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Block Commodities Ltd
Block Commodities Ltd: Final Results

Block Commodities Ltd (BLCC)
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3 December 2019

BLOCK COMMODITIES LIMITED

("Block Commodities" or the "Company")

Block Commodities Limited / Epic: BLCC / Sector: Mining

Final Results

Block Commodities Limited is pleased to announce its final audited results for the year ended 30 June 2019 (the "Annual Report and Accounts 2019").

Copies of the Annual Report and Accounts 2019 will be made available on the Company's website at www.blockcommodities.com.

Chairman's Statement

During the year under review, the Company continued its evolution from solely a junior exploration company with its Lac Dinga potash exploration licence, to a forward-thinking agri–tech company in sub-Saharan Africa, deploying new technologies to maximise value in African agriculture.

Farmer 3.0 Eco system

Leveraging its connections in Africa, the Company has worked on developing a platform to empower small scale farmers ("SSF") to raise productivity and secure better returns for produce, while establishing African communities as significant future global agricultural players. The platform uses blockchain technology to provide loans of utility tokens to the SSF which are then used to procure inputs from the Company. The loans are repaid by the delivery of outputs, either direct to a contracted off-taker or to Company warehouses where a system of warehouse receipts will enable SSF produce to be consolidated and traded on local commodities exchanges, further enhancing the return to the SSF and the Company. Over time, as the volume of commodities traded on the local and regional exchanges scales up, the purchase of inputs will be secured with derivatives traded on these exchanges. The blockchain will be fundamental to the development of this Ecosystem.

During the year, the key partnerships to build this platform were put in place and pilot projects in Zambia and Uganda were established. However delays in procuring inputs lead to these being postponed. No trading has been possible in the year under review.

Lac Dinga

The Company retains its interest in the exploration side of the fertiliser industry through its 70% interest in La Société des Potasses et des Mines S.A. ('SPM'), which holds the exclusive right to conduct exploration activities for potash salts over the Lac Dinga Project Area ('Lac Dinga' or the 'Project') in highly prospective Kouilou region in the Republic of Congo.

After extensive delays, the licence was formally renewed for a further two year period in July 2019. The renewal of the license was the key condition precedent to moving forward with the project. With the rainy season commencing in October, no significant work was able to be undertaken by our farm-in partner, African Agronomix limited ("AAX"). Preliminary planning work for a 10,000 m drilling campaign has been carried out. As set out in note 11 to the financial statements, the Company undertook an impairment review of the project and a key assumption was that AAX would mobilise to start the work set out in the agreement.

Financial Results

The trading result for the year showed a net trading loss of $nil (2018: $12,000) as existing inventory and receivables were unwound. Operating expenses were reduced to $0.7m (2018: $1.0m). After other gains of $0.1m, and the impairment charge in respect of the Company's investment in Vipa of $0.1m (2018: impairment charges of $0.2m) the loss before interest fell to $0.7m (2018: 1.1m). Finance charges for the period were $0.4m (2018: $0.4m) which led to the Group reporting a loss before and after tax of $1.1m (2017: $1.5m). During the year the Company raised $27,000 in equity and $333,000 in new convertible debt. Accordingly, the Group is reporting net liabilities of $0.9m (2018: net assets $0.1m). This includes current liabilities of $4m (2018: $3m) which includes $1.2m of accrued expenses (2018: $0.8m).

Subsequent to the year end, the convertible notes have converted automatically into equity and additional equity has been raised. In addition, the Company is in negotiation to restructure its $1.6m loan facility with its lender and should the loan be converted into shares then shareholders holding will be diluted accordingly. Cash balances at 30 June 2019 were $80,000 (2018: $153,000).

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above and the risks facing the business are outlined within the Corporate Governance report.. Note 4 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The board has detailed its considerations relating to Going Concern in note 1 of the financial statements. The Group's forecast cash-flows are dependent on the negotiation and fulfillment of new contracts that are not yet finalised and the successful conclusion of related financing lines. Without these cash–flows the Group will need to raise additional finance either through borrowing or the issue of new equity. In addition, the bridge loan facility (see note 17) fell due for repayment on 1 September 2019. Negotiations to restructure the facility are being held with the lender. Notwithstanding this uncertainty, the directors are confident that, with an anticipated equity raise, renegotiation of the loan facility and current cash there will be sufficient cash resources to enable the Group to pay debts as they fall due and to continue the development of its operations for the foreseeable future and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The auditors have made reference to going concern as a material uncertainty within their audit report.

Outlook

With the renewal of the Lac Dinga, license and the farm in agreement with AAX, the Group and its partners are in a position to progress the project and establish a stake in a potash resource, a key agricultural input. The farm-in agreement provides that AAX will both manage and fund the work program, with no significant demand on the Group's financial or management resources in the initial two phases of the project through to the initial publication of a resource estimate. Should a commercial resource be confirmed, then the Group has a right to participate or bring in additional partners as the project progresses.

In addition the board are aiming to expand the company's current investment focus, which aims to maximise the value of African agricultural commodities through the deployment of blockchain technology, to enable the Company to invest in projects in the developing market for producing and/or distributing Medicinal Cannabis, derivatives of it and/or related products.

The Company has sent a circular to shareholders today asking them to consider whether the Company should make investments in the Medicinal Cannabis sector. These products could include but would not be limited to nutraceuticals, dietary supplements and cosmetic products which contain cannabis or hemp (cannabis which contains less than 0.2% tetrahydrocannabinol ("**THC**") and THC derived cannabinoids.

The board has already taken legal advice on the new strategy and the countries where it initially intends to operate. This advice has confirmed that, in principle, the intended strategy of the Company does not breach the United Kingdom's Proceeds of Crime Act 2002.

On 21 November 2019, the Board was strengthened with the appointment of Ian Tordoff as Chief Executive Officer of the Company. He has extensive experience in tracking the evidence base for the efficacy of cannabidiol (CBD) and tetrahydrocannabinol (THC), two natural compounds found in cannabis plants and their associated treatments. Furthermore, he has built strong relationships through this work with relevant producers, laboratories, “brands” and customers.

In addition to Ian’s appointment, the Company is looking to build a strong Scientific Advisory Team of external consultants to assist the board in implementing this investment strategy if approved by shareholders at the coming General Meeting.

The Board, in addition to its Lac Dinga asset, believe that the Company now has a firm foundation upon which to build a growing revenue generating business and look forward to reporting continued progress in the current year.

Chris Cleverly

Chairman

2 December 2019

DIRECTORS’ REPORT for the year ended 30 June 2019

The directors of Block Commodities Limited (“Block Commodities” or the “Company”) hereby present their report together with the audited Consolidated Financial Statements for the year ended 30 June 2019.

Principal activities, business review and future developments

A review of the Group’s activity and prospects is given in the Chairman’s Statement on pages 2 to 3. During the year under review the Group’s principle activities were the continued development of a trading platform for agricultural inputs using blockchain technology and working to renew the Lac Dinga potash exploration licence. The Group also announced it was looking to invest into the Medicinal Cannabis and Wellness market, where it is envisaged that the blockchain will be influential. A review of the risks and uncertainties impacting on the Group’s long term performance is included in the Corporate Governance report on pages 7 to 9. Details of the Group’s exposure to foreign exchange and other financial risks are included in note 4.

Results and dividend

The Group results show a loss after taxation for the year attributable to the equity holders of the Company of $1.1m (2018 loss $1.5m). The directors do not recommend payment of a dividend (2018: $nil).

Post balance sheet events

On 12 July 2019, the Lac Dinga exploration license was formally renewed by the government of the republic of Congo (see note 11).

On 15 November 2019, the group announced that it had raised £388,000 through the issue of £133,000 new ordinary shares at a price of 0.02p and £255,000 of Convertible Loan Notes with a conversion price of £0.0002 per ordinary share These convert automatically into equity once the necessary authorities had been obtained at the Annual general meeting held on 13 May 2019 and were formally issued on 15 November 2019.

Directors

The directors who served since 1 July 2018 were as follows:

CJ Cleverly	Chairman	
I C Tordoff	Chief Executive	appointed 21 November 2019
E Pungong*	Non-Executive Director *	
M Simmonds *	Non-Executive Director *	

* member of the audit and remuneration committees

Directors' interests

The directors serving during the year had the following beneficial interests in the shares of the Company:

		Ordinary shares	
		30 June 2019 or date of appointment	30 June 2018
C J Cleverly		181,909,909	181,909,909
I C Tordoff		–	–
E Pungong		12,500,000	12,500,000
M Simmonds		52,500,000	52,500,000

The following share options and warrants have been granted to directors and remain unexercised at the year end:

Options:

Director	Date of grant	Number of options	Exercise price	Date from which Exercisable	Expiry date
CJ Cleverly	27 February 2015	1,000,000	0.90p	27 August 2016	27 August 2020
CJ Cleverly	11 August 2015	10,000,000	0.55p	11 August 2015	11 August 2020
CJ Cleverly	29 March 2019	50,000,000	0.055p	29 March 2019	28 March 2023
CJ Cleverly	29 March 2019	40,000,000	0.125p	29 March 2019	28 March 2023
CJ Cleverly	29 March 2019	25,000,000	0.2p	29 March 2019	28 March 2023
E Pungong	29 March 2019	10,000,000	0.055p	29 March 2019	28 March 2023
E Pungong	29 March 2019	8,000,000	0.125p	29 March 2019	28 March 2023
E Pungong	29 March 2019	5,000,000	0.2p	29 March 2019	28 March 2023
M Simmonds	29 March 2019	20,000,000	0.055p	29 March 2019	28 March 2023
M Simmonds	29 March 2019	16,000,000	0.125p	29 March 2019	28 March 2023
M Simmonds	29 March 2019	10,000,000	0.2p	29 March 2019	28 March 2023

Warrants:

Director	Date of grant	Number	Exercise price	Date from which Exercisable	Expiry date
E Pungong	19 October 2015	2,500,000	3p	19 October 2015	30 June 2020
E Pungong	19 October 2015	15,000,000	5p	19 October 2015	30 June 2020
E Pungong	19 October 2015	15,000,000	8p	19 October 2015	30 June 2020
M Simmonds	10 November 2015	3,750,000	3p	10 November 2015	30 June 2020
M Simmonds	10 November 2015	15,000,000	5p	10 November 2015	30 June 2020
M Simmonds	10 November 2015	17,500,000	8p	10 November 2015	30 June 2020
M Simmonds	10 November 2015	10,000,000	10p	10 November 2015	30 June 2020

No share options or warrants were exercised by directors during the year (2018: $nil).

On 15 November 2019 CJ Cleverley was allotted a further 379,144,700 shares as payment of fees and settlement of arrears, reducing creditors by $90,000.

On appointment on 21 November IC Tordoff held 300,000,000 zero cost options to subscribe for new ordinary shares, of which 150,000,000 have vested and 150,000,000 will vest when the Company's share price is in excess of £0.002 for a period of 14 consecutive days.

There have been no other changes in directors' interests in shares or options between 1 July 2019 and the date of this report.

Substantial shareholdings

To the best of the knowledge of the board, except as set out in the table below, there are no persons who, as of the date of this report, are the direct or indirect beneficial owners of, or exercise control or direction over 3% or more of the Ordinary Shares in issue of the Company.

		Number of Ordinary Shares		% Holding
Grainways Inc		973,480,000		13.22%
Chris Cleverly		561,054,609		7.62%
John Glendenning		250,000,000		3.40%

Employee involvement policies

The Group places considerable value on the awareness and involvement of its employees in the Group's performance. Within bounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect the progress of the Group and that are of interest and concern to them as employees.

DIRECTORS' REPORT for the year ended 30 June 2019 (continued)

Creditors' payment policy and practice

The Group's policy is to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with its standard payment policy to abide by the terms of payment agreed with suppliers when agreeing the terms of each transaction. Suppliers are made aware of the terms of payment.

Social and community issues

The Group recognises the value of employment and training to the continued economic growth in the countries in which it operates. The Group is developing policies to ensure its expertise and specialist skills and facilities are made available to the broader community.

Environmental issues

The Group places great emphasis upon good environmental practice and respect for local community values.

African empowerment

As its ambitions for growth and diversification are realised, the Group will seek to empower, upskill and recruit local African staff, providing new opportunities for jobs of all skills including senior management.

Provision of information to auditor

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

PKF Littlejohn LLP has indicated its willingness to continue in office and a resolution to reappoint them will be presented to the annual general meeting.

Electronic communications

Additional information on the Company can be found on the Company's website at www.blockcommodities.com.

The maintenance and integrity of the Company's website is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The Company's website is maintained in compliance with NEX exchange rule 75.

On behalf of the Board

CJ Cleverly

Chairman

2 December 2019

CORPORATE GOVERNANCE

The board of directors is accountable to the Company's shareholders for good corporate governance. The Company is not required, by the rules of the NEX exchange, to adopt the UK Corporate Governance Code. However, set out below is a summary of how, at 30 June 2019, the Group was dealing with corporate governance issues.

The Board of Directors

The Group is led and controlled by a board comprising the chairman, chief executive and two non-executive directors. The board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions.

There are no matters specifically reserved to the board for its decision, but no decision of any consequence is made other than by the directors. There is no separate Nomination Committee due to the current size of the board and any new directors are appointed by the whole board.

The board has a Remuneration Committee, chaired by Mark Simmonds and an Audit Committee chaired by Mark Simmonds.

There is no agreed formal procedure for the directors to take independent professional advice at the Company's expense.

The Company has adopted a share dealing code for directors' dealings which is appropriate for a company quoted on the NEX Exchange Growth Market. The Directors comply with Rule 71 of the NEX Exchange Rules relating to directors' dealings and take all reasonable steps to ensure compliance by the Group's employees.

The Company's directors submit themselves for re-election at the Annual General Meeting at regular intervals in accordance with the Company's Articles of Association.

Relations with Shareholders

The Executive Chairman is the Group's principal spokesperson with investors, fund managers, the press and other interested parties. At the Annual General Meeting, investors are given the opportunity to question the board.

Compliance with relevant legislation

All directors are kept informed of changes in relevant legislation and changing commercial risks with the assistance of the Group's legal advisers and auditors where appropriate. The directors have taken appropriate legal advice and implemented internal training and reporting procedures to ensure compliance with the UK Bribery Act 2010 (the "Bribery Act"). The Bribery Act prescribes criminal offences for businesses engaged or allowing others to engage in bribery or corrupt practices. Although the Company does not have a presence in the UK, the Bribery Act applies to the Directors as the company is listed in the UK. In addition, Guernsey, where the Company is incorporated, is subject to the Prevention of Corruption (Bailiwick of Guernsey) Law, 2003 which contains broadly similar restrictions. Although the application of the UK and Guernsey legislation is uncertain as regards the Group, the Directors have formed the view that it is appropriate for the Group to implement relevant procedures to maintain compliance with the Bribery Act.

Internal Control

The board acknowledges its responsibility for establishing and monitoring the Group's systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

The board reviews the effectiveness of the systems of internal control and considers the major business risks and the control environment. The board has taken steps to ensure that announcements to the market are approved by more than one director and after careful consideration of the Company's Nex Exchange corporate adviser to ensure greater clarity. No weakness in internal financial control has resulted in material losses, contingencies or uncertainties which would require disclosure as recommended by the guidance for directors on reporting on internal financial control.

In light of this control environment the Board considers that there is no current requirement for a separate internal audit function.

Risks and uncertainties

There are a number of risks and uncertainties facing the Group, principally the following:

Regulatory risk

Whilst the Group believes that its operations are currently in substantial compliance with all relevant material environmental and health and safety laws and regulations, there can be no assurance that new laws and regulations, or amendments to, or stringent enforcement of, existing laws and regulations will not be introduced, which could have a material adverse impact on the Group.

Risks associated with operating in sub-Saharan Africa

Changes in government, monetary policies, taxation, exchange control and other laws can have a significant impact on the Group's assets and operations. Several countries in sub-Saharan Africa have experienced periods of political instability, and there can be no guarantees as to the level of future political stability. Changes to government policies and applicable laws could adversely affect the operations and/or financial condition of the Group. The jurisdictions in which the Group might operate in the future may have less developed legal systems than more established economies, which could result in risks such as (i) effective legal redress in the courts being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations. In certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to the Group's licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed.

Risks associated with mineral exploration and mining projects

Exploration risks

The business of exploration for minerals and mining involves a high degree of risk. The successful exploration and development of potash (or associated minerals) is speculative and subject to a number of uncertainties. Geographical location can present logistical difficulties and the available resources and reserves, once established, may be significantly lower than estimated.

Early stage of operations

The Group intends to invest in projects whose operations are at an early stage and success in each stage of trading, exploration and mine development will depend on the Directors' ability to manage the current projects and to take advantage of further opportunities which may arise. The success of the Group will depend on its ability to identify prospective projects and its ability to access equity markets for its development requirements.

Potash market risk

The marketability and availability of a ready market for potash is affected by and dependent on numerous factors beyond the Group's control, the precise effects of which cannot be accurately predicted. These factors include market fluctuations, general economic activity, action taken by other potash producing nations, availability of transportation capacity and government regulations such as regulations relating to taxation, royalties, production levels, exports and the environment. Movements in market prices could render uneconomic any of the mining activities to be undertaken.

Risks associated with blockchain trading operations

Early stage of operations

Significant time and resource can be expended penetrating new markets and to identify those opportunities which can lead to profitable revenue generation.

Competition

The Group competes with numerous other companies (many of which have greater financial resources than the Group) and individuals in the trading of fertiliser and other agriculture commodities and for the recruitment and retention of qualified employees.

Fertiliser distribution

Differences in terms under sales and procurement contracts can lead to significant exposure to financial loss. The logistical complications of distributing a high value product in sub-Saharan Africa can lead to loss or theft.

Foreign exchange

The Company raises its share capital in Sterling, however it's fertiliser trading and potash exploration activities and, if successful, potash production are markets which are denominated in US Dollars ($). The directors therefore consider the functional and presentational currency to be US Dollars. Some of its working capital requirements may be denominated in currencies other than US Dollars. As a result, fluctuations in currency exchange rates could have a material adverse effect on the financial condition, results, operations or cash flows of the Group.

Risks associated with Medicinal Cannabis projects

If the additional investment strategy is approved by shareholders at the coming General Meeting, entry into the Medicinal Cannabis market presents additional risks. These are set out in the circular announced today to shareholders. In particular the board has already taken legal advice on the new strategy and the countries where it initially intends to operate. This advice has confirmed that, in principle, the intended strategy of the Company does not breach the United Kingdom's Proceeds of Crime Act 2002. A copy of the circular may be found on our website at http://www.blockcommodities.com/corporate-documents

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Guernsey company law requires the directors to prepare Group Financial Statements for each financial year in accordance with generally accepted accounting principles. The directors are required by the rules of the NEX Exchange Growth Market to prepare Group Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The Financial Statements of the Group are required by law to give a true and fair view of the state of the Group's affairs at the end of the financial period and of the profit or loss of the Group for that period and are required by IFRS adopted by the EU to present fairly the financial position of the Group and the financial performance of the Group.

In preparing the Group Financial Statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping accounting records which are sufficient to show and explain the group's and company's transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Financial Statements are properly prepared and in accordance with The Companies (Guernsey) Law 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

On behalf of the board

C J Cleverly

Chairman

2 December 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLOCK COMMODITIES LIMITED

Opinion

We have audited the financial statements of Block Commodities Limited (the 'Group') for the year ended 30 June 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows and related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

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 Group 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 the Directors' report and to note 2 in the financial statements, which indicates that the Group incurred a net loss of US$1.1mil and operating cash outflows during financial year ended 30 June 2019 and at that date the Group held net liabilities of US$922k. The financial statements have been prepared on a going concern basis which depends on receipt of new funds in order to enter into new arrangements and for existing debt holders to renegotiate settlement dates. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Our application of materiality

Materiality is a key concept in the context of an audit. In providing an opinion on whether the financial statements provide a 'true and fair' view, we are providing an opinion on whether the financial statements as a whole are free from material misstatement whether due to fraud or error.

Materiality is an expression of the relative significance of a particular matter in the context of the financial statements as a whole. An item, either individually or in aggregate, is considered material if omitting it or misstating it could reasonably be expected to influence decisions that users make on the basis of an entity's financial statements. Materiality has both quantitative and qualitative characteristics. It depends on the size or nature of the item or error judged in the particular circumstances of its omission or misstatement.

We determine materiality in order to:

- Assist in establishing the scope of our audit engagement and the design of our audit tests;
- Calculate sample sizes where we are undertaking substantive testing; and
- Assist in evaluating the effect of known and likely misstatements on the financial statements.

We used gross assets as a basis for determining planning materiality as it was considered that this was where the core value of the Group lies and any changes to these would most impact investors. We have determined our Overall Financial Statement Materiality to be US$ 100,000. This has been set at 3% of total assets as we consider gross assets to be the most significant determinant of the Group's financial position and performance used by shareholders, with the key financial statement balances being the exploration asset and cash levels.

We set performance materiality at 60%. 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.

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular we looked at areas involving significant accounting estimates and judgements by the Directors and considered future events that are inherently uncertain. As in all of our audit, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Our Group audit scope focused on the principal area of operation, being Africa. The Group comprises 6 components and we assessed the significance of each component to the Group audit. On this basis, 4 components were subject to audit where balances were material to the Group.

The Group and its subsidiaries are accounted for from one central location. Given the nature of said location, our audit was concluded from our London office where the audit team was based with regular visits from the key Group individual responsible for the accounting function.

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.

Risk	**Our response to the risk**
Impairment risk of evaluation and exploration ("E&E") costs capitalised as intangible assets. The most significant balance held by the Group is the value of intangible exploration costs which have a carrying value of £3 million at the year end. This relates to the Lac Dinga asset, which is for the exploration activities for potash salts at Lac Dinga in the Republic of Congo. The Group submitted an application during 2019 to extend the licence for a further two years, which is pending government approval. In October 2018, the Group entered into an agreement with African Agronomix Limited (AAX), whereby AAX has the right to acquire up to 100% of the Group's interest in Lac Dinga project. AAX have delayed commencement of the next phase of exploration work pending receipt of the licence renewal.	Our audit work included but was not limited to: An impairment review of intangible assets whicl considered the areas listed below as indication o impairment under IFRS 6; • Obtaining evidence of the licence renewal anc reviewing the minimum licence spenc requirements; • Reviewing managements budgets to ensure worl was planned in line with the licence requirements; • Discussing with management their future plans for the licence and the current status of thei relationship with AAZ; andDiscussion witl management regarding their future plans for the licence held; and • Renewing the post year end cash position anc the Group's ability to have the cash resources tc meet the required minimum spend.

Risk	Our response to the risk
The key assets of the Group statements are the US$3 million evaluation and explorations costs incurred in respect of Lac Dinga that have been capitalized in accordance with IFRS 6. In October 2017, the Group entered into an agreement with African Agronomix Limited (AAX), whereby AAX has the right to acquire up to 100% of the Group's interest in Lac Dinga project. Whilst the licence has been renewed after initial delays AAX have yet to commence work and there are minimum licence spend requirements for the Group to meet which is dependent on sufficient funds being available. There is a risk that IFRS 6 impairments triggers have been met during the period and that the carrying value of these assets is overstated	Based on the audit work performed we do not conside the intangible asset as at 30 June 2019 to be materiall misstated. However, we draw users attention to the fac that the recoverable value of the intangible asset i dependent on the Group having sufficient cash resource to meet the minimum spend requirements and for th relationship with AAX to work as intended. Should thes not be achieved then the asset may be subject to a fu impairment.

Going concern would also have been identified as a Key Audit Matter if it were not required to be separately disclosed in the audit report.

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. 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. In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 Guernsey Act

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.

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 Group'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 Group 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.

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 Group's members, as a body, in accordance with our engagement letter dated 31 October 2019. Our audit work has been undertaken so that we might state to the Group'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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joseph Archer (Senior Statutory Auditor) 15

Westferry Circus

For and on behalf of PKF Littlejohn LLP Canary Wharf

Statutory Auditor London E14 4HD

2 December 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

			2019		2018
	Note		$'000		$'000
Other trading (loss) / income			–		(12)
Operating expenses	6		(778)		(948)
Impairment of loan to unquoted company	15		(50)		(100)
Impairment of fixed assets	14		–		(86)
Other gains / (losses)	6		119		(20)
Operating loss	6		(709)		(1,166)
Finance expense	8		(364)		(357)
Loss before taxation			(1,073)		(1,523)

Income tax	9		–		–
Loss for the year attributable to the owners of the parent company			(1,073)		(1,523)
Other comprehensive income for the year					
Items that may be reclassified subsequently to profit or loss					
– Foreign exchange translation differences			1		4
Total comprehensive loss for the year attributable to the owners of the parent company			(1,072)		(1,519)
Loss per share – attributable to the owners of the parent company: – basic and diluted (cents)	10		(0.02c)		(0.05c)

All results relate to continuing activities. There is no taxation arising on other comprehensive income.

The notes on pages 19 to 46 form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

			30 June 2019		30 June 2018

	Note		$’000		$’000
ASSETS					
Non-current assets					
Intangible assets: exploration activities	11		3,000		3,000
Property, plant and equipment	14		–		6
Total non-current assets			3,000		3,006
Current assets					
Inventory			–		10
Trade and other receivables	15		25		92
Cash and cash equivalents	15		80		153
Total current assets			105		255
TOTAL ASSETS			3,105		3,261
LIABILITIES					
Current					

liabilities					
Trade and other payables	16		(2,076)		(1,719)
Borrowings	17		(1,951)		(1,423)
Total current liabilities			(4,027)		(3,142)
NET ASSETS			(922)		119
EQUITY					
Share capital	18		19,341		19.314
Share based payment reserve			2,850		2,882
Foreign exchange translation reserve			(572)		(573)
Retained losses			(22,541)		(21,504)
Total equity attributable to the owners of the parent company			(922)		119

The notes on pages 19 to 46 form part of the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 2 December 2019 and were signed on its behalf.

C J Cleverly

Chairman

	Share capital	Share-based payment reserve	Foreign exchange translation reserve	Retained losses	Tota
	$'000	$'000	$'000	$'000	$'00(
Balances at 1 July 2017	18,551	2,633	(577)	(20,115)	492
Loss for the year	–	–	–	(1,523)	(1,523
Other comprehensive income					
Exchange translation differences on foreign operations	–	–	4	–	4
Total comprehensive income for the year	–	–	4	(1,523)	(1,519

Transactions with owners					
Issue of shares	763	–	–	–	763
Issue of options and warrants	–	383	–	–	383
Lapse of share based payments	–	(134)	–	134	–
Total transactions with owners	763	249	–	134	1,146
Balance at 30 June 2018	19,314	2,882	(573)	(21,504)	119
Loss for the year	–	–	–	(1,073)	(1,073
Other comprehensive income					
Exchange translation differences on foreign operations	–	–	1	–	1
Total comprehensive income for the year	–	–	1	(1,073)	(1,072
Transactions with owners					
Issue of shares	27	–	–	–	27
Issue of options and warrants	–	4	–	–	4
Lapse of share based payments	–	(36)	–	36	–

Total transactions with owners	27	(32)	–	36	31
Balance at 30 June 2019	19,341	2,850	(572)	(22,541)	(922)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

The notes on pages 19 to 46 form part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2019

	Note		2019		2018
			$'000		$'000
Operating activities					
Loss before tax			(1,073)		(1,523)
Adjustments for:					
– Depreciation			6		7
– Profit on disposal of investments			–		(24)
– Impairment of property, plant and equipment			–		86
– Impairment of loan to unquoted company	17		50		100
– Foreign exchange (gain)/loss			(109)		65
– Share based payment			–		334
– Finance expense			364		357
Operating cash flow before movements in working capital			(762)		(598)

Working capital adjustments:					
– Decrease / (increase) in inventory			10		(10)
– Decrease in receivables			27		–
– Increase in payables			298		159
Cash used in operations			(427)		(449)
Finance expense			–		(42)
Net cash used in operating activities			(427)		(491)
Investing activities					
Loan to unquoted company	15		(50)		(100)
Net cash used in investing activities			(50)		(100)
Financing activities					
Proceeds from issue of share capital	18		96		733
Issue of convertible of loan notes	17		308		–

Net cash from financing activities			404		733
Net decrease/(increase) in cash and cash equivalents			(73)		142
Cash and cash equivalents at start of the year			153		11
Cash and cash equivalents at end of the year			80		153

Non cash transactions

The principal non cash transactions relate to:

			2019		2018
Shares issued in settlement of:			$'000		$'000
• Advisory and consultancy and directors' fees			–		232
Share based payments			4		334
			4		566

The notes on pages 19 to 46 form part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. General Information

Block Commodities Limited is incorporated and domiciled in Guernsey. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Directors' Report on pages 2 to 3.

The presentational and functional currency of the Group is US Dollars as this reflects the Group's business activities in the fertiliser trading and resource exploration sectors in sub-Saharan Africa, and therefore the Group's financial position and financial performance.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as adopted by the European Union (EU), IFRIC Interpretations and those parts of the Companies (Guernsey) Law 2008 applicable to companies reporting under IFRS. The financial statements have been prepared under historical cost convention as modified by certain financial instruments at fair value.

Adoption of new and revised standards and interpretations

In the current year, the Group has adopted all new and revised IFRSs that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2018. At the date of authorisation of these financial statements for the year ended 30 June 2019, the following IFRSs were adopted:

IFRS 9 Financial Instruments

IFRS 9 has replaced IAS 39 Financial Instruments:

Recognition and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment: IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The Group does not hedge account for these accounts.

Derecognition. The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39.

Following an assessment of the classification of each financial asset no changes to classification were required. Management have performed an assessment of expected credit losses for the Group receivables.

The Group applied the modified retrospective transition method. There has been no impact on the financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

Management has assessed the core principle of IFRS 15, that the company will recognise revenue to depict the transfer of promised goods to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods. Revenue is recognised when goods are collected or delivered to the customer in line with published or contracted terms and conditions. The company has reviewed the terms and conditions of the company and is satisfied that there is no change to the timing of revenue recognition under IFRS 15 regarding their policy, but this will be reviewed if, and when sales commence.

The Group has not applied the following new, revised or amended pronouncements that have been issued by the IASB as they are not yet effective for the annual financial year beginning 1 July 2018.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The mandatory implementation required by the standard is for years beginning on or after 1 January 2019. This change in accounting policy will be implemented for the first time for the financial year ending 30 June 2020 with the relevant analysis completed for the interim results to 31 December 2019.

The directors do not expect there to be a material impact to the financial statements from the adoption of this standards.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Basis of consolidation

The financial statements consolidate the financial statements of Block Commodities Limited and the financial statements of its subsidiary undertakings made up to 30 June 2019.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control is transferred to the Group

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method if they meet the criteria of IFRS 3. The cost of acquisition is measured at the aggregate of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The assets, liabilities and contingent liabilities of the acquiree are measured at their fair value at the date of acquisition. Any excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired is recognised as goodwill. If the fair value of the consideration is less than the fair value of the identifiable net assets acquired, the difference is recognised directly in the income statement.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement and Director's report. In addition note 4 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial management objectives; details of its financial instruments and approach to credit and liquidity risk.

The financial statements have been prepared on a going concern basis. The Group is in a net liability position, its assets are not generating revenues, an operating loss has been reported, operating cash outflows have been incurred and the Group will need to raise funds to provide additional working capital to finance their ongoing activities, non-discretionary expenditures and new medicinal cannabis focused projects. In addition current debt settlement dates will need to be renegotiated with the relevant lenders and should the loan totaling $1.6m be converted into shares then shareholders holding will be diluted accordingly.

The earn-in agreement with AAX enables the Group to retain an interest in the Lac Dinga project without the need to commit additional cash resources in the first two phases of work scheduled under the agreement.

The board has prepared forecasts for the Group covering the period to 30 June 2021. The principal assumption is that the Company will raise additional equity to acquire an interest in and fund the development of a production facility for medicinal cannabis that will generate a cash return within the forecasting period.

The directors are confident that additional equity will be available, that debt settlement dates will be renegotiated and that there will be sufficient cash resources to enable the Group to pay debts as they fall due and to continue its operations for the foreseeable future and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Going concern is referred to by the auditors in the audit report as a material uncertainty.

Foreign exchange

i. *Transactions and balances*

The individual financial statements of each company in the Group are prepared in the currency of the primary economic environment in which it operates (its "functional currency"). The consolidated financial statements are presented in US dollars ($).

Foreign currency transactions are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in in the income statement.

ii. Consolidation

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's operations are translated at exchange rates prevailing at the statement of financial position date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case exchange rates at the date of transactions are used. Exchange differences arising from the translation of the net investment in foreign operations and branches are recognised as a separate component of equity. Such translation differences are recognised as income or expense in the year in which the operation or branch is disposed of.

The following exchange rates have been used in preparing the consolidated financial statements:

	Average Rate		Closing Rate	
	2019	2018	2019	2018
GBP	1.30	1.35	1.27	1.36
Central African Franc (CFA)	605	569	581	579

2. Significant accounting policies

Current and deferred income tax

The tax expense represents the sum of the tax currently payable and deferred tax. The tax payable is based on taxable result for the year. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the reporting date In Guernsey. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and 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. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon rates enacted and substantively enacted at the reporting date. Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible exploration and evaluation assets

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written-off to the income statement as incurred.

Exploration and evaluation costs arising following the acquisition of an exploration licence are capitalised on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include technical expenses and allocated administrative overheads. Exploration assets are carried at historical cost less any impairment losses recognised.

If an exploration project is successful and it is brought into production, the related expenditures are transferred to property, plant and equipment as a mineral reserve or resource and depleted on a unit of production basis, or until the properties are sold, allowed to lapse, abandoned or determined not to be economically viable, at which time they are charged to the income statement.

Capitalised exploration expenditures are reviewed for impairment losses (see accounting note below) at each reporting date. In the case of undeveloped properties, there may be only inferred resources to form a basis for the impairment review. The review is based on a status report regarding results of exploration or evaluation work to date and the Group's intentions for development of the related property as well as consideration of the impairment factors set out in IFRS 6.

The recoverability of exploration and evaluation costs is dependent upon the discovery of economically recoverable ore reserves, the ability of the Group to obtain the necessary financing to complete the development of the reserves and future profitable production or proceeds from the disposal thereof.

Impairment of intangible assets – Exploration and evaluation costs

Impairment reviews for exploration and evaluation costs are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise but typically when one of the following circumstances applies:

- Unexpected geological occurrences that render the resource uneconomic;
- Substantive expenditure on further exploration expenditure for and evaluation of mineral resources is neither budgeted or planned;
- Variations in the commodity price that render the project uneconomic;
- Title to the asset is compromised; or
- The Group determines it no longer wishes to continue with or develop the project.

Property, plant and equipment

All items of property, plant and equipment are stated at historical cost less depreciation (see below) and impairment. Historical cost includes expenditure that is directly attributable to the acquisition. Subsequent costs are included in the asset's carrying value when it is considered probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Assets in course of construction for production, rental or administrative purposes not yet determined are carried at cost, less any identified impairment loss. Cost includes professional fees and associated administrative expenses.

Impairment of intangible assets – Exploration and evaluation costs (continued)

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item, as follows:

Motor vehicles	25%	
Office equipment	10%	– 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the income statement.

Financial Assets

Classification

The Group classifies its financial assets in the following categories: at amortised cost including trade receivables and other financial assets at amortised cost, The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Recognition and measurement

Amortised cost

Trade and other receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The group holds the trade and other receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method.

The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and

- the contractual terms give rise to cash flows that are solely payments of principle and interest.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date.

Impairment of financial assets (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. This is the same treatment for a financial asset measured at FVTPL.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables.

Trade and other payables

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

Loan notes

Loan notes are measured at cost. Convertible loan notes are classified as liabilities and are transferred to equity when the conversion rights are exercised.

Equity instruments

Equity instruments issued by the Group are recorded at fair value on initial recognition, net of transaction costs. Transfers of shares to /from treasury are recorded at fair value. Shares in treasury are held at par value.

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement (continued)

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

Share based payments – share options and warrants

The Company issues equity-settled share-based payments to certain employees. These payments are measured at fair value (excluding the effect of non–market based vesting conditions) at the date of grant and the value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for non–market based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS as adopted in the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Intangible exploration and evaluation assets

The valuation of the Group's exploration, evaluation and development expenditure is dependent upon the success of the Group in discovering and having the economic ability to develop recoverable mineral resources in a country of operation where political, economic, legal, regulatory and social uncertainties are potential risk factors.

The future revenue flows relating to these assets are uncertain and will be affected by competition, relative exchange rates and potential new legislation and related environmental requirements.

The Group's ability to continue its exploration program and develop its project is dependent on the ability of the Group to find a partner to develop its asset or future fundraising. Whilst the Group believes it has achieved this through the agreement with Africa Agronomix Limited ("AAX") there is no certainty that this will proceed as planned. The third term of the licence was renewed in July 2019. The key judegements are that AAX will mobilise and perform the work set out in the agreement. Whilst there is no indication at the date of signing these financial statements that AAX will not mobilise, there is no absolute certainty of this. As a result, the directors have exercised their judgement on this matter and have concluded that no further impairment provision is required. Failure of AAX to mobilise and undertake a drilling campaign may result in a full impairment of the asset.

Share Options and warrants

The group has 236,444,686 share options in issue with a weighted average exercise price of 0.29p and 640,351,231 investor warrants with a weighted average exercise price of 1.30p.

The valuation of options uses the Black Scholes model and is detailed in Note 19. Changes to inputs and assumptions, in particular concerning the volatility of the Company's share price and the time to exercise can have a significant effect on the valuation

4. Financial risk management

The Group is principally financed by equity share capital to finance the Group's operations and expansion together with short term borrowings. The Group has financial instruments of cash, loan receivables, short term deposits, a loan note, deferred consideration and others such as trade and other receivables and payables.

The Group has not entered into any derivative or other hedging instruments.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk (including interest rate risk and currency risk). The Board reviews and agrees policies for managing each of these risks and these are summarised below. The interest receivable relates to interest earned on bank deposits.

4. Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations. Credit risk arises from financial assets, cash and cash equivalents, and deposits with banks and financial institutions, as well as outstanding receivables. The Group's principal deposits are held with a bank with a high credit rating. Receivables are regularly monitored and assessed for recoverability.

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The fair value of financial assets and liabilities is not materially different to the carrying values presented.

Maximum exposure to credit risk is as follows:

	2019		2018
	$'000		$'000
Trade and other receivables	–		91
Cash and cash equivalents	80		153
	80		244

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset when they fall due. The Group's policy throughout the year has been to ensure that it has adequate liquidity by careful management of its working capital which it achieves through monitoring cash flows and forecasts and preserving cash through minimising burn rate through cost reduction. At 30 June 2019 the Group held cash deposits of $80,000 (2018: $153,000).

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates and interest rates, will affect the Group's income on the value of its holding in financial instruments. The objective is to manage and control market risk exposures with acceptable parameters whilst optimising the return. The significant market risks to which the Group is exposed are currency risk and interest rate risk.

These are discussed further below:

- *Interest rate risk*

The Group finances operations through the use of cash deposits at variable rates of interest for a variety of short term periods, depending on cash. The rates are reviewed regularly and the best rate obtained in the context of the Group's needs. The weighted average interest rate on deposits was nil (2018: nil).

The exposure of the financial assets to interest rate risk is as follows:

	2019		20
	$'000		$'(
Financial assets at floating rates – Cash and cash equivalents	80		1

- *Currency risk*

The Group holds cash balances and has transactions denominated in currencies other than the reporting currency and which therefore are subject to fluctuations in exchange rates. These risks are monitored by the board on a regular basis. The Group does not hedge against the effects of exchange rates.

The exposure of the Group's financial assets and liabilities to currency risk is as follows:

		Sterling	CFA	Other	USD	Total
		$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents		79	–	1	–	80
Trade and other receivables		25	–	–	–	25
Total financial assets at 30 June 2019		**104**	**–**	**1**	**–**	**105**

Trade payables		5	165	–	–	170
Other payables and accruals		817	776	–	313	1,906
Borrowings		1,951	–	–	–	1,951
Total financial liabilities at 30 June 2019		**2,773**	**941**	**–**	**313**	**4,027**
Cash and cash equivalents		153	–	–	–	153
Trade and other receivables		65	–	1	–	66
Total financial assets at 30 June 2018		218	–	1	–	219
Trade payables		4	165	1	–	170
Other payables and accruals		485	777	–	275	1,537
Borrowings		1,423	–	–	–	1,423
Total financial liabilities at 30 June 2018		1,912	942	1	275	3,130

Fair values

The Directors have reviewed the financial statements and have concluded that there is no significant difference between the carrying values and the fair values of the financial assets and liabilities of the Group as at 30 June 2019 and at 30

June 2018.

Capital risk management

The Group regularly reviews its capital management requirements. The requirement for capital is satisfied by the issue of shares and short term loan notes.

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group places funds which are not required in the short term on deposit at the best interest rates it is able to secure from its bankers.

The Group is under no obligation to meet any externally imposed capital requirements.

Sensitivity analysis

Financial instruments affected by market risk include cash and cash equivalents, trade and other receivables and payables. The following analysis, required by IFRS 7 Financial Instruments: Disclosures, is intended to illustrate the sensitivity of the Group's financial instruments (at period end) to changes in market variables, being exchange rates and interest rates.

Exchange rates:	Income Statement		Equity
	$'000		$'000
2019			
+ 5% US$ Sterling	(133)		(133)
– 5% US$ Sterling	133		133
+5% US$ CFA	–		–
-5% US$ CFA	–		–
2018			
+ 5% US$ Sterling	(85)		(85)
– 5% US$ Sterling	85		85
+5% US$ CFA	–		–
-5% US$ CFA	–		–

The following assumptions were made in calculating the sensitivity analysis:

- all income statement sensitivities also impact equity
- translation of foreign subsidiaries and operations into the Group's presentation currency have been excluded from this sensitivity.

5. Segment reporting

The Chief Operating Decision Maker ("CODM") is considered to be the Directors. The directors consider that during the year the Group's activities comprise the segments of fertiliser trading and potash exploration and other unallocated expenditure in one geographical segment, Africa.

Revenue represents sales to external customers. Unallocated expenditure relates to central costs and any items of expenditure that can not be directly attributed to an individual segment.

Year ended 30 June 2019		Trading	Exploration	Unallocated	Total
		$'000	$'000	$'000	$'000
Revenue		–	–	–	–
Segment results					
– Operating expenses		(105)	–	(554)	(659)
– Impairment		–	–	(50)	(50)
– Interest expense		–	–	(364)	(364)
Loss before tax		(105)	–	(968)	(1,073)
Income tax		–	–	–	–
Loss after tax		(105)	–	(968)	(1,073)

Year ended 30 June 2018		Trading	Exploration	Unallocated	Total
		$'000	$'000	$'000	$'000
Revenue		–	–	–	–
Segment results					
– Operating expenses		(402)	(14)	(563)	(979)
– Impairment		–	(87)	(100)	(187)
– Interest expense		–	–	(357)	(357)
Loss before tax		(402)	(101)	(1,020)	(1,523)
Income tax		–	–	–	–
Loss after tax		(402)	(101)	(1,020)	(1,523)

Segment assets consist primarily of intangible assets, property, plant and equipment, other receivables and cash and cash equivalents. Segment liabilities comprise operating liabilities.

Capital expenditure comprises of additions to property, plant and equipment and intangibles.

The segment assets and liabilities at 30 June 2019 and capital expenditure for the year then ended are as follows:

		Trading	Exploration	Unallocated	Total
		$'000	$'000	$'000	$'000
Assets		1	3,000	104	3,105

Liabilities			940	3087	4,027
Capital expenditure		–	–	–	–

Segment assets and liabilities are reconciled to Group assets and liabilities as follows:

At 30 June 2019			Assets	Liabilities
			$'000	$'000
Segment assets and liabilities			3,001	940
Unallocated:				
Other receivables			25	–
Cash			79	–
Trade payables			–	5
Accruals and deferred income			–	1,131
Borrowings			–	1,951
Total			3,105	4,027

The segment assets and liabilities at 30 June 2018 as restated and capital expenditure for the year then ended are as follows:

		Trading	Exploration	Unallocated	Total
		$'000	$'000	$'000	$'000
Assets		18	3,000	243	3,261
Liabilities		–	942	2188	3,130
Capital expenditure		–	–	–	–

Segment assets and liabilities are reconciled to Group assets and liabilities as follows:

At 30 June 2018				Assets	Liabilities
				$’000	$’000
Segment assets and liabilities				3,018	942
Unallocated:					
Other receivables				90	–
Cash				153	–
Trade payables				–	5
Accruals and deferred income				–	760
Loan note				–	1,423
Total				3,261	3,130

6. Operating loss

Operating loss has been arrived at after charging:	2019		2018
	$’000		$’000
Net foreign exchange (gain) / loss	(106)		63
Travel and accommodation	53		21
Legal and professional	214		323
Consultancy fees	62		24
Depreciation	6		7
Staff costs (see note 7)	379		488

Other gains and losses include the foreign exchange gain or loss arising on the revaluation of the bridge loan (see note 17).

Amounts payable to the Group's auditor PKF Littlejohn LLP and its associated entities are as follows:

	2019		2018
	$'000		$'000
Audit services – statutory audit	30		35

7. Staff costs

The average monthly number of employees (including executive directors) employed by the Group for the year was as follows:

	2019		2018
	Number		Number
Office and Management	2		2
Operational	2		3
	4		5

The aggregate remuneration comprised:

	2019		2018
	$'000		$'000
Wages and salaries	379		351
Social security costs	–		–
Share based payment charge			137
	379		488

Directors' remuneration 2019			Short term employee benefits		Share based payments		Total
			$'000		$'000		$'000
C Cleverly			135		–		135
E Pungong			39		–		39
M Simmonds			39		–		39
			213		–		213
Key management remuneration							
N Clayton			105		–		105

Directors' remuneration 2018			Short term employee benefits		Share based payments		Total	
			$'000		$'000		$'000	
C Cleverly			121		98		219	
E Pungong			31		16		47	
M Simmonds			31		23		54	
			195		137		332	
Key management remuneration								
N Clayton			95		–		95	

At 30 June 2019, there were outstanding directors’ fees of 429,000 (2018: $259,000) and key management fees of $157,000 (2018: $79,000)

8. Finance expense

	2019		2018
	$’000		$’000
Finance expense			
– Loan note facility fee (see note 17)	–		(64)
– Loan note interest	(364)		(293)
Total finance expense	(364)		(357)

9. Income tax

	2019		2018
	$’000		$’000
Loss before tax from continuing activities:	(1,073)		(1,523)
Tax at the effective corporation tax rate 30% (2018: 30%)	(322)		(457)
Deferred tax credit	104		167
Deferred tax credit not recognized	(104)		(167)
Tax effect of expenses that are not deductible in determining taxable profit	–		19
Tax effect of losses not allowable	322		438

Total tax for the year (current and deferred)	–		–

The tax reconciliation has been prepared using a 30% tax rate, an estimate of the effective corporate income tax rate in jurisdictions where the Group operates.

The Group has operations in a number of overseas jurisdictions where it has incurred taxable losses for the year of $345,000 (2018: $556,000). To date no deferred tax asset has been recognised as the requirements of IAS 12 'Income Taxes' have not been met.

The Company is resident for taxation purposes in Guernsey and its income is subject to Guernsey income tax, presently at a rate of zero (2018: zero). No tax is payable for the year due to losses incurred. Deferred tax has not been provided for, as brought forward tax losses are not recoverable under the Income Tax (Zero 10) (Guernsey) Law, 2007 (as amended).

Income tax for the period is nil (2018:nil) and deferred tax for the period is nil (2018:nil) and thereby the total taxation for the period is nil (2018:nil).

10. Loss per share

The calculation of the basic and diluted loss per share is based on the following data:

	2019		2018
	$'000		$'000
Loss for the purposes of basic earnings per share			
– attributable to owners of the parent company	(1,073)		(1,523)
Number of shares			
Weighted average number of ordinary shares for the	4,831,793,287		3,112,078,626

purposes of basic and diluted loss per share			
Loss per share attributable to owners of the parent company	(0.02c)		(0.05c)

The company has issued options over ordinary shares which could potentially dilute basic loss per share in the future. Due to the loss incurred during the year, there is no difference between basic loss per share and diluted loss per share as the potential ordinary shares are anti-dilutive.

11. Intangible assets

			Evaluation and exploration costs
			$’000
At 1 July 2017 and 2018			3,000
Additions			–
Impairment provision			–
Exchange rate adjustment			–
At 30 June 2019			3,000

Evaluation and exploration costs are capitalised in accordance with IFRS 6. The asset comprises the Lac Dinga exploration licence in the Republic of Congo held by La Societé des Potasses et des Mines SA (“SPM”) in which the Group has a 70% interest. The second term of the license expired on 25 April 2018. The application to renew the licence for a third term of 2 years, was approved on 12 July 2019. Under the terms of its licence, the Group is required to undertake some exploration activity in any nine month period and during the year work has continued on planning the next phase of drilling.

In order to develop the asset and issue a maiden resource statement, the Group announced on 19 July 2017 that it has entered an agreement with African Agronomix Limited (“AAX”), whereby AAX has the right to acquire up to 100% of the

Company's interest in Lac Dinga project structured over four distinct phases. The agreement was effective 17 October 2017 and AAX are acting as the operator of the project on behalf of SPM.

12. Investment in subsidiaries

The Group had the following subsidiaries at 30 June 2019					
Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares held directly by the parent %	Proportion of ordinary shares held by the group %	Proportion of ordinary shares held by non-controlling interests %
African Potash (Mauritius) Limited[1]	Mauritius	Intermediate holding company	100	100	–
La Société des Potasses et des Mines S.A. [2]	Republic of Congo	Potash exploration	–	70	30
African Fertiliser Limited[1]	Guernsey	Intermediate holding company	100	100	–
African Potash (Uganda) Limited[3]	Uganda	Fertiliser trading	–	51	49
African Potrash (Zambia) Limited[3]	Zambia	Fertiliser trading	1	100	–

[1] Held directly by the Company

[2] Held by African Potash (Mauritius) Limited

[3] Held by African Fertiliser Limited

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

Set out below is the summary financial information for:

La Société des Potasses et des Mines S.A. ("SPM")			2019	2018
			$'000	$'000
Non Current Assets			2,737	2,742
Current				
• Assets				–
• Liabilities			(940)	(942)
Net Current Liabilities			(940)	(942)
• Loan from parent company			(6,063)	(6,075)
Net Liabilities			(4,266)	(4,275)

12. Investment in subsidiaries (continued)

Block Commodities(Zambia) Limited			2019	2018
			$'000	$'000
Non Current Assets			–	6
Current				
• Assets			1	11
• Liabilities			–	–
Net Current Assets			1	11

• Loan from parent company			(211)	(211)
Net Liabilities			(210)	(194)

13. Investment in associate

				$'000
At 1 July 2017				101
Disposal				(101)
Share of loss for the period				–
At 30 June 2018 & 2019				–

As announced on 14 March 2018, the Group and AHH decided to unwind the investment in AAH as the Company was unable to arrange additional trade finance facilities to accelerate the development of the AAH Business. Consequently the 221,601,740 ordinary shares issued as initial consideration have been returned to the Company by the vendors of AAH. The deferred consideration is no longer payable. These shares are held in treasury (see note 19).

14. Property, plant and equipment

			Motor vehicles	Office equipment	Total
			$'000	$'000	$'000
Cost					
At 1 July 2017			51	149	200
Exchange rate adjustment			–	(1)	(1)
At 1 July 2018			51	148	199
Exchange rate adjustment			–	–	–

AT 30 June 2019			51	148	199
Depreciation					
At 1 July 2017			19	82	101
Charge for the year			7	–	7
Impairment			19	67	86
Exchange rate adjustment			–	(1)	(1)
At 1 July 2018			45	148	193
Charge			6	–	6
Exchange rate adjustment			–	–	–
At 30 June 2019			51	148	199
Net book value					
At 30 June 2019			**–**	**–**	**–**
At 30 June 2018			6	–	6

All property plant and equipment is held in Africa. Depreciation arising in the year has been included in operating costs. The impairment charge arises in respect of assets held by SPM in Republic of Congo following the closure of the office pending renewal of the exploration license.

15. Current assets

			2019		2018
			$'000		$'000
Current assets					
Inventory			–		10

Trade receivables			–		1
Prepayments			–		25
Other receivables			25		66
Cash and cash equivalents			80		153
			105		355

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. No credit losses have been recognised in the prior period.

During the year $50,000 (2018:$100,000) was advanced to Vipa Holdings (Pty) Limited, pending completion of negotiations to acquire an equity stake. After due diligence, the Company decided not to continue with the acquisition. The receivable has been fully impaired.

The directors consider that the carrying amount of financial assets approximates their fair value. There are no significant amounts past due.

16. Financial liabilities

			2019		2018
			$'000		$'000
Current liabilities					
Trade payables			170		170
Other payables			706		707

Accruals			1,200		842
Borrowings (note 17)			1,951		1,423
Total financial liabilities			4,027		3,142

Trade payables, other payables and accruals comprise amounts outstanding for trade purchases and ongoing costs. Accruals include unpaid interest on the loan note of $319,000 (2018: $260,000).

The directors consider that the carrying amount of financial liabilities approximates to their fair value.

17. Borrowings

Bridge Loan Note

				$'000
At 1 July 2017				1,170
Unpaid interest capitalised				190
Exchange rate adjustment				63
At 30 June 2018				1,423
Unpaid interest capitalised				306
Exchange rate adjustment				(102)
At 30 June 2019				1,627

On 1 September 2017, the Company, with agreement of the lender, renewed the term of the bridge loan for a further 2 years. Unpaid interest of £145,669 was rolled into the principal outstanding. The loan is repayable on the earlier of:

- 1 September 2019;
- completion by the Company of equity financing which (in aggregate) raises more than £2.0m; and
- completion of any non-trade finance debt financing.

In addition, the lender has the right at any time to convert any amount of the loan outstanding at a conversion price of 0.02p per ordinary share or, if lower, at a price per share at which shares are issued for cash following the renewal of the loan.

In the event of default under the provisions of the loan (including a failure to make interest payments), the lender may require the Company to conduct a placing (at a 30% discount to the share price on the day preceding the date on which an application is made for admitting the placing shares to trading) to raise funds to satisfy all outstanding sums plus an additional facility fee of 5%.

Subject to certain trigger events noted below, the lender agreed to reduce the interest on the loan note to 10% per annum, payable monthly. In this context, the Company was required to make a minimum monthly payment to the lender of at least £5,000 in respect of accruing interest, and any balance of such accruing but unpaid interest shall be rolled-up as additional loan capital. on 1 September 2019 and 1 September 2019 only. Interest will be charged on the additional loan capital.

- in the event that the Company fails to comply with the terms of the loan note, the Company agreed that the reduced rate of interest noted above shall cease to be effective and the interest rate (and associated provisions) shall revert to those set out in the original loan, together with all other consequences, with effect from 1 September 2017; and

- the Company agrees to pay a facility re-arrangement fee of £50,000 in respect of the renewal at 1 September 2017. The lender agreed to waive this fee provided that the Company complies with the terms of the loan note on an ongoing basis (failing which, such fee shall be immediately due and payable).

The Company has not met its obligations and accordingly a provision has been made for the full amount of interest and arrangement fees under the agreement. The amount of unpaid interest and fees capitalised at 1 September 2018 was $306,000 and at 1 September 2019 unpaid interest of $351,000 was capitalised.

The Company is in discussions with the lender to restructure the facility.

Convertible loan notes

				$'000
At 1July 2018				–
Issue of loan notes				333
Exchange rate adjustment				(9)
At 30 June 2019				324

As part of the fundraising announced on 27 March 2019, the Company issued convertible loan notes amounting to $333,000, whilst it sought authority from shareholders to issue further ordinary shares. The terms of the notes provided for automatic conversion into equity on the passing of the resolution at the Annual General Meeting held on 13 May 2019. The conversion price was adjusted to 0.02p per new ordinary share to ensure all investors received the same terms. These shares were formally issued to note holders on 15 November 2019.

Reconciliation to cash flow statement

	At 30 June 2018	Cash flow	Interest Capitalised	Foreign Exchange	At 30 June 2019
	$'000	$'000	$'000	$'000	$'000
Bridge Loan Note	1,423	–	306	(102)	1,627
Convertible loan notes	–	333	–	(9)	324
	1,423	333	396	(111)	1,951

18. Share capital

		Authorised. allotted and fully paid	
Ordinary shares of no par value		Number	$'000

At 1 July 2017		1,876,112,472	18,551
Issue of shares		2,854,250,678	888
Transfer to shares held in treasury *		(221,601,740)	(125)
At 30 June 2018		4,508,762,000	19,314
Issue of shares		107,000,000	27
At 30 June 2019		4,615,762,000	19,341
Shares held in treasury		221,601,150	–
Total shares in issue at 30 June 2019		4,837,363,150	19,341

The Company has one class of ordinary share which carries no right to fixed income.

On 19 July 2018 107,000,000 shares were issues at 0.035p to fund the working capital requirements of the Group,

* On 16 June 2017, 221,601,740 shares were issued at 0.045p in satisfaction of the initial consideration due on the acquisition of 21% of Advanced Agricultural Holdings (Pty) Limited (see note 14). As announced on 14 March 2018, the Group and AAH decided to unwind the investment in AAH. Consequently the 221,601,740 ordinary shares issued as initial consideration have been returned to the Company by the vendors of AAH. These shares are held in treasury.

Share Options:

At 30 June 2019, the following options over ordinary shares have been granted to directors and employees to the Company and remain unexercised:

Date of grant	Number of shares	Exercise price	Exercise period
11 July 2014	8,000,000	4p	11 July 2015 to 11 July 2020
27 February 2015	2,444,686	0.9p	27 August 2015 to 27 August 2020

11 August 2015	19,000,000	0.56p	11 August 2015 to 11 August 2020
29 March 2018	90,000,000	0.055p	29 March 2019 to 28 March 2023
29 March 2018	72,000,000	0.125p	29 March 2019 to 28 March 2023
29 March 2018	45,000,000	0.2p	29 March 2019 to 28 March 2023
	236,444,686		

Incentive shares

At 30 June 2019, the following incentive shares have been granted to directors and consultants to the Company and remain unvested:

Date of grant	Number of shares	Vesting price	Exercise period
29 March 2019	122,500,000	0.2p	29 March 2018 to 28 March 2023

Zero Cost Options

Certain employees and consultants waived arrears of fees in return for an option to subscribe for new ordinary shares at a nominal subscription price. The number of options issued was calculated using the market value of 0.055p per share, reducing creditors by $99,000.

Date of grant	Number of shares	Exercise price	Exercise period
29 March 2018	127,657,786	Nominal	From 29 March 2018

Warrants:

At 30 June 2019 the following warrants over ordinary shares have been and remain unexercised:

Date of grant	Number of shares	Exercise price	Exercise period

19 October 2015	2,500,000	3p	19 October 2016 to 30 June 2020
10 November 2015	6,250,000	3p	10 November 2016 to 30 June 2020
01 December 2015	2,500,000	3p	01 December 2016 to 30 June 2020
19 October 2015	15,000,000	5p	19 October 2016 to 30 June 2020
10 November 2015	32,475,000	5p	10 November 2016 to 30 June 2020
01 December 2015	5,000,000	5p	01 December 2016 to 30 June 2020
19 October 2015	15,000,000	8p	19 October 2016 to 30 June 2020
10 November 2015	35,000,000	8p	10 November 2016 to 30 June 2020
01 December 2015	2,500,000	8p	01 December 2016 to 30 June 2020
10 November 2015	10,000,000	10p	10 November 2016 to 30 June 2020
14 July 2017	200,000,000	0.025p	14 July 2017 to 13 December 2022
20 October 2017	56,283,374	0.06p	20 October 2017 to 16 July 2020
14 December 2017	200,000,000	0.025p	14 December 2017 to 13 December 2022
28 June 2018	47,142,857	0.035p	28 June 2018 to 27 June 2021
19 July 2018	10.700,000	0.035p	19 July 2018 to 18 July 2021
	640,351,231		

19. Share based payments

Equity – settled share option plan

The Group unapproved share option scheme was established to provide equity incentives to the directors of, employees of and consultants to the company. The scheme rules provide that the Board shall determine the exercise price, vesting period and vesting criteria. The vesting period is generally 1 year. If options remain unexercised after a period of 4 or 5 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

			Options Number	Weighted average exercise price
Options at 1 July 2018			238,444,686	0.31p
Granted during the year			–	–
Lapsed			(2,000,000)	3.00p
At 30 June 2019			236,444,686	0.29p
Exercisable at the year end			236,444,686	0.29p

At 30 June 2019 the weighted average remaining contractual life of the options outstanding was 3.39 years (2018: 4.38 years).

No options were granted or exercised during the year.

Warrants

			Warrants Number	Weighted average exercise price
Warrants at 1 July 2018			629,651,231	1.32p
Issued during the year			10,700,000	0.035p

Lapsed			–	–
Warrants at 30 June 2019			640,351,231	1.30p
Exercisable at year end			640,351,231	1.30p

At 30 June 2019 the weighted average remaining contractual life of the warrants outstanding was 2.64 years (2018: 3.64 years).

The fair value of services received in return for share options and warrants granted is measured by reference to the value of the share options and warrants granted. This is estimated using the Black-Scholes model which is considered the most appropriate considering the effects of the vesting criteria, exercise price and the payment of the dividend by the Company.

The fair value of the warrants granted during the year was determined using the following assumptions:

– Share price at the date of grant was the average mid-market closing price for the three days immediately prior to grant of 0.045p
– The risk-free rate was 1.04% and was based on the gilt yield over the vesting period at the date of grant.
– The annual dividend yield is expected to be nil based on management's immediate intention to reinvest operating cash flows.
– The annual volatility was 109.1% and is derived from the daily share prices of the Company over the year preceding the date of grant.
– The warrants vest immediately and the weighted average exercise period is 2.00 years being an estimate of the exercise period.
– The fair value of warrants granted during the period ranged was 0.028p.

The charge of $4,000 in respect of broker warrants has been debited to share capital as a cost of the issue of equity.

20. Related party disclosures

1. The loan note (see note 18) has been provided by Mrs K Clayton, the wife of the Company's CFO. Interest of $364,000 (2018: $357,000) were charged during the year of which $319,000 remained outstanding at 30 June 2019 (2018: $260,000).

2. Mr N Clayton, the Group CFO, is a director of Global Web Pay Limited, a company providing foreign exchange services. During the year the Group paid fees and an estimated margin of $4,600 (2018: $4,000).

3. Rt Hon Mark Simmonds is the chairman of FinComEco Limited, The Company and FinComEco Limited worked on forming a joint venture to integrate a system of warehouse receipts to aggregate outputs of small-scale farmers and the development of local commodity exchanges. No fees were incurred.

4. During the year, the company entered an option agreement to acquire a stake in Made in Africa Foundation Limited (“MAIF”), a company incorporated in Uganda. MAIF is looking to acquire Cannabis licenses in Uganda. Chris Cleverly holds 50% of the share capital of MAIF. The option has lapsed, pending approval by shareholders of the expanded investment strategy into the medicinal cannabis sector. The premium paid was $20,000. This has been expensed in the period.

5. Remuneration of key management personnel

The remuneration of the directors, and the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 *‘Related Party Disclosures’*. Further information about the remuneration of individual directors is provided in note 7.

	2019		20
	$’000		$’0
Short-term employee benefits – directors	213		1
Short-term employee benefits – key personnel	105		
Share based payment – directors	–		1
Share based payment – key personnel	–		
	318		4

21. Capital commitments

At 30 June 2019 and 30 June 2018, the group was required under the terms of its Lac Dinga licence to conduct a minimum level of exploration activity. Under the agreement with AAX, these obligations lie with AAX and not the group.

22. Ultimate controlling party

The Directors believe that there is no ultimate controlling party of the Group.

23. Post balance sheet events

On 12 July 2019, the Lac Dinga exploration license was formally renewed by the government of the republic of Congo (see note 11).

On 15 November 2019, the group announced that it had raised £388,000 through the issue of £133,000 new ordinary shares at a price of 0.02p and £255,000 of Convertible Loan Notes with a conversion price of £0.0002 per ordinary share These convert automatically into equity once the necessary authorities had been obtained at the Annual general meeting held on 13 May 2019 and were formally issued on 15 November 2019.

ENDS

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The Directors of the Company accept responsibility for the content of this announcement.

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