RNS Number : 0627O
Block Energy PLC
29 September 2023

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Block Energy Plc

("Block" or the "Company")

Interim Results for the Six Months Ended 30 June 2023

Block Energy plc, the development and production company focused on Georgia, is pleased to announce the interim results for Block Energy plc and its subsidiaries (the "Group") for the six months ended 30 June 2023.

Highlights:

- 283,176 operational man-hours worked (1H 2022: 184,000 man-hours) with one lost time incident (1H 2022: none).
- Achieved record production rates in Q2 2023 of 664 boepd, significantly above corporate breakeven rate.
- Safely drilled WR-B01Za establishing good production rates from the well, which commenced stable production on 25 March.
- Spud well WR-34Z, with the well being completed to plan, on time and within budget in August 2023. The well was handed over to production with all hydrocarbons being monetised.
- Completed Project III gas resource evaluation across XIB and XIF Lower Eocene and Upper Cretaceous reservoirs using newly re-interpreted seismic.
- Signed MoU with the Ministry of Economy and Sustainable Development of Georgia, supporting the concept of long-term gas offtake of resources associated with Project III.
- Completed farm-out of part of XIB to Georgian Oil and Gas limited and received initial seismic results confirming the prospectivity of the new Project IV area.
- Undertook 11 workovers and wellbore interventions, including the installation of an Electrical Submersible Pump ("ESP") on well WR-38Z, which significantly reduced non-performing time on the well.
- Secured $2.0 million in non-dilutive debt financing with support from existing shareholders and senior management.
- Strong & consistent production performance during the period:
    - Total production of 96.4 Mboe, comprising 75.3 Mbbls of oil and 21.1 Mboe of gas (1H 2022: 93.3 Mboe, comprising of 64.9 Mbbls of oil and 28.4 Mboe of gas).
    - Average daily production of 533 boepd (1H 2022: 515 boepd).
    - Stable production from WR-B01Za was achieved on 25 March.
- Oil sales of 51.4 Mbbls with revenue of $3.45 million, representing a weighted average price of $67 per barrel (1H 2022: Oil sales of 45.6 Mbbls with revenue of $4.16 million, representing a weighted average price of $91 per barrel).
- Gas sales of 88.0 MMcf with revenue of $0.48 million, representing a weighted average price of $5.4/Mcf (1H 2022: 106.8 MMcf with revenue of $0.43 million, representing a weighted average price of $4.02/Mcf).
- Oil in inventory net to the Company at the end of the period was 11.7 Mbbls.
- Loss for the period from continuing operations of $432,000 (1H 2022: profit of $627,000).
- Cash position of $882,000 as at 30 June 2023 (31 December 2022: $450,000).

Post period events:

There were no post period events.

Block Energy plc's Chief Executive Officer, Paul Haywood, said:

"*I would like to start by thanking the Block Energy team for their continued efforts across many fronts whilst delivering on the plan safely and efficiently.*

"Performance throughout the period has delivered strong production and positive cashflows and even though H1 2023 suffered from lower-than-average oil prices, as of today, the Company remains on track to deliver its best full-year financial results in history. This is a testament to the team's enhanced operational performance and rigorous capital discipline, supported by strong H2 2023 Brent pricing. With WR-34Z now handed over to production, the remainder of this year promises to be an exciting time for the Company as we seek to further increase production with the drilling of KRT-45Z and advance the high-impact Project III multi-Tcf gas opportunity. I look forward to providing further updates, in due course."

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

****ENDS****

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

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

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Notes to editors

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

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

The Company has a 100% working interest in the West Rustavi onshore oil and gas field in licence blocks XIB & XIF. Multiple wells have tested oil and gas from a range of geological horizons. The field has so far produced over 75 Mbbls of light sweet crude and has 0.9 MMbbls of gross 2P oil reserves in the Middle Eocene. It also has 38 MMbbls of gross unrisked 2C contingent resources of oil and 608 Bcf of gross unrisked 2C contingent resources of gas in the Middle, Upper and Lower Eocene formations (Source: CPR Gustavson Associates: 1 January 2018).

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

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

Glossary

- bbls: barrels. A barrel is 35 imperial gallons.

· Bcf: billion cubic feet.

· boe: barrels of oil equivalent.

· boepd: barrels of oil equivalent per day.
· bopd: barrels of oil per day.

· Mbbls: thousand barrels.

· Mboe: thousand barrels of oil equivalent.

· MMbbls: million barrels.

· MMboe: million barrels of oil equivalent.

· MMcf: million cubic feet.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months period ended 30 June 2023

	Notes	**6 months ended 30 June 2023 Unaudited $'000**	**6 months ended 30 June 2022 Unaudited $'000**
Continuing operations:			
Revenue		3,926	4,589
Cost of sales:			
Direct costs		(1,839)	(1,729)
(Decrease) / increase in inventory		(135)	519
Depreciation and depletion of oil and gas assets	*6*	(827)	(951)
		(2,801)	(2,161)
Gross profit		**1,125**	**2,428**
Administrative expenses		(1,059)	(1,375)
Share based payments		(402)	(652)
Foreign exchange movements		10	(34)
		(1,451)	(2,061)
Operating (loss)/profit		**(326)**	**367**
Other income		4	240
Finance income		-	20
Finance expense	*4*	(110)	-
(Loss)/profit for the period before taxation		**(432)**	**627**
Taxation		-	-
(Loss)/profit for the period from continuing operations (attributable to the equity holders of the parent)		**(432)**	**627**
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		17	286
Total comprehensive (loss)/profit for the period attributable to the equity holders of the parent		**(415)**	**913**

(Loss)/profit per share (basic)	*5*	**(0.06)c**	**0.10c**
(Loss)/profit per share (diluted)	*5*	(0.05)c	0.08c

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	**30 June 2023 Unaudited $'000**	**31 December 2022 Audited $'000**
Non-current assets			
Intangible assets		50	-
Property, plant and equipment	*6*	25,151	24,815
		25,201	24,815
Current assets			
Inventory		4,431	4,791
Trade and other receivables		1,585	560
Cash and cash equivalents		882	450
Total current assets		6,898	5,801
Total assets		**32,099**	**30,616**
Equity and liabilities			
Capital and reserves attributable to equity holders of the Company:			
Share capital	*7*	3,593	3,565
Share premium		34,785	34,765
Other reserves		4,825	4,525
Foreign exchange reserve		711	694
Accumulated deficit		(16,651)	(16,349)
Total equity		**27,263**	**27,200**
Non-current liabilities			
Borrowings	*4*	1,936	-
Current liabilities			
Trade and other payables		1,177	1,693
Provisions		1,723	1,723
Total current liabilities		2,900	3,416
Total liabilities		**4,836**	**3,416**
Total equity and liabilities		**32,099**	**30,616**

Condensed Consolidated Interim Statement of Cash Flows

For the six months period ended 30 June 2023

	Notes	**6 months ended 30 June 2023 Unaudited $'000**	**6 months ended 30 June 2022 Unaudited $'000**
Operating activities			
(Loss)/profit for the period before income tax		(432)	627
Adjustments for:			
Finance income		-	(20)
Finance expense	*4*	110	-
Depreciation and depletion	*6*	827	950

Share based payments expense		402	652
Foreign exchange movement		(21)	34
Net cash flows from operating activities before changes in working capital		**886**	**2,243**
(Increase)/decrease in trade and other receivables		(1,009)	161
Decrease in trade and other payables		(516)	(767)
Decrease/(increase) in inventory		360	(675)
Net cashflows (used in)/from operating activities		**(279)**	**962**
Investing activities			
Expenditure in respect of intangible assets		(50)	-
Expenditure in respect of PP&E		(1,173)	(1,076)
Cash used in investing activities		**(1,223)**	**(1,076)**
Financing activities			
Interest paid	*4*	(86)	-
Proceeds from borrowings	*4*	2,000	-
Net cash flows from financing activities		**1,914**	**-**
Net increase/(decrease) in cash and cash equivalents		**412**	**(114)**
Cash and cash equivalents at start of period		450	1,244
Effects of foreign exchange rate changes on cash and cash equivalents		20	280
Cash and cash equivalents at end of period		**882**	**1,410**

Consolidated Statement of Changes in Equity

As at 30 June 2023

	Share capital	**Share premium**	**Accumulated deficit**	**Other reserve**	**Foreign exchange reserve**	**Total equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 30 June 2022 (unaudited)	**3,501**	**34,650**	**(20,774)**	**10,752**	**532**	**28,661**
Loss for the period	-	-	(2,235)	-	-	(2,235)
Exchange differences on translation of operations in foreign currency	-	-	-	-	162	162
Total comprehensive loss for the period	***-***	***-***	***(2,235)***	***-***	***162***	***(2,073)***
Shares issued	21	115	-	-	-	136
Share based payments	-	-	-	420	-	420
Options exercised	43	-	-	13	-	56
Options relinquished	-	-	6,389	(6,389)	-	-
Options expired	-	-	271	(271)	-	-
Total transactions with owners	***64***	***115***	***6,660***	***(6,227)***	***-***	***612***
Balance at 31 December 2022 (audited)	**3,565**	**34,765**	**(16,349)**	**4,525**	**694**	**27,200**
Profit for the period	-	-	(432)	-	-	(432)
Exchange differences on translation of operations in foreign currency	-	-	-	-	17	17
Total comprehensive profit for the period	***-***	***-***	***(432)***	***-***	***17***	***(415)***
Shares issued	21	20	-	-	-	41
Share based payments	-	-	-	402	-	402
Warrants issued	-	-	-	35	-	35
Options exercised	7	-	99	(106)	-	-

Warrants expired	-	-	31	(31)	-	-
Total transactions with owners	***28***	***20***	***130***	***300***	***-***	***478***
Balance at 30 June 2023 (unaudited)	**3,593**	**34,785**	**(16,651)**	**4,825**	**711**	**27,263**

Notes to the Condensed Consolidated Interim Financial Statements

For the six months period ended 30 June 2023

1. General information

Block Energy Plc, (the "Company") is a company registered in England and Wales (05356303), with its registered office at Eccleston Yards, 25 Eccleston Pace, London SW1W 9NF.

The Condensed Consolidated Interim Financial Statements of the Group, which comprises Block Energy plc and its subsidiaries (the "Group"), for the six-month period from 1 January 2023 to 30 June 2023, were approved by the Directors on 26 September 2023. The Group's principal activity is oil and gas exploration, development and production.

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

These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022 were approved by the Board of Directors on 10 May 2023 and delivered to the Registrar of Companies. The auditor's report on those financial statements was unqualified but did include a reference to the material uncertainty surrounding going concern, to which the auditors drew attention by way of emphasis of matter and did not contain a statement under s498 (2) - (3) of Companies Act 2006.

The Company's auditors have not reviewed these condensed interim financial statements.

2. Basis of preparation

Management has prepared these interim accounts in accordance with IFRS accounting policies as applied at 31 December 2022 (without the disclosure requirements of IFRS). They do not include all of the information required in annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2022 and any public announcements made by Block Energy Plc during the interim reporting period. All amounts presented are in thousands of US dollars unless otherwise stated.

The comparatives are the six-month period ended 30 June 2022, except for the Condensed Consolidated Statement of Financial Position, where the comparatives are as at 31 December 2022.

The accounting policies adopted in this half-yearly financial report are the same as those adopted in the 2022 Annual Report and Financial Statements, except as shown below. There were no new or amended accounting standards that required the Group to change its accounting policies. The Directors also considered the impact of standards issued but not yet applied by the Group and do not consider that there will be a material impact of transition on the financial statements.

Additional accounting policy - Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings. Borrowing costs are expensed in the period in which they are incurred.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results might differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2022.

Going concern
The Directors have prepared cash flow forecasts for a period of 12 months from the date of signing these Condensed Consolidated Interim Financial Statements. The Group's forecasts are reviewed regularly to assess whether any actions to curtail expenditure or cut costs are required. The Group's operations presently generate sufficient revenues to cover operating costs and capital expenditures, supporting the continued preparation of the Group's accounts on a going concern basis. The Directors are nevertheless conscious that oil prices have been volatile during the past few years, and could rise further but could also fall back in the year ahead, and that future

production levels depend on both depletion rates from existing wells and the success of future drilling. As part of their going concern assessment, the Directors have examined multiple scenarios in which oil prices and/or future production levels fall substantially and have concluded that it remains possible that future revenues in at least some scenarios might not cover all operating costs and planned capital expenditures, creating a material uncertainty that may cast doubt over the Group's ability to continue as a going concern. Whilst acknowledging this material uncertainty, the Directors remain confident of making cost savings if required and, therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

3. Operating segments

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

4. Borrowings/ Finance expense

On 1 February 2023, the Company entered into a senior secured loan facility of up to $2 million. $1.06 million was drawn down on the 2 February 2023 with the remaining being drawn down on 10 May 2023.

The Loan Facility is for a term of 18 months, commencing 2 February 2023, at which point the principal is repayable in full. The loan carries an interest rate of 16% p.a., payable quarterly in arrears in cash. The Company can elect to repay amounts outstanding under the Loan at the end of each quarter, in part or in full, subject to a 2% early repayment fee.

Each lender received warrants exercisable at any point during the three years from the Closing Date. The exercise price of each warrant is 1.7 pence per ordinary share for the initial tranche and 1.92 pence per ordinary share for the second tranche. The number of warrants to be issued to each lender corresponds to an exercise value equal to 50% of their respective loan commitment under the Loan Facility ("Warrant Value"). Therefore, the number of warrants to be issued to lenders as part of the $2.0 million loan in aggregate is 44,682,643.

A debenture has been provided by the Company to the lenders as security, providing a fixed and floating charge over the Company's property and assets.

The fair value of non-current borrowings are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rate or the borrowings are of a short-term nature (18 months). The transaction costs were recorded as $53,000 as the cost of arranging part of the facility and $35,000 was calculated as the Warrant Value in reference to the warrants issued to the lenders.

Finance expense	**6 months ended 30 June 2023 $'000**	**6 months ended 30 June 2022 $'000**
Interest paid	86	-
Unwinding of transaction costs	24	-
	110	**-**

5. Earnings per share

The calculation of earnings per share for the six months ended 30 June 2023 is based on the loss for the period attributable to ordinary shareholders of $432,000 and the weighted average number of shares of 687,068,781 and is (0.06) cents from continued operations.

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

The calculation of fully diluted earnings per share for the six months ended 30 June 2023 is based on the loss for the period attributable to ordinary shareholders of $432,000 and the weighted average number of shares of 687,068,781 plus warrants outstanding of 54,241,837 and options outstanding of 114,198,627 at period end and is (0.05) cents from continued operations.

The calculation of fully diluted earnings per share for the six months ended 30 June 2022 is based on the profit for the period attributable to ordinary shareholders of $627,000 and the weighted average number of shares of 656,329,007 plus warrants outstanding of 10,809,194 and options outstanding of 104,274,756 at period end and is 0.08 cents from continued operations.

6. Property, plant and equipment

Unaudited	**Development & Production Assets**	**PPE/Computer/ Office equipment/ Vehicles**	**Total**
Cost	**$'000**	**$'000**	**$'000**
At 1 January 2023	29,115	2,072	31,187
Additions	1,111	62	1,173
Disposals	-	(35)	(35)

Foreign exchange movements	2	11	13
At 30 June 2023	30,228	2,110	32,338
Accumulated depreciation and impairment			
At 1 January 2023	5,711	661	6,372
Charge	682	145	827
Disposals	-	(14)	(14)
Foreign exchange movements	(1)	3	2
At 30 June 2023	6,392	795	7,187
Carrying amount			
At 30 June 2023	**23,836**	**1,315**	**25,151**
At 31 December 2022	23,404	1,411	24,815

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

No impairment was recognised in the six months ended 30 June 2023 (2022: Nil).

7. Share capital

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

On 30 June 2023, the Company's share capital consisted of 689,551,104 Ordinary Shares (30 June 2022: 658,669,945) and 2,095,165,355 Deferred Shares (30 June 2022: 2,095,165,355).

8. Related party transactions

The Company's Chief Executive Officer, Paul Haywood has provided $105,000 of the Loan referred to above, and the former Board Director, Ken Seymour, has provided $125,000 of the Loan. $6,376 and $7,025 has been paid in interest to these respective related parties as at 30 June 2023.

Mr Haywood and Dr Seymour are each treated as a related party of the Company pursuant to the AIM Rules. Consequently, the participation of Mr Haywood and Mr Seymour in the provision of the Loan Facility constitutes a related party transaction for the purposes of AIM Rule 13.

9. Other matters

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

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