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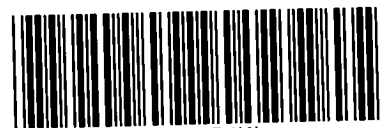
**Block Energy Plc (formerly
Goldcrest Resources Plc)**

Annual Report and Financial Statements

Year Ended

30 June 2017

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Block Energy Plc

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Block Energy Plc

Officers and Advisors

Directors

Paul Haywood Managing Director
Niall Tomlinson Executive Director
Timothy Parson Non-executive Director

UK Office
3 St Michaels Alley, London, EC3V 9DS
UK registration: 05356303
www.blockenergy.co.uk

Company Secretary and Registered Office
Ben Harber
60 Gracechurch Street
London
EC3V 0HR

Block Energy Plc is listed on NEX, a market operated by NEX Exchange (Symbol BLOK).

Corporate Advisor Peterhouse Corporate Finance Limited New Liverpool House 15 Eldon Street London EC2M 7LD	Registrars Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey, GU9 7LL
Auditor PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD	Bankers Allied Irish Bank (GB) 10 Berkeley Square Mayfair London W1J 6AA
Solicitors to the Group as to English Law Ronaldsons LLP 55 Gower Street WC1E 6HQ	Public Relations St Brides Partners Limited 3 St Michael's Avenue London EC3V 9DS

Block Energy Plc

Managing Director's Business Review

The 12 months under review have been a transformational period for the Group. We started the year as Goldcrest Resources, a mining group with an interest in a Ghanaian gold project. Today, having renamed the Group as Block Energy, we are an asset backed oil and gas company with a portfolio of licences in the proven but underdeveloped hydrocarbon basins of Georgia. Our Norio and Satskhenisi licences hold 2P gross oil reserves of 1.6 MMbbl (Gustavson Associates CPR), which have been assigned an NPV10 of US\$26.9m along with company-making appraisal opportunities including a potential 608BCF (2C) (gross unrisks) gas target as our prospective licence at West Rustavi. With high-impact, low-cost work programmes planned, the momentum behind the Group is set to build further, as we focus on transforming Block Energy into the largest independent oil and gas company in Georgia and the wider region.

Thanks to the significant progress made both during and after the period under review, today Block Energy operates and owns two producing licences, Norio (100% WI) and Satskhenisi (90% WI), both of which offer multiple opportunities to rapidly increase production and maximise the recovery of proven reserves via low cost workovers and recompletions of existing wells: Norio and Satskhenisi are estimated to hold 2P gross proven oil reserves of 1.6 MMbbls along with contingent (gross) oil resources (2C) of 35 MMbbls. In addition, Block Energy has an agreement in place to earn up to a 75% interest in the West Rustavi licence. Georgia Oil & Gas ("GOG"), one of Block Energy's major shareholders and party to 10 Production Sharing Contracts ("PSC") in Georgia, was announced as the winning bidder of the West Rustavi license area and has since completed negotiations on all key commercial terms associated with the license area, with all relevant Georgian state officials. The final PSC is now being ratified by the Georgian Government and expected to be issued to GOG imminently. On issue, Block Energy will have a 5% working interest in the license and in accordance with its agreement with GOG, start its farm-in to the license area which has 2P (gross) oil reserves of 0.92 MMbbls and (gross) contingent oil resources (2C) of 37.9 MMbbls (Gustavson Associates CPR). West Rustavi also holds a gas target with contingent gas resources of 608BCF (2C) (gross unrisks), which forms part of the play being targeted by oil services giant Schlumberger on the neighbouring licence.

Each of the Norio, Satskhenisi and West Rustavi licence blocks are located in a proven hydrocarbon region, specifically the Kura basin which at its peak produced ~70,000bopd in Georgia and is estimated to hold over 7 billion barrels of proven reserves in Azerbaijan and North Caucasus (Russia). The lithologies and traps that have been mapped on seismic across our licence base mirror those that have been found to be prolific in the Russian North Caucasus. Our two licences and pending interest in the west Rustavi license, therefore provide an attractive combination of existing production and proven reserves; multiple large-scale development and appraisal opportunities to substantially scale up production; and blue-sky exploration potential. Having put together what we believe is a company-making portfolio of assets, we are now focused on maximising its potential and in the process generating significant value for our shareholders.

We have put in place a defined three phase development strategy to achieve our objective. Phase 1 involves scaling up production to approximately 500 bopd within the next 12 months from 20 bopd today via a low cost, low risk workover and side-track programme of existing wells: eight recompletions/workovers and one side-track will be carried out at Norio to increase production to ~350 bopd; reactivations and recompletions of historic wells will be executed at Satskhenisi to raise production to over 100bopd; whilst at West Rustavi, once the PSC is

Block Energy Plc

Managing Director's Business Review (*continued*)

ratified, we plan to re-enter 3-4 wells to bring production to 50bopd. As a result, on completion of Phase 1 of our strategy, at 500bopd Block Energy will have been transformed into a highly cash generative producer.

Phase 2 will see Block Energy in Year 2 test and flow gas from previous discoveries at the West Rustavi licence. These have been assigned (gross unrisks) contingent resources of 608BCF (2C) and 1TCF (3C) and form part of the same high impact gas play targeted on Schlumberger's licences. In addition, Phase 2 will target another major increase in oil production, this time to over 2,500 bopd via the drilling of new horizontal wells and four new side-tracks. This phase will see Block Energy complete its earn-in into a 75% interest in West Rustavi, subject to Block Energy undertaking certain work programme commitments and making stipulated payments. Year 3 will see the commencement of Phase 3, during which we will aim to bring the West Rustavi gas target online, which we estimate has an all-in capex of less than \$2/MCF supported by a current spot price of US\$5.50 per MCF.

Financial Review

The loss for the year was £284k (2016: loss of £111k). Included in this is a gain on disposal of £39k, resulting from the option fee associated with the Asheba asset sale. At the start of the year, cash balances totalled £12k. Funds were raised through the issue of Convertible loan notes of £170k (2016: £nil), and an issue of equity amount to £738k (2016: £nil). Intangible and investment expenditures totalled £422k, and the Group had cash balances of £215k at 30 June 2017 (2016: £12k).

Outlook

Georgia is a low-cost, business-friendly country, which has proven but underdeveloped oil and gas reserves, thereby providing an excellent opportunity for a junior oil and gas company with the right management, partners and first mover advantage, to build a leading independent oil and gas company.

The potential of Block Energy's licence areas is affirmed by the presence of blue chip operator Schlumberger's 100% owned neighbouring strategic licence, which is in a hydrocarbon basin which has proven to be prolific in Georgia and the wider region. Entry of the world's largest oilfield services provider has been game changing. Regardless of Schlumberger's plans to target the same play types as Block Energy's neighbouring West Rustavi licence, their presence validates the oil and gas potential of Georgia, and underpins Block Energy's view of Georgia as a safe and business-friendly environment.

Block Energy is entering an exciting new phase in its development. Over the course of the next 6-12 months, we will be embarking on a multi-well programme across our licences and targeting stable production and strong cash flows. At the same time, we plan to list on AIM to provide us with a platform with which to take the Group forwards. Within twelve months of our AIM admission, we have an initial production goal of 500 bopd and, once met, we will immediately move on to our 2,000bopd target. The months ahead will therefore not be short of high-impact, value-driving news flow, and I look forward to providing further updates on our progress, as we look to transform Block Energy into the largest independent oil and gas company in Georgia and the wider region.

Paul Haywood
Managing Director

Block Energy Plc

Strategic Report

The Directors present their strategic report for the year ended 30 June 2017.

Principal activities and future developments

The principal activity of the Group in the year under review has been changed from gold exploration in Ghana, to the purchase and development of Oil and Gas assets in Georgia.

The review of business and future developments are given in the Managing Directors' Business Review.

Principal risks and uncertainties

The Group's principal risks and uncertainties are included in the Directors Report on page 9.

Key performance indicators

Given the straightforward nature of the Group's activities during the year, the Group's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business. New oil and gas based key performance indicators will be calculated and monitored during the year ended 30 June 2018.

Results and dividends

The results for the period and the financial position of the Group are shown in the following financial statements.

The Group has incurred a pre-tax loss of £281k (2016: loss of £111k).

The Group has net assets of £1,131k (2016: net assets of £149k).

The Directors do not recommend the payment of a dividend.

By order of the Board



Niall Tomlinson

Director

4th December 2017

Block Energy Plc

Statement of Social Responsibility

Block Energy Plc believes in a practical and open approach to its Corporate and Social Responsibility (CSR). Our CSR programme is focussed on doing the right thing, as well as managing risk, and investing sustainably in the community in which we operate. Our investment decisions carefully take into account environmental and social impacts and how such impacts are best managed for all stakeholders. Our operations should not compromise the wellbeing of current or future generations. This responsible behaviour is a key element for our long-term business success.

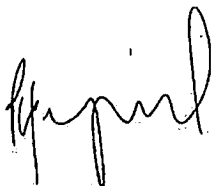
For Block Energy this means:

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

In Georgia, the Group has worked on the preparation of a number of detailed Environmental Impact Statements (EIS).

Block Energy is committed to maintaining high standards of health, safety, environmental and social performance (HSES) across all its oil and gas exploration and development operations. To achieve this we will:

- As an integral part of our business, identify, assess and manage the HSES risks to people, the environment and assets in order to avoid adverse direct or indirect effects from our operations.
- Ensure that our operations comply, as a minimum, with applicable health, safety, environmental and social laws and regulations, as well as best practicable industry standards.
- Maintain high ethical standards in carrying out business activities.
- Provide necessary leadership and resources to enable effective HSES management throughout our organisation.
- Prevent and minimise the impact of our operations on the environment.
- Ensure continuous improvement of HSES performance through the setting of objectives and targets and focused auditing, reviews and external benchmarking.
- Select competent staff, contractors and suppliers to manage and support the business.
- Ensure that a high priority is placed on emergency preparedness and contingency planning, and that any plans are tested regularly to ensure that any incidents are responded to in a timely and effective manner.
- Foster a culture where accidents, incidents and near misses are reported and investigated, and the lessons learned are shared.
- Consult with and respond to the concerns of our stakeholders on our health, safety, environmental and social performance.
- Ensure that this policy is: - clearly displayed in all Block Energy premises and operational sites, provided to all contractors, and made publicly available.
- The Company's Directors, employees and contractors have a responsibility for maintaining high HSES standards and this Policy will be used to guide their activities.



Paul Haywood
Managing Director

Block Energy Plc

Board of Directors

Paul Haywood, Managing Director

Paul has over 15 years of experience in operational and investment management for a diverse range of private, corporate and institutional clients throughout Europe, Asia and the Middle East. Paul has spent over 8 years in the Georgian Oil and Gas sector, and has been instrumental in the acquisition, development and sale of multiple assets in country. Paul is currently a Non-Executive Director of AIM listed Oilex Petroleum Plc and resource focussed advisory firm, Plutus Strategies.

Niall Tomlinson, Executive Director

Niall Tomlinson is an experienced geologist with over ten years' experience across a number of commodities. Previously he was a director of Taoudeni Resources Ltd, which was acquired by Goldcrest, Technical Manager for Alecto Minerals plc and a senior geologist with consultants SRK Exploration and mining major Rio Tinto. Niall holds an MSc in Metals & Energy Finance from Imperial College London, an MSc in Mining Geology from Camborne School of Mines and is a Chartered Geologist of the Geological Society of London

Timothy Parson, Non-Executive Director

Tim Parsons is a Petroleum Engineer with 35 years global experience on and offshore from deep water operations in the Far East to onshore multi-rig operations in the Middle East, Amazon and Europe. Roles include Superintendent role, at Schlumberger and Executive at Occidental Petroleum. Tim has degrees in Petroleum Engineering from the University of New South Wales and Business Management from Curtin University.

Ryan Long, Non-Executive Director

Ryan is a qualified geologist and a Mining Equity Research Analyst at Northland Capital Partners Ltd., a London based investment bank. He has worked on a number of mining and exploration projects in a variety of jurisdictions with companies including Anglo American, Xstrata and Barrick Gold. Ryan brings a broad experience in the exploration and assessment of a variety of deposits including sediment-hosted base metal deposits, volcanogenic massive sulphide deposits and epithermal gold deposits. He completed his PhD on the world famous sediment-hosted Mount Isa Copper deposit, located in Queensland, Australia, and has published in several international journals. He is a fellow of the Geological Society of London and a member of the Association of Mining Analysts.

Gareth Northam, Non- Executive Director

Gareth is an exploration geologist with over ten years' experience, specialising in the design of exploration strategies and management of exploration programmes. Gareth is a graduate of the Royal School of Mines at Imperial College, London and has taken senior technical roles at junior mining and exploration companies following a background with Rio Tinto Exploration. Gareth's commodity experience covers gold, uranium, iron ore, copper, nickel, mineral sands, diamonds and copper across Africa, Europe and South America

Block Energy Plc

Report of the Directors for the year ended 30 June 2017

The Directors present their report and the audited financial statements of Block Energy Plc ('the Group') for the year ended 30 June 2017.

Principal activity and review of the business

The principal activity of the Group is oil and gas extraction and development.

Results and dividends

The results for the year are set out on page 18.

The Directors do not recommend payment of a dividend (2016: £Nil)

Review of business and future developments

A review of the business and likely future developments of the Company are contained in the Managing Directors' statements on pages 2.

Directors and Directors' interests

The Directors of the Company during the year are noted on page 6.

Details of Directors' interests in shares are disclosed on page 13.

Political and charitable contributions

During the year charitable donations totalled £Nil (2016: £Nil).

Block Energy Plc

Report of the Directors for the year ended 30 June 2017 *(continued)*

Significant shareholdings

On 30 June the following were registered as being interested in 3% or more of the Company's ordinary share capital:

	30 June 2017		30 June 2016	
	Ordinary shares of £0.0005 each	Percentage of issued share capital	Ordinary shares of £0.0005 each	Percentage of issued share capital
SVS (Nominees) Limited	11,331,857	2.98%	552,719,931	26.38%
Pershing Nominees Limited	48,798,529	12.85%	204,314,000	9.75%
R Bruce Rowan	-	-	145,000,000	6.92%
Plutus Strategies Ltd **	10,947,273	2.88%	147,363,650	7.03%
Sunrise Resources plc	-	-	116,618,627	5.57%
Centrebind Agency Ltd	-	-	110,026,200	5.25%
Hot Rocks Investments plc	-	-	193,496,625	9.24%
Fitel Nominees Limited	90,000,000	23.69%	50,000,000	2.39%
Mr Jeremy Edelman	15,000,000	3.95%	-	-
Beaufort Nominees Ltd	22,941,191	6.04%	-	-
Fiske Nominees Ltd	15,000,000	3.95%	-	-
Jim Nominees Ltd	38,637,684	10.17%	-	-
Nomura Custody Nominees Ltd	25,500,000	6.71%	-	-
Vidacos Nominees Ltd	48,362,140	12.73%	-	-

** Niall Tomlinson and Paul Haywood, directors of the Company, and each hold 50% of Plutus Strategies Ltd.

Financial instruments

The main financial risks arising from the Group's activities are liquidity risk and currency risk. These are monitored by the Board and were not considered to be significant at the reporting date.

The Group relies upon working capital injected via the issue of shares to support its exploration and administrative activities together with short term borrowings. Budgets are regularly prepared and fund-raising initiatives undertaken as and when required. Risk is inherent in the nature of the business and is managed to the best of the Board's ability.

Block Energy Plc

Report of the Directors for the year ended 30 June 2017 (*continued*)

Principal risks and uncertainties

There are general risks associated with the oil and gas extraction industry. The Board regularly reviews the risks to which the Group is exposed and endeavours to minimise these risks as far as possible. The following summary, which is not exhaustive, outlines some of the risks and uncertainties facing the Group at its present stage of development:

The principal risk is considered to be:

- The exploration for and development of oil and gas reservoirs involves technical risks, which even a combination of careful evaluation and knowledge may not eliminate.
- Global supply and demand affects commodity prices, including the price of oil and gas. Widespread trading activities by market participants, seeking either to secure access to commodities or to hedge against commercial risks, also affects commodity prices. Consequently, these prices are subject to substantial fluctuations and cannot be accurately predicted.
- There can be no assurance that the Group's projects will be fully developed in accordance with the current plans. Future development work and financial returns arising may be adversely affected by factors outside the control of the Group.
- The Group is periodically required to raise funds from equity markets to fund exploration or extraction work. The Group may not be able to raise sufficient future funds from the issue of shares at values acceptable to existing shareholders.
- Exploration, development and operating risks: It is impossible to ensure that the development programmes planned by the Group will result in a profitable commercial operation. Whether the projects will be commercially viable depends on a number of factors, some of which are: (i) the oil price, which can be volatile; and (ii) government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted.
- Ability to exploit successful discoveries: It is possible that the Group may not be able to exploit commercially viable discoveries in which it holds an interest. Exploitation may require external approvals or consents from relevant authorities and the granting of these approvals and consents is beyond the Group's control. The granting of such approvals and consents may be withheld for lengthy periods, not given at all, or granted subject to the satisfaction of certain conditions which the Group cannot meet. As a result of such delays, the Group may incur additional costs, losses of revenue or part or all of its interest in a licence.

Auditors and disclosure of information to auditors

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

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

By order of the Board

Niall Tomlinson
Director



Date: 4th December 2017

Block Energy Plc

Corporate Governance Statement for the year ended 30 June 2017

The UK Corporate Governance Code

Block Energy's shares are traded on NEX and as such, Block Energy is not subject to the requirements of the UK Corporate Governance Code on corporate governance, nor is it required to disclose its specific policies in relation to corporate governance. The Directors, however, support high standards of corporate governance and will progressively adopt best practices in line with the UK Corporate Governance Code, so far as is practicable. The Group notes, however, it does not seek to adopt the provision of the UK Corporate Governance Code in its entirety.

It is the opinion of the Board that compliance with the recommendations of the Combined Code on corporate governance at this stage in its development would be unduly onerous bearing in mind the size of the business and limited cash resources. However, the Board has established such procedures as are appropriate for the size of the business and will keep the matter under review. In this context, the Board has established two committees of the Board:

- Remuneration Committee comprising Niall Tomlinson as chairman and Paul Haywood which meets twice a year;
- Audit Committee comprising Niall Tomlinson and Paul Haywood.

All Directors have access to the advice and services of the Company Secretary and the Group's professional advisers.

Relations with shareholders

Communications with shareholders are given a high priority by the Board of Directors who take responsibility for ensuring that a satisfactory dialogue takes place. The Group has developed a website containing investor information to improve communications with individual investors and other interested parties. The Company also makes available on its website all regulatory announcements, trading updates, its annual report, interim report and financial statements. Directors are available at the annual general meeting where shareholders can ask questions or speak to the Board.

Internal control

The Directors acknowledge their responsibility for the Group's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage the risk of failure to achieve the Group's strategic objectives. It cannot totally eliminate the risk of failure but will provide reasonable, although not absolute, assurance against material misstatement or loss. The Board considers that there is no necessity at the present time to establish an independent internal audit function given the current size and complexity of the business.

Block Energy Plc

Statement of Directors' Responsibilities for the year ended 30 June 2017

The Directors are responsible for preparing the Annual Report and the financial statements for the Group and Parent Company in accordance with applicable Law and Regulations.

UK legislation requires the Directors to prepare financial statements for each financial year.

Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on NEX.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for ensuring that they meet their responsibilities under the NEX Rules.

Website publication

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

Block Energy Plc

Remuneration Report For the year ended 30 June 2017

Report of the Board on Remuneration

During the year, the members of the Remuneration Committee (the Committee) were Paul Haywood (Managing Director) and Niall Tomlinson (Director). The Committee met formally twice during the year ended 30 June 2017.

Remuneration policy

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

The Committee keeps itself informed of relevant developments and best practice in the field of remuneration and seeks advice where appropriate from external advisors.

The remuneration policy for the Managing Director and the Non-executive Directors is determined by the Board, taking into account best practice and the Articles of Association.

Explanation of the implementation of the Remuneration policy

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

Base salary

The policy is to pay a fair and reasonable base salary, set around the median level of comparative salaries for similar roles in comparable companies. The base salary is reviewed frequently by the Committee, having regard to the performance of the Company and economic conditions.

Block Energy Plc

Remuneration Report (continued) for the year ended 30 June 2017

Remuneration

	Salary / Fees £	Pension £	Taxable benefits £	Share issuance £	2017 Total £	2016 Total £
<i>Non-executive Directors</i>						
Tim Parson	1,000	-	-	-	1,000	-
Ryan Long	-	-	-	6,000	6,000	-
Gareth Northam	-	-	-	3,500	3,500	-
Fredrick Bell	-	-	-	-	-	16,000
Subtotal	1,000	-	-	9,500	10,500	16,000
<i>Executive Directors</i>						
Paul Haywood	38,000	-	-	7,000	45,000	-
Niall Tomlinson	34,000	-	-	7,000	41,000	24,236
Subtotal	72,000	-	-	14,000	86,000	24,236
Total	73,000	-	-	23,500	96,500	40,236

Sterling is the currency in which remuneration payments are made to the Directors.

Directors' interests in Shares

The Directors who held office at the end of the year had the following interests in the issued share capital of the Group:

	30 June 2017	30 June 2016
Tim Parson	-	-
Ryan Long	2,472,492	3,624,597
Gareth Northam	900,000	-
Paul Haywood	**2,800,000	73,681,825
Niall Tomlinson	**3,200,000	73,681,825

**A 50:1 share consolidation exercise was undertaken at 31 December 2016, hence the reduced number of shares held by directors at 30 June 2017

By order of the Board



Niall Tomlinson

Executive Director

Block Energy Plc

Independent auditor's report to the Members of Block Energy Plc

Opinion

We have audited the group financial statements of Block Energy Plc (the 'group') for the year ended 30 June 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and 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.

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

In our opinion, the group financial statements:

- give a true and fair view of the state of the group's affairs as at 30 June 2017 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 Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our audit approach

Materiality

Group financial statements: £45,000 (2016: £36,000) which has been based on the average of 5% of the loss before tax and 5% of gross assets.

Block Energy Plc

Independent auditor's report to the Members of Block Energy Plc Report (continued)

The scope of our audit

When assessing and designing our audit approach, we initially determined our materiality thresholds and assessed where in the financial statements the risk of material misstatement could arise. In order to identify such areas, we firstly considered the balances or transactions that are above our performance materiality, as well as areas of which the directors make subjective judgements.

The subsidiaries of the Parent Company are not material to the Group and as such do not comprise significant components of the Group. Due to the immaterial nature of the components no detailed audit procedures have been undertaken on these entities. The consolidation of these entities, however, has been reviewed for material accuracy.

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. This is not a complete list of all risks identified by our audit.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Intangible asset additions (note 9)	
During the year, intangible additions were £617,000 relating to the purchase of the Norio and West Rustavi Production Sharing Agreements (PSAs). Within the PSAs, there are different forms of consideration which can be for cash (payable immediately, deferred over a period of time, or contingent against specific requirements). Any incorrect treatment of consideration paid and payable could materially misstate the financial statements.	<p>To ensure completeness of the intangible assets acquired during the period, we reviewed the share purchase agreements (SPAs) to gain an understanding of the consideration and type of consideration due to the seller.</p> <p>We confirmed that all elements of the various considerations paid were recognised correctly within the financial statements.</p> <p>We confirmed that any outstanding consideration payable at the year end were correctly recognised such that payables were materially complete.</p> <p>We confirmed that intangible assets capitalised under IFRS 6 were correctly treated in the financial statements.</p>

Block Energy Plc

Independent auditor's report to the Members of Block Energy Plc Report (continued)

<p>Non-current asset held for sale</p>	
<p>During the year, the Company received a non-refundable deposit in respect of the impending sale of the Antubia Resources subsidiary, held within Ensign Resources Ltd (a 100% subsidiary of Block Energy Plc) with the SPA to be signed after the year end.</p> <p>IFRS 5 requires assets to be held for sale when:</p> <ul style="list-style-type: none"> • the carrying amount is to be recovered through a sale transaction; and • the sale is highly probable. <p>Once held for sale the asset must be stated at the lower of its carrying amounts and fair value less costs to sell.</p> <p>Incorrect treatment of the held for sale asset could lead the asset being materially misstated in the financial statements.</p>	<p>We reviewed the draft SPA in place prior to the year end.</p> <p>We confirmed the Directors had intention to complete the sale.</p> <p>We vouched receipt of the non-refundable deposit received, as per the draft SPA.</p> <p>Base on the above we concluded the sale was highly probable and the carrying amount was to be recovered through its sale.</p> <p>We confirmed that at the year end the asset was being carried at the lower of its carrying amount and fair value less costs to sell.</p>

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 group 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 Companies Act 2006

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

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

Block Energy Plc

Independent auditor's report to the Members of Block Energy Plc Report (*continued*)

Matters on which we are required to report by exception

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

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group 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 group 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: [http://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-forhttps://www.frc.org.uk/auditors/audit-assurance/standards-and-guidance/2010-ethical-standards-for-auditors-\(1\)](http://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-forhttps://www.frc.org.uk/auditors/audit-assurance/standards-and-guidance/2010-ethical-standards-for-auditors-(1)). This description forms part of our auditor's report.

Other matter

We have reported separately on the parent company financial statements of Block Energy Plc for the year ended 30 June 2017.



Mark Ling (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
4th December 2017

1 Westferry Circus
Canary Wharf
London E14 4HD

Block Energy Plc

Consolidated Statement of Comprehensive Income for the year ended 30 June 2017

	Note	2017 £'000	2016 £'000
Continuing operations			
Exploration costs		(3)	(19)
Administrative expenses		(281)	(74)
Operating loss	4	(284)	(93)
Finance costs		(6)	(15)
Total finance cost		(6)	(15)
Loss for the year before taxation		(290)	(108)
Taxation	6	-	-
Loss for the year from continuing operations (attributable to the equity holders of the parent)		(290)	(108)
Discontinued operations			
Gain on disposal from discontinued operations		39	-
Administrative expenses		(30)	-
Profit/(Loss) for the year from discontinued operations (attributable to the equity holders of the parent)	4	9	(3)
Loss for the year		(281)	(111)
Other comprehensive income		-	-
Total comprehensive income for the year attributable to the equity holders of the parent		(281)	(111)
Earnings per share from continuing operations - basic	7	(0.123)p	(1.289)p
Earnings per share from discontinued operations - basic		0.004p	(0.036)p
Earnings per share - basic		(0.119)p	(1.325)p

The notes on pages 22 to 41 form part of these financial statements.

Block Energy Plc

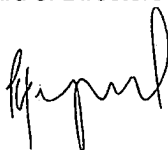
Consolidated Statement of Financial Position at 30 June 2017

	Note	2017 £'000	2016 £'000
Non- current assets			
Intangible assets	9	654	329
		<u>654</u>	<u>329</u>
Current assets			
Trade and other receivables	11	244	2
Cash and cash equivalents	12	215	12
Asset classified as held for sale	10	329	-
Total current assets		<u>788</u>	<u>14</u>
Total assets		<u>1,442</u>	<u>343</u>
Equity and liabilities			
Capital and reserves attributable to equity shareholders of the Company			
Called up share capital	17	1,217	1,048
Share premium		2,721	1,628
Retained deficit		(2,807)	(2,527)
Total equity		<u>1,131</u>	<u>149</u>
Liabilities			
Trade and other payables	13	64	122
Borrowings	18	247	72
Total current liabilities		<u>311</u>	<u>194</u>
Total equity and liabilities		<u>1,442</u>	<u>343</u>

The financial statements were approved by the Board of Directors and authorised for issue on 4th December 2017 and were signed on its behalf by:



Niall Tomlinson
Director



Paul Haywood
Director

The notes on pages 22 to 41 form part of these financial statements

Block Energy Plc

Consolidated Statement of Changes in Equity at 30 June 2017

Group	Called up Share capital £'000	Share premium £'000	Retained deficit £'000	Total equity £'000
Balance at 1 July 2015	748	1,628	(2,416)	(40)
Loss for the year	-	-	(111)	(111)
Total comprehensive income for the year	-	-	(111)	(111)
Issue of shares	300	-	-	300
Total transactions with owners	300	-	-	300
Balance at 30 June 2016	1,048	1,628	(2,527)	149
Loss for the year	-	-	(281)	(281)
Total comprehensive income for the year	-	-	(281)	(281)
Issue of shares	169	1,110	-	1,279
Cost of issue	-	(17)	-	(17)
Transactions with owners	169	1,093	-	1,262
Balance at 30 June 2017	1,217	2,721	(2,807)	1,131

Block Energy Plc

Consolidated statement of cashflows at 30 June 2017

	2017	2016
	£'000	£'000
Cash flows from Operating activities		
Loss for the year before income tax	(290)	(108)
Profit/(loss) from discontinued operations	9	(3)
Adjustments for		
Non-refundable deposit	(39)	-
Finance expense	6	15
Net cash flows used in operating activities before changes in working capital	(314)	(96)
(Decrease)/Increase in trade and other receivables	(286)	5
Increase/(Decrease) in trade and other payables	291	(32)
Net cash flows used in operating activities	(309)	(123)
Cash flows from Investing activities		
Non-refundable deposit	39	-
Expenditure in respect of intangible assets	(422)	-
Net cash acquired with subsidiary	-	(29)
Cash used in investing activities	(383)	(29)
Cash flows from Financing activities		
Convertible loan notes issued	170	-
Interest paid	-	(15)
Issue of ordinary share capital	750	-
Costs related to issue of ordinary share capital	(17)	-
Net cash from/(used in) financing activities	903	(15)
Net increase/(decrease) in cash and cash equivalents in the year	211	(167)
Cash and cash equivalents at start of year	12	179
Effect of foreign exchange rate changes on cash and cash equivalents	(8)	-
Cash and cash equivalents at end of year	215	12

Non – cash transactions

During the year, the following shares were raised in settlement of liabilities

	No. of shares / Value £		No. of shares / Value £
Niall Tomlinson	3,200,000 / £8,000	Plutus Strategies Ltd	8,000,000 / £20,000
Ryan Long	2,400,000 / £6,000	Gareth Northam	400,000 / £1,000
Paul Haywood	2,800,000 / £7,000	Timothy Strong	720,000 / £1,800
Gavin Burnell	11,000,000 / £27,500	Hot Rocks Investments Plc	6,000,000 / £15,000
Woodland Capital Ltd	6,000,000 / £15,000		

On 9 May 2017, an additional 500,000 shares were issued to Gareth Northam in settlement of £2,500 accrued debt. On the 9th May 2017, Block Energy issued 46,317,740 shares to The Georgian Oil Company to settle a consideration of £232,000 for the Norio PSC.

Block Energy Plc

Notes to the consolidated financial statement

For the year ended 30 June 2017

Corporate information

In line with the Company's change of focus from gold exploration into oil and gas, the Company's name changed on 10 May 2017 to Block Energy Plc from Goldcrest Resources Plc. The Company's trading symbol changed to BLOK from opening of market trading on 10 May 2017.

The Consolidated financial statements of the Group, which comprises Block Energy Plc and its subsidiaries, for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 4th December 2017. Block Energy is a Company incorporated in the UK whose shares are publicly traded. The address of the registered office is given in the officers and advisors section of this report. The Company's administrative office is in London, UK.

The nature of the Company's operations and its principal activities are set out in the Managing Directors' Statement and the Report of Directors on pages 2 and 7, respectively. The Strategic report is on page 4.

1. Significant Accounting policies

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

Basis of preparation

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. All amounts presented are in '000 GBP unless otherwise stated.

These financial statements have been prepared on a historical cost basis in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union and in accordance with applicable UK Law. The adoption of all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to the operations and effective for annual reporting periods beginning on 1 July 2016 are reflected in these financial statements.

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

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

Basis of consolidation

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

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

1. Significant accounting policies (Continued)

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

Business combinations

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

Going concern

It is the prime responsibility of the Board to ensure the Group remains a going concern. At 30 June 2017 the Group had cash and cash equivalents of £215k (2016-£12k) and assets held for sale of £329k (2016-£nil). A sale and purchase contract (SPA) was entered into by the Company for these assets and the directors believe this SPA will result in a cashflow of approximately US\$600k which is only conditional on confirmation of licence renewal. The directors have received informal confirmation from holders of £210k of convertible loan notes that it is their current intention to convert the loan notes into equity.

The Directors aim to continue to develop the key licence areas and in doing so will require funding in excess of the current cash levels. The Directors are in advance stages of a placing of equity which the directors are confident would allow them to complete the development of the key licence areas resulting in improved production levels such that the Group becomes cash generative. Subsequent to the year end the Company has received £160k of funds in advance as part of the expected placing of new shares associated with the listing onto AIM. However, at the date of this report, the Directors do not have unconditional placing letters. Should such investment not be forthcoming the Directors will implement austerity measures including limiting or not undertaking development of the key licence areas. The implementation of such austerity measures, coupled with the proceeds from the held for sale assets, will allow the Group to meet all committed and contractual expenditure without requiring external investment.

The Directors, taking into account the above, are satisfied that it is appropriate to adopt the going concern basis of accounting in preparing these Financial Statements.

New Accounting Standards

(i) New and amended standards adopted by the Group:

No new standards and amendments to standards and interpretations effective for annual periods commencing on or after 1 July 2016 have had a material impact on the Group.

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

1. Accounting policies (Continued)

(ii) The following standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements, have not been adopted early:

* Not yet endorsed by the EU

Standard	Description	Effective date
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 16*	Leases	1 January 2019
Amendments to IAS 7*	Disclosure Initiative	1 January 2017
Clarifications to IFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 2*	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Annual Improvements 2014-2016 Cycle*	Annual Improvements to IFRS Standards; 2014-2016 Cycle	1 January 2017 / 1 January 2018
IFRIC Interpretation 22*	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23*	Uncertainty over Income Tax Treatments	1 January 2019

The Group does not expect the new standards and interpretations to have a material impact on the Group's earnings or shareholders' funds. The Group is not currently revenue producing and does not have any contracts in place giving rise to revenue. Revenue is expected once oilfields begin production and the Directors will review the substance of these contracts in order to continue their consideration of the impact of IFRS 15. The Group's first reporting period under IFRS 15 will be for the year ended 30 June 2019.

Intangible Assets

Exploration and evaluation costs

The Group applies the full cost method of accounting for Exploration and Evaluation (E&E) costs, having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'. Under the full cost method of accounting, costs of exploring and evaluating properties are accumulated and capitalised by reference to appropriate cash generating units ("CGUs"). Such CGUs are based on geographic areas such as a licence area type or a basin and are not larger than an operating segment - as defined by IFRS 8 'Operating segments'. The Group has identified two CGUs, being that of its mineral exploration and oil extraction operations, and Corporate function including unallocated costs.

E&E costs are initially capitalised within 'Intangible assets'. Such E&E costs may include costs of licence acquisition, technical services and studies, seismic acquisition, exploration drilling and testing, but do not include costs incurred prior to having obtained the legal rights to explore an area, which are expensed directly to the statement of comprehensive income as they are incurred.

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

1. Accounting policies *(Continued)*

Intangible E&E assets are not amortised and are carried forward until the existence (or otherwise) of commercial reserves has been determined. The Group's definition of commercial reserves for such purpose is proven and probable reserves on an entitlement basis.

If commercial reserves are discovered, the related E&E assets are assessed for impairment, and any impairment loss is recognised in the statement of comprehensive income. The carrying value, after any impairment loss, of the relevant E&E assets is then reclassified to development and production assets within property, plant and equipment and is amortised on a unit of production basis over the life of the commercial reserves of the CGU to which they relate. Intangible E&E assets that relate to E&E activities that are not yet determined to have resulted in the discovery of commercial reserves remain capitalised as intangible E&E assets at cost, subject to impairment assessments as set out below.

Impairment of intangible assets

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying value of the E&E CGU to which they relate may exceed its future recoverable amount. Where the E&E assets concerned fall within the scope of an established CGU, the E&E assets are tested for impairment together with all development and production assets associated with that CGU, as a single cash generating unit. The aggregate carrying value is compared against the expected recoverable amount of the CGU. The recoverable amount is the higher of value in use and the fair value less costs to sell. Where the E&E assets to be tested fall outside the scope of any established CGU, there will generally be no commercial reserves and the E&E assets concerned will generally be written off in full. Any impairment loss is recognised in the statement of comprehensive income.

Fair value of exploration assets acquired

On 25 May 2016, the Group acquired 100% of the share capital of Taoudeni Resources Limited and 100% of the share capital of Taoudeni SARL for £329k. Taoudeni SARL is registered in Isle of Man and currently does not hold any exploration licenses. Ensign Resources Limited (Taoudeni subsidiary) is registered in the Isle of Man and, via its 100% owned subsidiary Antubia Resources Limited, the Group holds 24.28 sq. km of gold exploration licences in Ghana. On acquisition the Group was required to assess the fair value of the exploration assets acquired.

The fair value of the exploration assets of £329k was estimated by applying a number of valuation metrics which include; geological upside potential, mineralogy, market benchmarks and the application of local market factors. In the Directors' opinion, the value of the consideration paid to effect the acquisition related primarily to the value of the exploration licences and upside potential representing a price agreed between willing and knowledgeable parties on an arm's length basis. Therefore, the fair value of the consideration transferred, after consideration of tax implications and the removal of the fair value of other identifiable assets acquired, has been used as a basis for valuing the exploration assets acquired.

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

1. Accounting policies (Continued)

Asset held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRSs. Then, on initial classification as held for sale, noncurrent assets (other than investment properties, deferred tax assets, financial assets and inventories) are measured in accordance with IFRS 5 that is at the lower of carrying value and fair value.

The Asheba asset (£329k) held within the Antubia subsidiary is classed as 'Held for sale' in the year ended 30 June 2017. The classification of this asset is based on a non-refundable deposit being received prior to the year end, Head of Terms agreement signed in the year and the SPA signed in September 2017, therefore meeting the criteria of highly probable sale. The asset at the year-end is available for immediate sale in its present condition.

Taxation and deferred tax

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

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

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

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

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

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

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

1. Accounting policies (*Continued*)

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Sterling GBP at the rates of exchange prevailing at the reporting date. Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Exchange differences are taken to the statement of comprehensive income.

The presentational and functional currency the Company is Sterling GBP and accordingly the financial statements have also been prepared in this currency. GOG Norioskhevi Ltd and Ensign Resources Limited currently report in US Dollar \$USD.

Finance costs

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

Borrowings

Borrowings are recorded initially at fair value, net of attributable transaction costs. Borrowings are subsequently carried at their amortised cost and finance charges, including any premium payable on settlement or redemption, are recognised in the profit or loss over the term of the instrument using the effective rate of interest.

Financial instruments

The Group's financial assets consist of cash and cash equivalents at variable interest rates, loans and other receivables. Any interest earned is accrued and classified as interest. Trade and other receivables are stated initially at fair value and subsequently at amortised cost.

The Group's financial liabilities consist of convertible loan notes, trade and other payables. All are non-derivative assets. The trade and other payables are stated initially at fair value and subsequently at amortised cost. Convertible loan notes are treated as described below.

Convertible loan notes

In accordance with IAS 32, the Group has classified the convertible debt in issue as a compound financial instrument. Accordingly, the Group presents the liability and equity component separately on the statement of financial position where material to the Financial Information. In this case, the split is not material and the separation of the liability and equity elements has not been shown.

Share based payments

The fair value of options and warrants granted to directors and others in respect of services provided is recognised as an expense in the statement of comprehensive income with corresponding increase in equity reserves – 'the share option reserve'.

On exercise or cancellation of share options and warrants, the proportion of the share based payment reserve relevant to those options and warrants is transferred to the retained earnings reserve. On exercise, equity is also increased by the amount of the proceeds received.

The fair value is measured at grant date charged in the accounting period during which the option and warrants becomes unconditional.

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

1. Accounting policies (Continued)

The fair value of options and warrants are calculated using the Black -Scholes model, taking into account the terms and conditions upon which the options and warrants were granted. Vesting conditions are non-market and there are no market vesting conditions. These vesting conditions are included in the assumptions about the number of options and warrants that are expected to vest. At the end of each reporting period, the Company revises its estimate of the number of options and warrants that are expected to vest. The exercise price is fixed at the date of grant and no compensation is due at the date of grant.

Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with the fair value of the goods and services received.

2. Segmental disclosures

IFRS 8 requires segmental information for the Group on the basis of information reported to the chief operating decision maker for decision making purposes. The Company considers this role as being performed by the Board of Directors. The Group's operations are focused on mineral exploration in Ghana and oil and gas exploration activities in the Georgia with its corporate head office in the UK. Based on risks and returns the Directors consider that there are two operating segments that they use to assess the Group's performance and allocate resources being the Mineral and Oil extraction in Georgia, and Corporate function including unallocated costs. Two operating segments, being the corporate function and the mineral extraction in Ghana, were assessed as appropriate for assessing Group performance for 2016.

The segmental results are as follows:

	Group		
	Mineral/Oil exploration £	Corporate and other £	Total £
Year ended 30 June 2017			
Other Income	-	39	39
Exploration costs	(3)	-	(3)
Administrative costs	-	(311)	(311)
Finance costs	-	(6)	(6)
	<hr/>	<hr/>	<hr/>
Loss from operating activities	(3)	(278)	(281)
	<hr/>	<hr/>	<hr/>

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

2. **Segmental disclosures (continued)**

	Group		
	Mineral exploration	Corporate and other	Total
	£	£	£
Year ended 30 June 2016			
Exploration costs	(19)	-	(19)
Administrative costs	-	(77)	(77)
Finance costs	-	(15)	(15)
	(19)	(92)	(111)

	Group	Group
	30 June 2017 £'000	30 June 2016 £'000
Segmental asset		
Mineral exploration - Ghana	329	329
Oil exploration – Georgia	654	-
Corporate and other	549	14
	1,442	343
Segmental liabilities		
Mineral exploration	-	-
Corporate and other	311	236
	311	236

In terms of geographical area, the mineral exploration was undertaken in Ghana, the oil development activities undertaken in Georgia, and the corporate and other activities were undertaken in the United Kingdom.

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

3. Critical accounting judgments, estimates and assumptions

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

Recoverable value of Intangible assets

Under the full cost based method of accounting, the Group capitalises exploration and appraisal costs until such times as facts of circumstances indicate that the capitalised E&E costs are not recoverable and an impairment charge may be required to bring the net book values of assets in line with their recoverable amounts.

This assessment involves judgement as to the likely future commerciality of the asset, including geological and commercial chance of success, when such commerciality should be determined as well as future revenues and costs pertaining to the utilisation of the licence rights to which such capitalised costs relate and the discount rate to be applied to such future revenues and costs in order to determine a recoverable value.

Impairment review

The carrying amounts of the Group's intangible assets are reviewed at each reporting date for facts and circumstance which may indicate that an asset may be impaired. If a fact or circumstance indicating impairment is identified, the relevant CGU recoverable amount is estimated. The recoverable amount is the higher of its fair value less costs to sell, and its value in use.

Impairment assessments are also carried out by the Directors at any time during the year, if there has been an event or a change in circumstance that would indicate that the carrying value of the asset may not be recoverable.

When conducting an impairment review of its assets, the Directors exercise judgement in making assumptions about future commodity, mineral, oil and gas reserves/resources and future development and production costs. By their nature, impairment reviews include significant estimates regarding future financial resources and commercial and technical feasibility to enable the successful realisation of the exploration and evaluation expenditure. Changes in the estimates used can result in significant charges to the statement of comprehensive income as any impairment loss arising from the review is charged to the statement of comprehensive income whenever the carrying amount of the asset exceeds its recoverable amount.

Convertible loan notes

The fair value of the liability component on initial recognition is the present value of the stream of future cash flows (including both coupon payments and redemption) discounted at the market rate of interest that would have been applied to an instrument of comparable credit quality with substantially the same cash flows, on the same terms, but without the conversion option. The discount rate applied constitutes a significant estimate by using that of a comparable non-convertible instrument. Significant changes in the discount rate used can result in material differences between the equity and liabilities recognised in the statement of financial position.

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

4. Expenses by nature	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Loss from operations is stated after charging:		
Employee benefit expense (note 5)	99	42
Audit Remuneration – Audit services	14	11
Fees to auditor for other services	-	3
ISDX fee	11	8
Corporate adviser fees	8	12
Other regulatory fees	13	3
Travel and subsistence	30	-
Legal and professional fees	63	(30)
Profit on discontinued operations	39	-
Other expense	73	28
Reallocated to discontinued operation	(30)	(3)
	281	74

5. Employees	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Employment costs consist of:		
Wages and salaries	73	40
Share based payments	24	-
Social security costs	2	1
	99	41

The average monthly number of employees during 2017 was 3 (2016: 3). The Group does not operate a pension plan for Directors. The share based payments were shares issued for services provided.

Key management and personnel are considered to be the Directors. The Group provides Directors' and Officers' liability insurance at a cost of £1,530 (2016: £1,492). This cost is not included in the above table.

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

6. Taxation

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

	Year ended 30 June 2017	Year ended 30 June 2016
	£	£
Loss on ordinary activities	(281)	(111)
Loss before taxation at the average UK standard rate of 20% (2016:20%)	(56)	(22)
Effect of:		
Tax losses for which no deferred income tax asset was recognised	56	22
Current tax	-	-

The Company has corporation tax losses available to carry forward against future profits of approximately £861k (2016: £937k). A deferred tax asset has not been recognised in the financial statements as recovery cannot be foreseen with reasonable probability.

Factors that may affect future current and total tax charges

The Group had tax losses carried forward on which no deferred tax asset is recognised. This may affect future tax charges should the Group produce taxable trading profits in future periods. No deferred tax asset is recognised in respect of losses carried forward to future periods due to the uncertainty of the timing of future taxable profits.

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

7. Earnings per share

	Year ended	Year ended
	30 June 2017	30 June 2016
Earnings per share from continuing operations—basic	(0.123)p	(1.289)p
Earnings per share from discontinuing operations—basic	0.004p	(0.036)p
Earnings per share—basic	<u>(0.119)p</u>	<u>(1.325)p</u>

The basic loss per share is derived by dividing the loss for the period attributable to ordinary shareholders by the weighted average number of shares in issue.

	Year ended	Year ended
	30 June 2017	30 June 2016
	£'000	£'000
(Loss) for the year from continuing operations (used in calculation of basic EPS from continuing operations)	(290)	(108)
Profit / (Loss) for the year from discontinuing operations (used in calculation of basic EPS from discontinuing operations)	9	(3)
(Loss) for the year (used in calculation of total basic EPS)	(281)	(111)
Weighted average number of Ordinary shares of 0.05p in issue	<u>1,177,399,349</u>	<u>41,903,307</u>

The 2016 financial year earnings per shares calculation uses a revised weighted average number of ordinary shares to reflect the share sub-division and consolidation which occurred in December 2016, for comparative purposes, as required under IAS 33.

The earnings per share of all years also take into the post year end 5:1 share consolidation, as detailed in note 23 to the consolidated financial statements.

Diluted share earnings per share has not been calculated as the options and warrants have no dilutive effect.

As detailed in note 16, there are warrants outstanding at the year-end which have the potential to dilute basic earnings per share in the future and reduce the basic loss per share.

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

8. Acquisition of the Norioskhevi PSA and GOG Norioskhevi Ltd

On 20 April 2017 the Company reached an agreement for the acquisition of the entire share capital of GOG Norioskhevi Ltd ("Norio"), a BVI registered company.

On acquisition, Block Energy paid USD\$1 for the issuance of 1 ordinary Norio share, which is now a wholly owned subsidiary of Block Energy. Norio's principal activity is oil and gas extraction.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Fair Values
	£
Share capital	1
Total net assets acquired	1
Cash paid	1
Goodwill	-

9. Intangible assets

	£'000	£'000	£'000
	Licences	Exploration and Evaluation cost	Total
Cost			
At 1 July 2016	329	-	329
Reclassify to asset held for sale	(329)	-	(329)
Additions during the year	617	37	654
At 30 June 2017	617	37	654

The additions in the current year comprise of the following

- On 11 April 2017, the Company acquire a 38% interest in the Norio onshore oil field Production Sharing Agreement (PSA) for a consideration of USD\$380k (£306k) and USD\$300k (£231k) settled with 46,317,740 ordinary shares of the Company. In accordance with the SPA, the Company is required to recomplete five well recompletions within eighteen months, and two further well recompletions within three years. If the Company does not carry out the planned well recompletions, its working interest in the PSA will be reduced.
- Recognition of the Company's share in the West Rustavi PSA contract £79k.
- Technical Report £37k.

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

9. Intangible assets (continued)	£'000	£'000	£'000
	Licences	Exploration and Evaluation cost	Total
Cost			
At 1 July 2015	-	-	-
Reclassify to asset held for sale	-	-	-
Additions during the year	329	-	329
At 30 June 2016	329	-	329

10. Asset Held for Sale

Details of asset held for sale are as follows

Cost	2017 £'000
At 1 July 2016	-
Reclassifying from intangible assets	329
At 30 June 2017	329

On 8 June 2017 the Antubia Head of Terms was signed and the asset classed as held for sale. The SPA was signed on 6 September 2017. The assets fair value is considered to be its carrying value. No impairment to the value was identified. The consideration receivable under the SPA is \$600k, and is conditional on confirmation of licence renewal.

11. Trade and other receivables

	2017 £'000	2016 £'000
Other receivables	213	-
Unpaid share capital	25	-
Prepayments	6	2
	244	2

The 2017 year receivable pertains to loan note funds not received by year end, and are due within one year.

All trade and other receivables are denominated in GBP (£) Sterling.

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

12. Cash

	2017	2016
	£'000	£'000
Cash and cash equivalents	215	12
	215	12

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

All cash and cash equivalents are denominated in GBP (£) Sterling.

13. Trade and Other Payables

	2017	2016
	£'000	£'000
Trade and other payables	14	55
Accruals	50	67
	64	122

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

All trade and other payables are denominated in GBP (£) Sterling.

14. Share capital

	Ordinary Shares	Deferred Shares	Nominal £
Called up, allotted, issued and fully paid			
As at 30 June 2016	2,095,165,355	-	1,047,582
Share sub-division at 31 December 2016	-	2,095,165,355	-
Share consolidation at 31 December 2016	(2,053,262,048)	-	-
Issue of equity on 10 January 2017	163,320,001	-	81,660
Issue of equity on 31 March 2017	30,000,000	-	15,000
Issue of equity on 9 May 2017	144,617,740	-	72,309
	379,841,048	2,095,165,355	1,216,551

Subdivision and Consolidation of share capital

A subdivision and consolidation of capital exercise was undertaken at the 31 December 2016. Every 50 existing Ordinary Shares of 0.05p were first subdivided into one Ordinary Share of 0.001p and one Deferred Share of 0.049p.

Following this subdivision, each 50 Ordinary shares of 0.001p were consolidated into one Ordinary Share of 0.05p, resulting in a reduction in the number of Ordinary Shares from 2,095,165,355 to 41,903,307 and the creation of 2,095,165,355 Deferred Shares.

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

14. Share capital (continued)

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 of profits of the Company, nor is there entitlement to receive notice of, speak at, or vote at any general meeting or annual general meeting.

	<i>Share capital at 01/07/2016</i>	<i>Share Capital at 31/12/2016 following the share re-organisation</i>
Ordinary shares of 0.05p	2,095,165,355	41,903,307
Nominal Value (pence)	0.05	0.05
Aggregate nominal value	£1,047,582	£20,951
Deferred ordinary shares of 0.049p		2,095,165,355
Nominal Value (pence)		0.049
Aggregate nominal value		£1,026,631

15. Reserves

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

Reserve	Description and purpose
Called up share capital	Amount subscribed for share capital at nominal value.
Share premium account	Amount subscribed for share capital in excess of nominal value, less attributable costs.
Retained earnings	Cumulative net gains and losses recognised in the income statement.

16. Fundraising incentives and share based payments

As part of the Taoudeni Resources SARM acquisition agreement during the year ended June 2016, the following warrants were issued in the year.

Date of Issue	No of Warrants	Name	Subscription Price	Aggregate Subscription Cost
21/12/2016	864,416	Hot Rocks Investments plc	2.5p	£21,610.40
21/12/2016	16,192	Gavin Burnell	2.5p	£404.80
21/12/2016	658,324	Plutus Strategies	2.5p	£16,458.10
21/12/2016	195,994	Sunrise Resources Plc	2.5p	£4,899.85
21/12/2016	184,915	Centrebind Agency Ltd	2.5p	£4,622.88
21/12/2016	76,724	Geoffrey Tomlinson	2.5p	£1,918.10
21/12/2016	16,192	Ryan Long	2.5p	£404.80
21/12/2016	16,192	Brian Rowbotham	2.5p	£404.80
21/12/2016	16,192	Charles Vaughan	2.5p	£404.80

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

16. Fundraising incentives and share based payments (continued)

As part of the Taoudeni Resources acquisition agreement during the year ended June 2016, the following warrants were issued in the year.

	30 June 17		30 June 16	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding at the beginning of the year	250,000,000	0.05p	250,000,000	0.05p
Additions	2,045,151	2.5p	-	-
Lapsed	(3,000,000)	2.5p	-	-
Share capital reorganisation effect	5,000,000	125p	-	-
Outstanding as the end of the year	<u>4,045,151</u>	<u>125p</u>	<u>250,000,000</u>	<u>0.05p</u>

As at 30 June 2017, no warrants were available to exercise and were exercisable at a price of 125p. The weighted average life of the warrants is 10 years. The valuation of the Warrants are not considered material.

As detailed within note 23 of the consolidated financial statements, on 15 November 2017 a share consolidation of 5:1 ordinary shares occurred.

17. Borrowings

	30 June 2017	30 June 2016
	£'000	£'000
Short term loans – unsecured	<u>247</u>	<u>72</u>

All loans are denominated in GBP (£) Sterling.

The majority of the year ended 30 June 2017 loan balance relates to a convertible loan note, (£210k) issued on 27 June 2017 ('the Note') and carries a flat 10% coupon rate. The Note is repayable on the earlier of the second anniversary of issue or 14 days after due notice has been given to the Company following the first anniversary of issue. Otherwise, the Note shall be convertible as follows:

- i) At any time following issue of the Note the holder shall be entitled to have all or part of the Note converted into shares prior to an IPO event;
- ii) Upon an AIM admission event the Notes will automatically be redeemed by the Company by the issue of ordinary shares at a 10% discount to the share price on admission to AIM;
- iii) Whilst the Company's shares are admitted to NEX, the Company may convert the Notes into ordinary shares of the Company.

The Notes are secured by way of a debenture over assets of the Company.

The Directors consider it appropriate to classify these loans as current.

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

18. Financial instruments

The Board of Directors determine, as required, the degree to which it is appropriate to use financial instruments or other hedging contracts or techniques to mitigate risk. The main risk affecting such instruments is foreign currency risk which is discussed below.

There is no material difference between the book value and fair value of the Group cash balances, and the short-term receivables and payables because of their short maturities.

Credit risk

Financial assets which potentially subject the holder to concentrations of credit risk consist principally of cash balances. These balances are all held at a recognised financial institution. The maximum exposure to credit risk is £215k (2016: £12k). The Company and Group does not hold any collateral as security.

Market risk

Market risk arises from the Group's use of interest bearing and foreign currency financial instruments. It is the risk that future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), and foreign exchange rates (currency risk).

Currency risk

The Group has potential currency exposures in respect of items denominated in foreign currencies comprising transactional exposure in respect of operating costs and capital expenditure incurred in currencies other than the functional currency of operations.

Liquidity risk

Liquidity risk arises from the possibility that the Group and its subsidiaries might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. In addition to equity funding, additional borrowings have been secured to finance operations. The Company manages this risk by monitoring its financial resources and carefully plans its expenditure programmes.

Capital

The Company considers its capital to comprise its ordinary share capital, share premium and retained deficit. In managing its capital, the directors's primary objective is to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, through new share issues, the Group considers not only their short-term position but also their long term operational and strategic objectives.

	2017	2016
	£'000	£'000
Capital and reserves attributable to shareholders		
Share capital	1,217	1,048
Share premium	2,721	1,628
Retained deficit	<u>(2,807)</u>	<u>(2,527)</u>
Total equity	<u>1,131</u>	<u>149</u>

Other than the share subdivision and consolidation on 31 December 2016, there have been no significant changes to the Company's capital management objectives, policies and processes in the year nor has there been any change in what the Company considers to be its capital.

See note 23 for details of a post 30 June 2017 share consolidation.

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

19. Categories of financial instruments

The Company and Group has no category of financial assets which require separate disclosure.

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

	30 June 2017	30 June 2016
	£'000	£'000
Liabilities at amortised cost	14	55
Loans and receivables	247	72
	261	127
Cash and cash equivalents at amortised cost	215	12
Trade receivables at amortised cost	244	2
	459	14

No collateral has been pledged in relation thereto.

20. Subsidiaries

At 30 June 2017, the Group consists of the following subsidiaries, which are wholly owned by the Company.

Company	Country of Incorporation	Proportion of voting rights and equity interest	2017	2016
GOG Norioskhevi Ltd	British Virgin Islands	100%	100%	0%
Taoudeni Resources SARL	Mauritania	100%	100%	100%
Taoudeni Resources UK**	UK	100%	100%	100%
Ensign Resources***	Isle of Man	100%	100%	100%
Goldcrest Resources UK	UK	100%	100%	100%

** in the process of liquidation

*** holds Antubia Ltd – held for sale

New Subsidiary - Nature of business

The principal activity of GOG Norioskhevi Ltd is oil and gas extraction.

Registered Office

The registered office of GOG Norioskhevi Ltd is the same as the Parent Company.

The registered office of Taoudeni Resources SARL is International House, 1-6 Yarmouth place, London W1J 7BU.

Block Energy Plc
Notes to the consolidated financial statement
For the year ended 30 June 2017

20. Subsidiaries (continued)

The registered office of Taoudeni UK is International House, 1-6 Yarmouth place, London W1J 7BU

The registered office of Ensign Resources is Falcon Cliff, Palace road, Douglas, Isle of Man, IM2 4LB

The registered office of Goldcrest Resources UK 6th Floor, 60 Gracechurch Street, London EC3V OHR

21. Commitments

There were no commitments at the reporting date.

22. Related party transactions

In March 2017, Plutus Strategies Limited were paid consultancy fees of £2,500. In January 2017 they were issued £20,000 of shares in settlement of broker fees. Both Niall Tomlinson and Paul Haywood are directors of Plutus Strategies Limited.

Intra group transactions have been detailed in note 14 of the parent company financial statements.

As part of the consideration for Taoudeni Resources, Plutus Strategies Limited were issued 658,234 warrants at a subscription price of 2.5p on 21 December 2016.

23. Subsequent events

On 17 July, Block Energy increased its ownership in the Norio PSA to 69% from 38% by making a further payment of USD\$310k in cash to Georgia Oil and Gas Ltd. On 25 September 2017, Block Energy acquired the remaining interest through payment of \$USD 310k, and now owns 100% of the PSA.

On 25 July 2017 Block Energy acquired Satskhenisi Ltd, a Marshall Islands incorporated company. This subsidiary holds the Satskhenisi PSA.

On 1 August 2017, Block Energy secured a 90% working interest in the Satskhenisi Production Sharing Agreement (SKN PSA) via the acquisition of 100% of the share capital of Satskhenisi Ltd, a Marshall Islands registered company.

On 31 August 2017, Block Energy raised £250k via the placing of 29,411,765 new ordinary shares at an issue price of 0.85p per new share. The proceeds will be used to execute the planned AIM listing.

On 12 September 2017 the Group purchased Georgia New Ventures Inc, a Bahamas incorporated company.

On 12 September 2017, Block Energy reached final agreement for the disposal of the entire issued and to be issued share capital of Antubia Resources Limited for \$600,000 in cash through the signing of the Sale and Purchase Agreement (SPA) with Star Goldfields Limited.

On 25 September 2017, Block Energy were suspended from trading on the NEX exchange in preparation for the its listing onto the Alternative Investments Market (AIM) in accordance with the NEX Exchange Growth Market – Rules for Issues pending publication of its AIM admission document. On the same day, it acquired 100% of the Norio PSA, changing its status to operator in these fields as well as the Satskhenisi area.

On 8 November 2017, an SPA was signed for the sale of Taoudeni Resources SARL.

On 15 November 2017, Block Energy performed a share consolidation exercise whereby 1 new share of - 0.25p nominal value was issued to replace every 5 shares of 0.05p nominal value.

On 15 November 2017, Block Energy signed a deed of variation with Centrebind Agency Limited, a company registered in Cyprus, registered office 17 Gr Xenopoulou, 3106 Limassol, Cyprus, to pay a one off cash payment of \$100,000 in the event of the finalisation of the Asheba asset sale. The consideration will be payable 30 days after the renewal of the Asheba licence.

Block Energy Plc

Independent auditor's report to the Members of Block Energy Plc

Opinion

We have audited the financial statements of Block Energy Plc (the 'parent company') for the year ended 30 June 2017 which comprise the Parent Company Statement of Financial Position, the Parent Company Statement of Changes in Equity, the Parent Company Statement of Cash Flows and 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 and as applied in accordance with the provisions of the Companies Act 2006.

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

In our opinion, the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 30 June 2017;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Block Energy Plc

Independent auditor's report to the Members of Block Energy Plc

Our audit approach

Materiality

Company financial statements: £45,000 (2016: £36,000) which has been based on the average of 5% of the loss before tax and 5% of gross assets.

The scope of our audit

When assessing and designing our audit approach, we initially determined our materiality thresholds and assessed where in the financial statements the risk of material misstatement could arise. In order to identify such areas, we firstly considered the balances or transactions that are above our performance materiality, as well as areas of which the directors make subjective judgements.

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. This is not a complete list of all risks identified by our audit.

Key Audit Matter	How the scope of our audit responded to the key audit matter
Intangible asset additions (note 9)	
During the year, intangible additions were £617,000 relating to the purchase of the Norio and West Rustavi Production Sharing Agreements (PSAs). Within the PSAs, there are different forms of consideration which can be for cash (payable immediately, deferred over a period of time, or contingent against specific requirements). Any incorrect treatment of consideration paid and payable could materially misstate the financial statements.	<p>To ensure completeness of the intangible assets acquired during the period, we reviewed the share purchase agreements (SPAs) to gain an understanding of the consideration and type of consideration due to the seller.</p> <p>We confirmed that all elements of the various considerations paid were recognised correctly within the financial statements.</p> <p>We confirmed that any outstanding consideration payable at the year end were correctly recognised such that payables were materially complete.</p> <p>We confirmed that intangible assets capitalised under IFRS 6 were correctly treated in the financial statements.</p>

Block Energy Plc

Independent auditor's report to the Members of Block Energy Plc

<p>Non-current asset held for sale</p>	
<p>During the year, the Company received a non-refundable deposit in respect of the impending sale of the Antubia Resources subsidiary, held within Ensign Resources Ltd (a 100% subsidiary of Block Energy Plc) with the SPA to be signed after the year end.</p> <p>IFRS 5 requires assets to be held for sale when:</p> <ul style="list-style-type: none"> • the carrying amount is to be recovered through a sale transaction; and • the sale is highly probable. <p>Once held for sale the asset must be stated at the lower of its carrying amounts and fair value less costs to sell.</p> <p>Incorrect treatment of the held for sale asset could lead the asset being materially misstated in the financial statements.</p>	<p>We reviewed the draft SPA in place prior to the year end.</p> <p>We confirmed the Directors had intention to complete the sale.</p> <p>We vouched receipt of the non-refundable deposit received, as per the draft SPA.</p> <p>Base on the above we concluded the sale was highly probable and the carrying amount was to be recovered through its sale.</p> <p>We confirmed that at the year end the asset was being carried at the lower of its carrying amount and fair value less costs to sell.</p>

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 parent company 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 Companies Act 2006

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

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

Block Energy Plc

Independent auditor's report to the Members of Block Energy Plc

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the parent company 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 parent company financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [http://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-forhttps://www.frc.org.uk/auditors/audit-assurance/standards-and-guidance/2010-ethical-standards-for-auditors-\(1\)](http://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-forhttps://www.frc.org.uk/auditors/audit-assurance/standards-and-guidance/2010-ethical-standards-for-auditors-(1)). This description forms part of our auditor's report.



Mark Ling (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
4th December 2017

1 Westferry Circus
Canary Wharf
London E14 4HD

Block Energy Plc

Parent Company Statement of Financial Position At 30 June 2017

	Note	2017	2016
		£'000	£'000
Non- current assets			
Investments	3	-	-
Intangible assets	4	654	329
		<u>654</u>	<u>329</u>
Current assets			
Asset classified as held for sale	5	329	-
Trade and other receivables	6	288	2
Cash and cash equivalents	8	215	12
Total current assets		<u>832</u>	<u>14</u>
Total assets		1,486	343
Capital and reserves attributable to equity shareholders			
Share capital	9	1,217	1,048
Share premium		2,721	1,628
Retained deficit		(2,763)	(2,527)
Total equity		<u>1,175</u>	<u>149</u>
Current liabilities			
Trade and other payables	7	64	122
Borrowings	10	247	72
Total current liabilities		<u>311</u>	<u>194</u>
Total equity and liabilities		<u>1,486</u>	<u>343</u>

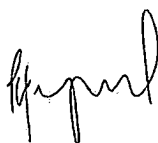
The Company has taken of s408 of the Companies Act 2006 by choosing not to present its individual Statement of Comprehensive Income and related notes that form part of these approved financial statements.

The Company's loss for the year from continuing and discontinued operations is £235,000 (2016: loss of £111,000).

The financial statements were approved by the Board of Directors and authorised for issue on 4th December 2017 and were signed on its behalf by:



Niall Tomlinson
Director



Paul Haywood
Director

The notes on pages 49 to 53 form part of these financial statements

Block Energy Plc

Parent Company Statement of Changes in Equity At 30 June 2017

	Share capital £'000	Share premium £'000	Retained deficit £'000	Total equity £'000
Balance at 1 July 2015	748	1,628	(2,416)	(40)
Loss for the year	-	-	(111)	(111)
Total comprehensive income for the year	-	-	(111)	(111)
Shares issued	300	-	-	300
Total transactions with owners	300	-	-	300
Balance at 30 June 2016	1,048	1,628	(2,527)	149
Loss for the year	-	-	(235)	(235)
Total comprehensive income for the year	-	-	(235)	(235)
Shares issued	169	1,110	-	1,279
Cost of issue	-	(17)	-	(17)
Total transactions with owners	169	1,093	-	1,262
Balance at 30 June 2017	1,217	2,721	(2,763)	1,175

Block Energy Plc
Notes to the Parent Company financial statement
For the year ended 30 June 2017

	2017	2016
	£'000	£'000
Operating activities		
Loss for the year before income tax	(235)	(111)
Non-refundable deposit received	(39)	-
Finance expense	6	15
Net cash flow from operating activities before changes in working capital	(268)	(96)
(Increase)/Decrease in trade and other receivables	(286)	5
Increase/(Decrease) in trade and other payables	291	(32)
Net cash flow from operating activities	(263)	(123)
Investing activities		
Purchase of subsidiary	-	(29)
Non-refundable deposit received	39	-
Expenditure in respect of intangible assets	(422)	-
Intragroup amounts settled	(46)	-
Cash used in investing activities	(429)	(29)
Financing activities		
Issue of ordinary share capital	748	-
Costs related to issue of ordinary share capital	(17)	-
Interest paid	(6)	(15)
Convertible loan notes issued	170	-
Net cash from financing activities	895	(15)
Net increase/(decrease) in cash and cash equivalents in the year	203	(167)
Cash and cash equivalents at start of year	12	179
Cash and cash equivalents at end of year	215	12

Non – cash transactions

During the year, the following shares were issued in settlement of liabilities:

	No. of shares / Value £		No. of shares / Value £
Niall Tomlinson	3,200,000 / £8,000	Plutus Strategies Ltd	8,000,000 / £20,000
Ryan Long	2,400,000 / £6,000	Gareth Northam	400,000 / £1,000
Paul Haywood	2,800,000 / £7,000	Timothy Strong	720,000 / £1,800
Gavin Burnell	11,000,000 / £27,500	Hot Rocks Investments Plc	6,000,000 / £15,000
Woodland Capital Ltd	6,000,000 / £15,000		

On 9 May 2017, an additional 500,000 shares were issued to Gareth Northam in settlement of £2,500 accrued debt. On the 9th May 2017, Block Energy issued 46,317,740 shares to The Georgian Oil Company to settle a consideration of £232,000 for the Norio PSC.

Block Energy Plc

Notes to Parent Company Financial Statements For the year ended 30 June 2017

1. Accounting policies

Basis of preparation

These financial statements have been prepared on a historical cost basis and in line with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union and in accordance with UK Law. All accounting policies are consistent with those adopted by the Group. These accounting policies are detailed in the notes to the consolidated financial statements, note 1. Any deviations from these Group policies by the Company is detailed below.

Investments

Investments are stated at their fair value at acquisition date and are reviewed at the end of each reporting period for impairment. Please refer to note 8 in the Consolidated Financial notes, and note 4 below.

Critical accounting judgments, estimates and assumptions

The Company makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as detailed within note 3 to the consolidated notes to the financial statements.

2. Directors' Emoluments

Directors' Emoluments are disclosed in the Remuneration Report of the consolidated financial statements.

The average monthly number of employees during the year was 3 (2016: 3).

3. Investments

Investments relate to the share capital held in subsidiaries of the Company, as detailed in note 20 of the consolidated financial statements.

4. Intangible assets

	2017 £'000	2017 £'000	2017 £'000
	Licences	Exploration and Evaluation cost	Total
Cost			
At 1 July 2016	329	-	329
Reclassification to asset held for sale	(329)	-	(329)
Additions during the year	617	37	654
At 30 June 2017	617	37	654

Block Energy Plc

Notes to the Parent Company financial statement For the year ended 30 June 2017 (continued)

4. Intangible assets (continued)

	£'000	£'000	£'000
	Licences	Exploration and Evaluation cost	Total
Cost			
At 1 July 2015	-	-	-
Reclassifying to asset held for sale	-	-	-
Additions during the year	329	-	329
At 30 June 2016	329	-	329

The additions in the year comprise of the following

- On 11 April 2017, the Company agreed terms to acquire a 100% interest in the Production Norio onshore oil field Production Sharing Agreement (PSA) and an option to form a farm in agreement to acquire 70% interest in Block VIII PSA that hosts the East Khavtiskhevu onshore field in the Republic of Georgia. At 30 June 2017, the Company had only purchased 38% of the Norio PSA for a consideration of USD\$380k cash and USD\$300k shares (46,317,740 shares) to Georgian Oil and Gas Limited Company.
- Recognition of the Company's share in the West Rustavi PSA contract £79k.
- Competent Persons Report (CPR) £37k.

5. Asset Held for Sale

Details of asset held for sale are as follows

	2017 £'000
Cost	
At 1 July 2016	-
Reclassifying from intangible assets	329
At 30 June 2017	329

On 8 June 2017 the Antubia Head of Terms was signed and the asset classed as held for sale. The SPA was signed on 6 September 2017. The assets fair value is considered to be its carrying value. The carrying value is the sale value less any costs to bring it to sale. No impairment to the value was identified. The consideration receivable under the SPA is \$600k. As at 12 November 2017, the final condition outstanding, before sale finalisation can occur, was confirmation of licence renewal.

Block Energy Plc

Notes to Parent Company Financial Statements For the year ended 30 June 2017

6. Trade and other receivables

	2017 £'000	2016 £'000
Prepayments	6	2
Other receivables	210	-
Unpaid share capital	25	-
Amounts due from group undertakings	47	-
	<hr/>	<hr/>
	288	2

All above amounts are due within one year.

All trade and other receivables are denominated in GBP (£) Sterling.

7. Trade and other payables

	2017 £'000	2016 £'000
Trade and other payables	14	55
Accruals	50	67
	<hr/>	<hr/>
	64	122

All trade and other payables are denominated in GBP (£) Sterling.

8. Cash at bank

	2017 £'000	2016 £'000
Cash and cash equivalents	215	12
	<hr/>	<hr/>
	215	12

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

All cash and cash equivalents are denominated in GBP (£) Sterling.

9. Share Capital

Details of share capital and movements in the year are set out in note 14 to the consolidated financial statements.

10. Borrowings

Please refer to note 17 in consolidated notes

Block Energy Plc

Notes to Parent Company Financial Statements For the year ended 30 June 2017

11. Financial Instruments

The Board of Directors determine, as required, the degree to which it is appropriate to use financial instruments or other hedging contracts or techniques to mitigate risk. The main risk affecting such instruments is foreign currency risk which is discussed below. Throughout the year ending 30 June 2017 no trading in financial instruments was undertaken (2016: Nil).

There is no material difference between the book value and fair value of the Company cash balances, and the short term receivables and payables because of their short maturities.

Market risk

Market risk arises from the Company's use of interest bearing and foreign currency financial instruments. It is the risk that future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), and foreign exchange rates (currency risk).

Currency risk

The Company has potential currency exposures in respect of items denominated in foreign currencies comprising transactional exposure in respect of operating costs and capital expenditure incurred in currencies other than the functional currency of operations.

At the year end, the Company had cash balances of GBP£215k (2016: £12k) which comprised of GBP Sterling.

Capital

The Company considers its capital to comprise its ordinary share capital, share premium and retained deficit.

In managing its capital, the Company's primary objective is to maintain a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, through new share issues, the Company considers not only their short term position but also their long term operational and strategic objectives.

	2017	2016
	£'000	£'000
Capital and reserves attributable to shareholders		
Share capital	1,217	1,048
Share premium	2,721	1,628
Retained deficit	<u>(2,763)</u>	<u>(2,527)</u>
Total equity	<u>1,175</u>	<u>149</u>

		<i>Share Capital at 31/12/2016 following the share re-organisation</i>
<i>Share capital at 01/07/2016</i>		
Ordinary shares of 0.05p	2,095,165,355	41,903,307
Nominal Value (pence)	<u>0.05</u>	<u>0.05</u>
Aggregate nominal value	<u>£1,047,582</u>	<u>£20,951</u>
Deferred ordinary shares of 0.049p		2,095,165,355
Nominal Value (pence)		<u>0.049</u>
Aggregate nominal value		<u>£1,026,631</u>

Block Energy Plc

Notes to Parent Company Financial Statements For the year ended 30 June 2017

Interest rate risk

The Company's cash and cash equivalents are subject to interest rate exposure due to changes in interest.

12. Categories of financial instruments

The Group has no category of financial assets which require separate disclosure.

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

	30 June 2017	30 June 2016
	£'000	£'000
Liabilities at amortised cost	14	55
Loans and receivables	247	72
	<hr/>	<hr/>
	261	127
	<hr/>	<hr/>
Cash and cash equivalents at amortised cost	215	12
Trade receivables at amortised cost	288	2
	<hr/>	<hr/>
	503	14
	<hr/>	<hr/>

13. Commitments

There were no commitments at the reporting date.

14. Related party transactions

At the end of year, the following subsidiaries owed the parent company for payments made on their behalf.

- Ensign Ltd (Antubia resources) - £30k (2016 : Nil)
- Taoudeni Resources SARL- £7k (2016 : Nil)
- GOG Norioskhevi Ltd - £10k (2016 : Nil)

Further detail on related party transactions can be found in note 22 in the consolidated financial statements.

15. Subsequent events

Please refer to note 23 to the consolidated financial statements.