purchase option and are recognised on a straight-line basis as an expense in the profit or loss account.

## 10. Related Party Transactions

At 31 December 2024, the following subsidiaries owed the parent Company for payments made and recovered on their behalf.

- Block Norioskhevi Ltd – $nil (31 December 2023: $nil)
- Georgia New Ventures Inc – $22,291,000 (31 December 2023: $22,794,000)
- Satskhenisi Ltd – $nil (31 December 2023: $nil)
- Block Operating Company LLC – $2,612,000 (31 December 2023: $2,620,000)
- Block Rustaveli Limited - (Debtor of $3,394,000) (31 December 2023: Debtor of $2,811,000)
- Didi Lilo & Nakarala Limited - $68,000 (31 December 2023: $61,000)

An estimated credit loss of $305,000 (2023: $4,387,000) was recognised in the current year in relation to the loans to Satskhenisi Ltd and Block Norioskhevi Ltd, resulting in their impairment to nil cost outstanding. The total estimated credit loss recognised to date is $8,402,000 (2023: £8,097,000). Further details on related party transactions can be found in note 27 to the consolidated financial statements. The disclosure of fees paid to consultancy companies for key management services can be seen in the Remuneration Report.

## 11. Information Included in the Notes to the Consolidated Financial Statements

Some of the information included in the notes to the consolidated financial statements is directly relevant to the financial statements of the Company. Please refer to the following:

Note 6 – Auditors' remuneration

Note 16 – Trade and other payables

Note 22 – Share based payments

Note 25 – Subsidiaries

Note 28 – Events occurring after the year end