

Block Commodities Ltd

Block Commodities Ltd: Interim Results for the 6 months to 31 December 2019

Block Commodities Ltd (BLCC)

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Block Commodities Limited / Epic: BLCC / Sector: Mining

Block Commodities Limited ('Block Commodities' or 'the Company')

Interim Results for the 6 months to 31 December 2019

Chairman's Statement

I am pleased to present the interim report for the six months ended 31 December 2019. As announced on 27 March 2019, the Company is looking to for opportunities to enter the Medicinal Cannabis Market. Investment in this sector was formally approved by shareholders at a General Meeting held on 27 December 2019.

Our Farmer 3.0 program will continue with a potential pilot to grow medicinal grade cannabis with a farmers' cooperative in Zambia. We are currently awaiting the licence to be issued. Block Commodities will be the exclusive of- taker and this opportunity offers the Company assured access to quality product without the need for significant upfront capital expenditure.

Our option to acquire Greenbelt Company Limited was extended on 30 January 2020. Further progress remains on hold pending legislation in Sierra Leone.

Ian Tordoff was appointed CEO on 21 November 2019 after joining as a consultant earlier in the year. Ian has brought together an impressive Scientific Advisory Team who will be helping the Company to introduce downstream cannabis-based nutraceuticals and wellness products.

The exploration licence for the Company's original potash project at Lac Dinga in the Republic of Congo was renewed, for a further two years in July 2019. Unfortunately, our farm-in partner, African Agronomix Limited, was not able to commence its exploratory drilling in the remaining part of the regional dry season. Planning for the next drilling campaign is underway, however COVID-19 restrictions, both in the country and the wider region could adversely impact the ability to mobilise activity as planned

Results

The results for the period showed an operating loss of \$0.4m (HY19: loss \$0.6m). Finance charges were lower at \$0.1m (HY98: \$0.2m) resulting in a loss before tax of \$0.4m (HY18: \$0.6m). Cash balances at 31 December 2019 were \$45,000, (2018: \$1,000).

At 31 December 2019, the Group is reporting Net Liabilities of \$559,000. The Company is currently in negotiations with the lender of the loan note with a view to the conversion of the loan note into equity. This would both return the Group balance sheet to a net asset position, as well as reduce the accruing finance costs going forward.

Board changes

I would like to welcome Ian Tordoff to the board as CEO to lead the Company in its new phase of development. I have stepped back from my executive role. Subsequent to the period end, Neil Clayton was appointed Finance director.

Outlook

The Company is looking to work with its Scientific Advisory Team to identify suitable products and opportunities in the nutraceuticals and wellness sectors. These initiatives will require the Company to raise additional capital.

COVID-19 has had a significant impact already in the capital markets and in order to ensure any funds raised are deployed to maximum effect, the board intends to limit expenditure to essential corporate costs whilst keeping a close watch on opportunities for the business that offer investor value.

Chris Cleverly

Chairman

31 March 2020

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

Unaudited Consolidated Income Statement For the half year to 31 December 2019

		Unaudited 6 months to 31 December	Unaudited 6 months to 31 December	Audited Year ended 30 June

		2019	2018	2019
	Note	\$'000	\$'000	\$'000
Operating expenses		(248)	(453)	(778)
Impairment of: – loan to unquoted company		–	(50)	(50)
Other gains /(losses)		(42)	97	119
Operating loss		(290)	(406)	(709)
Net finance expense		(99)	(158)	(364)
Loss before taxation		(389)	(564)	(1,073)
Income tax expense		–	–	–
Loss for the period attributable to owners of the parent company		(389)	(564)	(1,073)
Loss per share: basic and diluted	5	(0.007 cents)	(0.01 cents)	(0.02 cents)

All results relate to continuing activities

Unaudited Consolidated Comprehensive Income Statement

For the half year to 31 December 2019

		Unaudited 6 months to 31 December 2019	Unaudited 6 months to 31 December 2018	Audited Year ended 30 June 2019
		\$'000	\$'000	\$'000
Loss for the period		(389)	(564)	(1,073)

Other comprehensive income				
Exchange translation differences on foreign operations		–	(12)	1
Total comprehensive income for the period attributable to owners of the parent company		(389)	(576)	(1,072)

Unaudited Consolidated Statement of Financial Position

As at 31 December 2019

		Unaudited 31 December 2019	Unaudited 31 December 2018	Audited 30 June 2019
	Note	\$'000	\$'000	\$'000
Non-current assets				
Intangible assets: exploration activities 6		3,000	3,000	3,000
Property plant and equipment		–	3	–
Total non-current assets		3,000	3,003	3,000
Current assets				
Trade and other receivables		37	1	25

Cash and cash equivalents		45	1	80
Total current assets		82	2	105
Total assets		3,082	3,005	3,105
Current liabilities				
Trade and other payables		(1,582)	(1,797)	(2,076)
Loan note	7	(2,059)	(1,635)	(1,951)
Net (liabilities)/assets		(559)	(427)	(922)
Equity				
Issued capital	8	19,907	19,345	19,341
Share based payment reserve		3,036	2,882	2,850
Foreign exchange translation reserve		(572)	(586)	(572)
Retained earnings		(22,930)	(22,068)	(22,541)
Total equity attributable to equity holders		(559)	(427)	(922)

Unaudited Consolidated Statement of Cash Flows

For the half year to 31 December 2018	Unaudited 6 months to 31 December 2019	Unaudited 6 months to 31 December 2018	Audited year ended 30 June 2019
Operating activities	\$'000	\$'000	\$'000

Loss before tax		(389)	(564)	(1,073)
Adjustments for:				
Impairment of loan to unquoted company		–	50	50
Depreciation		–	3	6
Movements in exchange		45	(106)	(109)
Net interest expense		99	158	364
Operating cash flow before movements in working capital		(245)	(460)	(702)
Working capital adjustments:				
– Decrease / (increase) in inventory		–	10	10
– Decrease / (increase) in receivables		–	26	27
– Increase / (decrease) in payables		123	226	298
Cash used in operations		(122)	(198)	(427)
Net interest paid		–	–	–
Net cash outflow from operating activities		(122)	(198)	(427)
Investing activities				
Loan to unquoted company		–	(50)	(50)
Net cash flow from investing activities		–	(50)	(50)
Financing activities				
Issue of shares		87	96	96
Issue of convertible loan note				308
Net cash flow from financing activities		87	96	404
Net decrease in cash and cash equivalents		(35)	(152)	(73)

Cash and cash equivalents at start of the period	80	153	153
Effect of foreign exchange rates	–	–	–
Cash and cash equivalents at end of the period	45	1	80

Notes to the Unaudited Interim Financial Statements

1.	General information
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Block Commodities is a public limited company incorporated and domiciled in the Guernsey. The address of its registered office is Richmond House, St Julian's Avenue, St Peter Port, Guernsey GY1 1GZ.

The Company is admitted to trading on the Aquis Stock Exchange Growth market.

The unaudited interim financial statements for the 6 months ended 31 December 2019 were approved for issue by the board on 31 March 2020.

The interim financial statements for the 6 months ended 31 December 2019 and the 6 months ended 31 December 2018 are unaudited and do not constitute full accounts. The comparative figures for the year ended 30 June 2019 are extracts from the annual report and do not constitute statutory accounts.

The unaudited interim financial statements have been prepared in US Dollars as this is the currency of the primary economic environment in which the Group operates.

2.	Basis of preparation
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The condensed consolidated financial statements of the Group for the six months ended 31 December 2019, which are unaudited and have not been reviewed by the Company's auditor, have been prepared in accordance with the International Financial Reporting Standards ('IFRS'), as adopted by the European Union, accounting policies adopted by the Group and set out in the annual report for the year ended 30 June 2019 (available at www.blockcommodities.com). The Group does not anticipate any additional significant change in these accounting policies for the year ended 30 June 2020. References to 'IFRS' hereafter should be construed as references to IFRSs as adopted by the EU.

While the financial figures included in this report have been computed in accordance with IFRSs applicable to interim periods, this report does not contain sufficient information to constitute an interim financial report as that term is defined in IFRSs.

The financial information contained in this report also does not constitute statutory accounts under the Companies (Guernsey) Law 2008, as amended.

3.	Significant accounting policies
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Basis of accounting

The unaudited interim financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value. The principal accounting policies adopted are consistent with those of the financial statements for the year ended 30 June 2019.

4.	Earnings per share
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The calculation of basic and diluted earnings per share is based on the following data:

		Unaudited 6 months to 31 December 2019	Unaudited 6 months to 31 December 2018	Unaudited year ended 30 June 2019
		\$'000	\$'000	\$'000
Loss for the purpose of basic loss per share		(564)	(564)	(1,073)
Number of shares				
Weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share		5,413,743,462	4,826,314,237	4,831,793,287
Basic and diluted loss per share (cents) -attributable to equity holders		(0.01c)	(0.01c)	(0.02c)

5. Intangible assets		Unaudited 6 months to 31 December 2019	Unaudited 6 months to 31 December 2018	Unaudited year ended 30 June 2019
		\$'000	\$'000	\$'000
		3,000	3,000	3,000

Evaluation and exploration costs are capitalised in accordance with IFRS6

The asset comprises the Lac Dinga exploration licence in the Republic of Congo held by La Société des Potasses et des Mines SA ("SPM") in which the Group has a 70% interest. The second term of the licence was renewed for a further 2 years in July 2019.

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. AAX delayed commencement of the next phase of exploration work pending receipt of the license renewal and were not able to mobilise in the remaining dry season this period. Planning for the next phase continues.

6. Loan Note			
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				\$'000
At 1 July 2018				1,423
Unpaid interest capitalised				306
Exchange rate adjustment				(94)
At 31 December 2018				1,635
Exchange rate adjustment				(8)
At 30 June 2019				1,627

Unpaid interest capitalised				350
Exchange rate adjustment				81
At 31 December 2019				2,059

On 1 September 2017, the Company, with agreement of the lender, renewed the term of the loan for a further 2 years. 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.

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 through to 31 August 2019.

The amount of unpaid interest and fees capitalised at 1 September 2019 was \$350,000. The Company is in negotiations with the lender to restructure the loan and to convert a proportion, to be agreed, into equity. This will be sufficient to eliminate the net liabilities.

8. Share Capital				
			Ordinary shares of no par value	
			Allotted and fully paid	
			Number	\$'000
At 1 July 2018			4,730,363,150	19,314

Issue of shares			107,000,000	641
At 31 December 2018			4,837,363,150	19,345
Cost of issue of shares			–	4
At 1 July 2019			4,837,363,150	19,341
Issue of shares			2,525,094,700	566
At 31 December 2019			7,362,457,850	19,907

On 19 November 2019, convertible loan notes with a principal of \$324,000 were converted into 1,275,980,000 new ordinary shares at a price of 0.02p per share.

On 19 November 2019, creditors for fees and expenses amounting to \$151,000 were settled by the allotment of 584,114,700 new ordinary shares at a price of 0.02p per share.

On 19 November 2019, a further 665,000,000 new ordinary shares were issued for cash at 0.02p per share.

For more information, visit: <http://www.blockcommodities.com>

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

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