WOODBOIS LIMITED

INTERIM FINANCIAL REPORT

FOR THE SIX MONTH PERIOD ENDED

30 JUNE 2019

WOODBOIS LIMITED
DIRECTORS AND OFFICERS

DIRECTORS

Kevin Milne	*(Interim Non-executive Chairman)*
Miles Pelham	*(Non-executive Chairman) - resigned 11 July 2019*
Paul Dolan	*(Chief Executive Officer)*
Carnel Geddes	*(Chief Financial Officer)*
Jacob Hansen	*(Chief Operating Officer) – appointed 11 January 2019*
Hadi Ghossein	*(Deputy Chairman) – appointed 11 January 2019*
Zahid Abbas	*(Head of Trading) – appointed 11 January 2019*
Henry Turcan	*(Non-executive Director) – appointed 13 May 2019*
Graeme Thomson	*(Non-executive Director) – appointed 11 July 2019*

COMPANY SECRETARY
William Place Secretaries Limited
Dixcart House,
Sir William Place,
St Peter Port,
Guernsey, GY1 4EZ

COMPANY NUMBER
52184 (Guernsey)

REGISTERED OFFICE
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Guernsey GY1 1GX

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REGISTRARS
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LAWYERS TO THE COMPANY (UK)
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INDEPENDENT AUDITOR
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WOODBOIS LIMITED
CONTENTS

- Name change to Woodbois Limited
- H1 2019 Revenue \$9.3m vs H1 2018 Revenue \$6.6m, 41% increase YOY with growth from both Forestry and Trading divisions
- H1 Gross profit \$1.3m vs H1 2018 Gross Profit 0.7m, 83% increase YOY
- H1 2019 total loss \$3.4m vs H1 2018 total loss \$5.5m
- £5m equity investment by 1798 Volantis Fund
- \$8.4m net inflows to Internal Trading Fund (ITF)
- 25% stake in Montara Continental purchased to complete corporate restructuring
- 5% Perpetual preference shares to be re-structured into 4% convertible bonds
- Civil works for kilns completed and on schedule to be operational in Q3 2019
- Civil works to house new sawmill equipment in progress
- Strong showing in SPOTT report
- 2018 Sustainability Report released
- Kevin Milne becomes acting Chairman as Miles Pelham steps down
- Henry Turcan and Graeme Thomson join board as NED's

Strong Revenue Growth
Following the 60% Year-on-Year revenue growth achieved in 2018, a further 41% revenue growth over the same period in 2018 was delivered during H1 2019. Notable revenue increases were recorded within both Forestry (+30%) and Trading (+45%) divisions. The strong start to 2019 was assisted by further inflows into our ITF, providing management with a high level of confidence that as additional ITF is secured the trading division can deliver further growth during 2019 and beyond.

This growth in revenue has been achieved with minimal additional operating expenses, which are annualising just 3% above the FY 2018 run-rate. The cost reduction programme embarked upon 12 months ago is now largely complete and has resulted in administration expenses for the first six months of 2019 annualising at 28% below that of the FY 2018. Operating and administration costs combined total 38% of revenue for H1 2019 vs 57% of revenue for FY 2018, a distinct improvement. Every component of costs within the business will remain under close review with the objective of driving bottom line performance.

Corporate Consolidation and Institutional Investment
The Group made a dynamic start to 2019, announcing the disposal of its agricultural assets in Tanzania and the acquisition of the 25% of Montara Continental Limited that it did not own (from Africa Resource Investment Limited ("ARI")). At that time, the directors expressed their belief that simplifying the corporate structure and narrowing the Group's focus to timber trading and production, would make the Group more attractive to potential investors and trade finance providers.

Although we had not anticipated immediate institutional grade investment, these changes taken together with Woodbois' rapid growth and strong sustainability credentials put the Group on the radar of the 1798 Volantis Fund, a team within the Lombard Odier Asset Management group dedicated to UK Small Cap Investment. During Q1, Volantis invested approximately £5m in new ordinary shares as well as committing to the provision of a loan of \$5m for the purposes of trade finance through the ITF.

We are delighted to have attracted this capital investment, and with our newly consolidated corporate structure, streamlined business activities, strengthened balance sheet and continued growth prospects, we look forward to attracting additional institutional shareholders to our share register in the future.

Capital structure consolidation
Having dramatically rationalised the corporate structure over the previous 18 months, including the elimination of 27 subsidiary companies, one of the board's aims in 2019 was to simplify the Group's capital structure with the intention of aligning the interest of all investors.

With that in mind, the Group has proposed to restructure the 5% perpetual preference share class in Woodbois subsidiary Argento by buying it back and issuing its holders instead with a convertible bond issued by Woodbois. The Woodbois convertible bond will have a 5 year tenure, 4% coupon and conversion price of 8p. 100% of the current preference shareholders have accepted the terms of the proposed switch. The switch is from a preference share with variable conversion terms linked to a subsidiary company, to a bond convertible into Woodbois common stock at a fixed rate. This simplifies the capital structure and serves to more closely align management, bondholders and shareholders' interest, as well as making the Group more investible and easier to value for institutional investors. The Company will make a separate announcement upon entering into definitive documentation and the transaction is expected to complete during October 2019. Full details of the convertible bond will be available on our website at www.woodbois.com thereafter.

Forestry division
H1 2019 revenue $3.6m vs full year 2018 revenue $5.6m
The increased levels of production at our production facilities in Gabon achieved during H2 2018 were largely maintained during H1 2019 despite the inevitable disruption caused by the civil works being undertaken to house the new kilns and sawmilling equipment. Disruption at the port in Libreville described in some detail in the Q2 update of 11 July 2019 led to a back-log of shipments to customers that started to clear as operations at the port normalised during August. Gross profit margin of 21% for H1 2019 was in line with FY 2018.

Sawmill
The new 'Techdry' kilns arrived in Gabon from China in March, and by the end of June all civil works required to accommodate the kilns was completed. At the time of writing the kilns have just become operational, comfortably within the timeline forecast. Bringing kiln-drying onsite rather than outsourcing as done to date, provides a perfect example of the potential to enhance margins via investments with very short-term payoffs. As announced on 14 January 2019, this installation of our own kilns will directly add $700,000 to the bottom line annually, assuming existing levels of production.

During Q1 2019, management visited numerous sawmills, veneer and plywood factories and equipment manufacturers in Gabon, Slovenia, Turkey, Spain and Morocco to conduct research ahead of placing orders for new equipment. An entire new sawmilling line combining Chinese and Slovenian sawmilling equipment was placed on order and we expect these new lines to become operational before the 2019 year end. These investments will not only increase current levels of production but are expected also to improve margins by enhancing recovery levels by at least 10% from the 33% currently being achieved. Thorough planning by our on-site factory managers has ensured that the sawmill has maintained consistent output despite the mechanics and logistics of relocating heavy machinery whilst simultaneously undertaking substantial construction and civil works activity in preparation for the arrival of all of the new equipment.

Veneer factory
The new equipment that arrived at the end of Q1, namely a debarking machine, two hydraulic lifters and a hydraulic press, have all been commissioned and are operational. Research is underway into optimizing the veneer factory via an additional veneer line or plywood line, but analysis of several months' worth of data from the factory while working at full capacity must first be undertaken in order for decisions to be made.

Trading division
H1 2019 revenue $5.7m vs FY 2018 revenue $7.9m
Trading revenues increased by 46% over the 2018 outturn, fuelled by inflows to our Internal Trading Fund (ITF) detailed previously in the Q1 report. We expect some margin contraction as we scale the trading business and gross profit margin of 10% for H1 2019, whilst down from 12% in FY 2018, is well within our anticipated range. The final remaining tranche of $2.5m of previously reported ITF subscription was drawn down at the beginning of June 2019. Revenues generated from business with third party suppliers increased during Q2 to a record $3.2m, providing a 60% YOY increase vs Q2 2018 trading revenues. The increased volumes have come largely from existing suppliers, but with increased levels of trade finance now in place, we continue to seek relationships with reliable suppliers of high quality sawn timber and veneers across the Congo basin to match the global demand for traceable, sustainable hardwood products generated by our sales team.

Having chosen Mauritius to become a key trading and administrative hub due to its premier ranking across most African indices for business and corporate governance, and its geographic and time zone location between our teams in sub-Saharan Africa and Europe, we are actively looking to add experienced, high calibre personnel to our team and to increase trading activity and business development in Mauritius. In line with this strategy, we have added two traders to the Mauritius business during Q3 (2019).

Tanzania
Envision, the Tanzanian entity which purchased the Tanzanian agriculture business from us, has not yet paid the initial proceeds in accordance with the payment schedule agreed in the Sale and Purchase agreement ("SPA"). Under the SPA the consideration is payable by Envision in 12 quarterly instalments.

The first instalment of $250,000 was payable on 30 April 2019. The remainder is to be paid in 11 equal instalments. The Group has commenced legal action against Envision to recover the amounts due. The Group is still settling outstanding creditors (circa $182,000 at 30 June 2019) and apart from minimal winding up expenses the Group has no ongoing cost commitment in Tanzania.

Board changes

Woodbois received notice on 11 July 2019 from its Non-Executive Chairman, Miles Pelham, that he would be stepping down with immediate effect. Since leaving banking in 2017 Mr Pelham has built Diginex Limited, a start-up blockchain company, into a diversified global leader in the blockchain arena. Its growth is such that it will be listed on the Nasdaq with Mr Pelham serving as its Executive Chairman. Mr Pelham remains fully committed to Woodbois' future success and remains its largest stakeholder but acknowledged that he could not adequately service the needs of the Group with another Chairmanship of a listed entity.

The Board has appointed Kevin Milne as interim Chairman whilst candidates are vetted, and a replacement found. The Group does not expect this change to have any material effect on the performance of the Group. Kevin, who has been NED since August 2015 is a Chartered Fellow of the CISI and has held leadership and senior management positions in the UK, Europe, Asia and Australia. Kevin has extensive experience operating in highly regulated environments including being a member of the Executive Committee of the London Stock Exchange Group.

As reported in the RNS of 13 May 2019, Henry Turcan, 45, joined the Board as Non-Executive Director. Henry has worked in financial services since 1996, with a focus on equity capital markets. Having spent the majority of his career advising growth companies within investment banking, he joined the Volantis team at Henderson Global Investors in 2015, which subsequently transferred to Lombard Odier Investment Management in 2017 becoming known as 1798 Volantis. Henry is a representative of the funds managed or sub-advised by Lombard Odier Investments Manager group entities, collectively the Company's largest shareholder.

I am also pleased report that after a wide search Graeme Thomson has agreed to become Independent Non-Executive Director and Chairman of the audit committee. Graeme, 62, is a Fellow of the Institute of Chartered Accountants in England and Wales and has been a public company director for many decades, as a CEO, CFO/Company Secretary and as a Non-Executive. His varied commercial experience, including of Audit and Remuneration Committees, as well as internationally and of financial matters, will be of considerable benefit to the Group as we continue to expand.

Mozambique

Following the previously disclosed issues with cutting and export licenses over the last two years our operation in Mozambique is now a far leaner and more flexible animal. Operations in Mozambique typically increase in the second half of the year as there is a no harvesting period from January to March, and often into later in the year. Encouragingly, licenses were issued during April this year.

While the rest of the Group enjoys an aggressive growth mindset, our recent experience in Mozambique naturally sees us adopt a more cautious approach there. Our sales team has therefore focused largely on the domestic market where dunnage for the LNG industry and housing for workers is starting to create demand for timber and timber products. The discovery of massive natural gas deposits, some of the most significant in the world in recent years, and the advancement of the multi-billion dollar Mozambique LNG project led by Anadarko will require significant infrastructure enhancement. This is expected to promote the development of local businesses and is something we are well placed to capitalise upon.

SPOTT report published by ZSL

As management continues to grow the business, we are keen to be at the forefront of transparency within the forestry industry.

In its inaugural year of assessment, Woodbois has been placed 7th out of 97 companies on the SPOTT timber producers table, as one of only 9 other companies which were ranked in the 'higher' segment of the transparency score range this year. Interestingly perhaps, all of the other public companies that were placed within the top 20 have a market capitalisation in excess of $2bln.

SPOTT, Sustainability Policy Transparency Toolkit, is an online platform created by the Zoological Society of London to assess commodity producers and traders on the public disclosure of each company's policies and operations, as well as their commitments to environmental, social and governance (ESG) best practice.

As sustainable forestry management becomes an ever-increasing focal point in the discussion to mitigate climate change and deforestation, Woodbois is dedicated to working alongside organisations such as the ZSL to help assess companies that are at the forefront of managing tropical forests. That our ESG practices and the transparency of our operational conduct should be of the highest standards, remains central to management's medium-term goals on behalf of all our stakeholders and we look forward to working with the SPOTT team for the 2019 iteration of Woodbois' assessment.

To see the SPOTT assessment for all 97 companies, please click here.

Sustainability report released
The modus operandi at Woodbois has always been to operate in a sustainable way, engaging with all relevant stakeholders while building a commercially and developmentally successful business. The publication of the Woodbois Sustainability Report for 2018 builds on the excellent foundation laid down by last year's inaugural report and aims to be informative, enhance transparency and provide data relating to the economic, environmental and social impacts of our operations. The report also serves to establish a clear link between the values driving our business and the ways in which our operations contribute to achieving the United Nations Sustainable Development Goals. The publication helps to identify areas that, as a business, we can improve on to further establish Woodbois as a leader in the sustainable timber space. It can be found on our website at www.woodbois.com.

To see Woodbois' 2018 Sustainability Report, please click here.

Looking forward
The Group continues to improve on all fronts and has delivered further demonstrable progress in the first half of 2019, with further rapid revenue growth, reduction in administration expenses and rationalization of the corporate structure.

The next target for the board is for our operations to become cash-flow positive while maintaining focus on delivering high quality products and services to our customer base and continuing to drive the high levels of revenue growth delivered over the last two years. Achieving this objective will require us to operate our production facilities with enhanced efficiency and at full capacity, to scale the trading business while optimising the deployment of all available trade finance and to continue to manage costs aggressively across the group. The management team is fully committed to each of these goals and is highly motivated and incentivized to pursue them relentlessly.

It is appropriate at this time for me to offer a sincere thank you to Miles Pelham for his leadership, energy and direction throughout the last three years. Thanks to his considerable efforts, the Group is almost unrecognizable from the organization that he took Chairmanship of in 2016 and the changes in that time have been overwhelmingly positive. As the largest individual stakeholder, we anticipate that Miles will continue to monitor the Group with keen interest while remaining a strong supporter of its management team.

Special thanks must also go to our outstanding team in Mouila for their efforts in constructing and commissioning our new kilns which are available to view at www.woodbois.com/products/lumber .

The momentum we have built during the first two quarters of 2019 is extremely encouraging and bodes well for the future of the Group.

Paul Dolan
CEO
10 September 2019

WOODBOIS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six month period ended 30 June 2019

Continuing operations	Notes	Six months to 30 June 2019 (Unaudited) $'000	Six months to 30 June 2018 (Unaudited) $'000	Year to 31 December 2018 (Audited) $'000
Turnover		9,331	6,609	13,448
Cost of Sales		(7,988)	(5,877)	(11,334)
Gross profit		1,343	732	2,114
Other income		60	23	160
Gain on fair value of Biological assets		-	-	1,611
Operating costs		(2,763)	(1,259)	(5,356)
Administrative expenses		(759)	(2,523)	(2,106)
Depreciation		(141)	(386)	(474)
Share based payment expense		(173)	(634)	(658)
Operating loss		(2,433)	(4,047)	(4,709)
Contingent acquisition expense		(478)	(574)	(860)
Gain on sale of Tanzanian business		-	-	176
Foreign exchange gain		187	29	263
Finance income		-	49	-
Finance costs	5	(631)	(198)	(444)
Loss before tax		(3,355)	(4,741)	(5,574)
Taxation	6	24	(23)	(951)
Total loss for the period from continuing operations		**(3,331)**	**(4,764)**	**(6,525)**
Discontinued Operations	7	(63)	(778)	(1,446)
Loss for the year		(3,394)	(5,542)	(7,971)
Attributable to:				
Owners of the parent		(3,394)	(4,820)	(6,736)
Non-controlling interests		-	(722)	(1,235)
		(3,394)	(5,542)	(7,971)
Other comprehensive income:				
Currency translation differences, net of tax		(387)	(401)	(798)
Gain on buy-out of minorities		-	-	14,373
Total comprehensive (loss)/ income for the period:		(3,781)	(5,943)	5,604
Attributable to:				
Owners of the parent		(3,781)	(5,221)	6,839
Non-controlling interests		-	(722)	(1,235)
		(3,781)	(5,943)	5,604
Loss per share from continuing operations				
Basic (cents)	9	(0.92)	(1.49)	(2.03)
Loss per share from discontinued operations				
Basic (cents)		(0.01)	(0.25)	(0.44)

WOODBOIS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six month period ended 30 June 2019

	Share capital $000	Share premium $'000	Merger reserve $'000	Preference share capital $'000	Foreign exchange reserve $'000	Share based payment reserve $'000	Retained Earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2018	**4,500**	**22,340**	**44,487**	**14,318**	**(3,918)**	**979**	**31,841**	**114,547**	**20,608**	**135,155**
Loss for the period	-	-	-	-	-	-	(4,820)	(4,820)	(722)	(5,542)
Other comprehensive income										
Currency translation differences					(401)			(401)		(401)
Total comprehensive loss for the period	-	-	-	-	**(401)**	-	**(4,820)**	**(5,221)**	**(722)**	**(5,943)**
Issue of ordinary shares	483	5,036	-	-	-	-	-	5,519	-	5,519
Preference share dividend	-	-	-	-	-	-	(656)	(656)	-	(656)
Share based payment expense	-	-	-	-	-	634	-	634	-	634
At 30 June 2018	**4,983**	**27,376**	**44,487**	**14,318**	**(4,319)**	**1,613**	**26,365**	**114,823**	**19,886**	**134,709**
Loss for the period	-	-	-	-	-	-	(1,916)	(1,916)	(513)	(2,429)
Other comprehensive income										
Gain on buy-out of minorities							14,373	14,373	(19,373)	(5,000)
Currency translation differences	-	-	-	-	(397)	-	-	(397)	-	(397)
Total comprehensive income for the period	-	-	-	-	**(397)**	-	**12,457**	**12,060**	**(19,886)**	**(7,826)**
Transactions with owners:										
Issue of ordinary shares	634	2,578					-	3,212	-	3,212
Preference share dividend							(657)	(657)	-	(657)
Share options forfeited	-	-	-	-	-	(679)	679	-	-	-
Share based payment expense	-	-	-	-	-	78	-	78	-	78
At 31 December 2018	**5,617**	**29,954**	**44,487**	**14,318**	**(4,716)**	**1,012**	**38,844**	**129,516**	**-**	**129,516**
Loss for the period	-	-	-	-	-	-	(3,394)	(3,394)	-	(3,394)
Other comprehensive income:										
Currency translation differences	-	-	-	-	(387)	-	-	(387)	-	(387)
Total comprehensive loss for the period	-	-	-	-	**(387)**	-	**(3,394)**	**(3,781)**	-	**(3,781)**
Issue of ordinary shares	1,143	5,717	-	-	-	-	-	6,860	-	6,860
Reserve transfer	-	-	(44,487)	-	-	-	44,487	-	-	-
Preference share dividend	-	-	-	-	-	-	(656)	(656)	-	(656)
Share options forfeited	-	-	-	-	-	(109)	109	-	-	-
Share based payment expense	-	-	-	-	-	173	-	173	-	173
At 30 June 2019	**6,760**	**35,671**	**-**	**14,318**	**(5,103)**	**1,076**	**79,390**	**132,112**	**-**	**132,112**

WOODBOIS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Notes	30 June 2019 (Unaudited) $'000	30 June 2018 (Unaudited) $'000	31 December 2018 (Audited) $'000
ASSETS				
Non-current assets				
Consideration receivable	7	2,547	-	1,841
Biological assets	10	194,708	192,501	194,708
Property, plant and equipment		17,650	20,059	17,081
Total non-current assets		**214,905**	**212,560**	**213,630**
Current assets				
Trade and other receivables	11	6,912	3,349	5,924
Inventory		7,124	6,602	6,738
Cash and cash equivalents		4,269	1,151	1,910
Total current assets		**18,305**	**11,102**	**14,572**
TOTAL ASSETS		**233,210**	**223,662**	**228,202**
LIABILITIES				
Current liabilities				
Trade and other payables	12	(5,303)	(4,738)	(5,751)
Borrowings	13	(1,909)	(5,150)	(5,024)
Consideration payable		-	-	(5,000)
Contingent acquisition liability		(1,122)	(1,024)	(1,269)
Total current liabilities		**(8,334)**	**(10,912)**	**(17,044)**
Non-current liabilities				
Deferred tax	6	(62,655)	(61,741)	(62,655)
Preference share liability	15	(14,557)	(13,244)	(13,901)
Borrowings	13	(15,552)	(3,056)	(5,086)
Total non-current liabilities		**(92,764)**	**(78,041)**	**(81,642)**
TOTAL LIABILITIES		**(101,098)**	**(88,953)**	**(98,686)**
NET ASSETS		**132,112**	**134,709**	**129,516**
EQUITY				
Share capital	14	6,760	4,983	5,617
Share premium		35,671	27,376	29,954
Merger reserve	16	-	44,487	44,487
Preference share capital	15	14,318	14,318	14,318
Foreign exchange reserve		(5,103)	(4,319)	(4,716)
Share based payment reserve		1,076	1,613	1,012
Retained earnings	16	79,390	26,365	38,844
Equity attributable to the owners of the parent		**132,112**	**114,823**	**129,516**
Non-controlling interests		-	19,886	-
TOTAL EQUITY		**132,112**	**134,709**	**129,516**

Approved by the board and authorised for issue on 10 September 2019

K Milne
Chairman

WOODBOIS LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six month period ended 30 June 2019

	Notes	Six months to 30 June 2019 (Unaudited) $'000	Six months to 30 June 2018 (Unaudited) $'000	Year to 31 December 2018 (Audited) $'000
OPERATING ACTIVITIES				
Loss before taxation – continuing operations		(3,355)	(4,741)	(5,574)
Loss before taxation – discontinued operations		(63)	(778)	(1,446)
Loss before taxation		(3,418)	(5,519)	(7,020)
Adjustment for non-cash items:				
Movement in foreign exchange		(187)	(29)	(263)
Fair value adjustment of biological asset		-	-	(1,611)
Depreciation of property, plant and equipment		614	805	1,625
Movement in inventory provision		(149)	665	295
Contingent acquisition expense		(147)	450	695
Profit on disposal of Tanzanian assets		-	-	(176)
Share based payment expense / reserve transfer		173	634	658
Increase in trade and other receivables		(1,674)	(166)	(1,852)
(Decrease)/Increase in trade and other payables		(475)	721	1,708
Decrease in consideration payable		(5,000)	-	-
Increase in inventory		(237)	(1,783)	(1,764)
Finance income		-	(49)	-
Finance expense		631	198	444
Cash outflow from continuing operations		**(9,869)**	**(4,073)**	**(7,261)**
Income taxes paid		(29)	-	(52)
Interest paid		(224)	(96)	(257)
Net cash flow from operating activities		**(10,122)**	**(4,169)**	**(7,570)**
INVESTING ACTIVITIES				
Purchases of property, plant and equipment		(151)	(2,240)	(2,825)
Cash outflow for assets under construction		(1,208)	-	(420)
Net cash inflow/(outflow) from investing activities		**(1,359)**	**(2,240)**	**(3,245)**
FINANCING ACTIVITIES				
Repayment of loans and borrowings		(1,502)	(1,448)	(1,771)
Proceeds from the issue of ordinary shares		6,896	5,519	8,731
Proceeds from trade finance facility		8,446	1,400	3,676
Net cash inflow from financing activities		**13,840**	**5,471**	**10,636**
Increase/(Decrease) in cash and cash equivalents		**2,359**	**(938)**	**(179)**
Cash and cash equivalents at start of period		1,910	2,089	2,089
Net cash and cash equivalents at end of period		**4,269**	**1,151**	**1,910**

1. BASIS OF PREPARATION

The interim financial statements of Woodbois Limited are unaudited condensed consolidated financial statements for the six months to 30 June 2019. These include unaudited comparatives for the six month period to 30 June 2018 together with audited comparatives for the year to 31 December 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention except for the revaluation of certain financial investments, available for sale investments and financial assets and liabilities which are included at fair value.

The condensed interim financial statements have been prepared in accordance with the requirements of the AIM Rules for Companies. As permitted, the Group has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing this interim financial information. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The condensed consolidated financial statements do not constitute statutory accounts, as defined under section 244 of the Companies (Guernsey) Law 2008. It has been prepared on a going concern basis in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Directors are satisfied that the Group has sufficient resources to continue its operations and to meet its commitments for the immediate future. The Group has therefore adopted the going concern basis in preparing its condensed interim financial statements.

The statutory accounts for the period to 31 December 2018 were approved by the Board of Directors on 7 May 2019 have been reported on by the Group's auditors, which have been delivered to the Guernsey Registrar of Companies. The report of the auditors on those financial statements was unqualified.

IFRS 16, Leases
IFRS 16, Leases, supersedes IAS 17, Leases, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the sublessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a remaining lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

a) Nature of the effect of adoption of IFRS 16
The Group has lease contracts for various property, plant and equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at inception date either as a finance lease or an operating lease. A lease was classified as a finance lease, if it transferred substantially all of the risks and rewards incidental to ownership of the leased assets to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and the reduction in lease liability. In an operating lease the leased property was not capitalised, and the lease payments were

recognised as expense in the consolidated statement of income (loss) on a straight line basis over the term of the lease. Any prepaid rent and accrued rent were recognised under trade and other receivables and trade and other payables, retrospectively.

Under the adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Lease previously classified as finance leases
The Group did not change the initial carrying amounts of recognised assets and liabilities as the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the leased assets and liabilities recognized under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

Leases previously classified as operating leases
The Group recognised right-of-use assets and liabilities for those leases previously classified as operating lease, except for short term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group has also applied the available practical expedients wherein it:
- Applied the short-term lease exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Board has evaluated the effect of adopting IFRS 16 on the Group's consolidated balance sheet and consolidated statement of comprehensive income (loss) as at 1 January 2019 and has concluded that the impact is not material.

b) Summary of new accounting policies
Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees, if applicable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as occupancy expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered of low value (i.e., below $5). Lease payments on short-term leases and leases of low-value assets are recognized as occupancy expense on a straight-line basis over the lease term.

IFRIC Interpretation 23, Uncertainty over Income Tax Treatment
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12, Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgment in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Group's tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have a material impact on the interim financial statements.

Other Accounting Pronouncements and Amendments

IAS 12, Income Taxes
The amendments apply for annual reporting periods beginning on or after January 1, 2019 and clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events.

Since the Group's current practice is in line with this amendment, it had no impact on the interim financial statements.

Other accounting pronouncements and amendments
Other accounting pronouncements, and amendments proposed as part of the Annual Improvements 2015-2017 Cycle that are assessed to have no impact on the interim financial statements are:
- *Amendments to IFRS 9: Prepayment Features with Negative Compensation*
- *Amendments to IAS 19: Plan Amendment, Curtailment or Settlement*
- *Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures*
- *IFRS 3, Business Combinations*
- *IFRS 11, Joint Arrangements*
- *IAS 23, Borrowing Costs*

3. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

The preparation of the consolidated financial statements requires management to make estimates and judgements and form assumptions that affect the reported amounts of the assets, liabilities, revenue and costs during the periods presented therein, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and judgements are continually evaluated and based on management's historical experience and other factors, including future expectations and events that are believed to be reasonable.

Significant items subject to such estimates are set out in the notes of the Group's 2018 Annual Report and Financial Statements. The nature and amounts of such estimates have not changed significantly during the interim period.

4. SEGMENTAL REPORTING

The reportable segments are identified by the Board (which is considered to be the Chief Operating Decision Maker) by the way management has organised the Group. The Group operates within two separate operational divisions comprising forestry and trading.

The Directors review the performance of the Group based on total revenues and costs, for these two divisions and not by any other segmental reporting. Please see Note 8 for the segment report.

5. FINANCE COST

	6 months 30 June 2019 (Unaudited)	6 months 30 June 2018 (Unaudited)	Year to 31 December 2018 (Audited)
	$'000	$'000	$'000
Interest expense	(224)	(145)	(202)
Interest accrued on trade finance facility	(407)	(53)	(242)
Total	**(631)**	**(198)**	**(444)**

6. TAXATION

The accrued tax charge for the six month interim period is based on an estimated worldwide average effective tax rate of nil per cent, after allowance for utilisation of tax losses brought forward in UK and Denmark based subsidiaries (six months to 31 June 2018: nil per cent).

The Group has recognised a net deferred tax liability of $62.655 million at 30 June 2019 (30 June 2018: $61.741 million, 31 December 2018: $62.655 million) which mainly arose on the revaluation of a biological asset.

7. DISCONTINUED OPERATIONS

At 31 December 2018 the Group disposed of the agricultural business and assets in Tanzania, namely Magole Agriculture Limited, Milama Processing Company Limited, Magole Land Limited and Wami Agriculture Co. Limited (together the disposal group). Mama Jo's Fresh Limited was deregistered on 21st July 2018.

Results of disposal group:

	6 Months 30 June 2019 (Unaudited) $000	6 Months 30 June 2018 (Unaudited) $000	Year to 31 December 2018 (Audited) $000
Turnover	-	25	109
Cost of sales	-	(411)	(931)
Gross profit / (loss)	-	(386)	(822)
Other income	-	13	116
Operating costs	-	(98)	(533)
Administrative expenses	(11)	(150)	(146)
Depreciation	-	(165)	-
Share based payments	(60)	-	(54)
Foreign exchange gain / (loss)	8	8	(7)
Loss before tax	(63)	(778)	(1,446)
Taxation	-	-	-
Loss after tax	(63)	(778)	(1,446)

For the year ended 31 December 2018, $0.238 million depreciation was included in Cost of Sales (period ended 30 June 2018 $0.105 million).

The total identifiable assets disposed of amounted to $2.324 million and the total consideration was $2.5 million, payable in cash of $2.015 million and non-cash consideration (assuming a loan) of $0.485 million. This resulted in a gain on disposal of $0.176 million.

Under the Sale and Purchase Agreement ("SPA") the consideration is payable by the buyer in 12 quarterly instalments. The first instalment of $250,000 was payable on 30 April 2019. The remainder is to be paid in 11 equal instalments. At the time of writing, the buyer had not yet paid the initial instalment and so the Group has commenced legal action. Given the uncertainty over the timing of when it will receive the consideration due, the Group has classified the consideration as non-current (31 December 2018: non-current, $1.84 million and current portion $0.659 million).

Expenses incurred post disposal for the account of the buyer amount to $0.047 million.

8. SEGMENT REPORTING

Segmental information is presented on the basis of the information provided to the Chief Operating Decision Maker ("CODM"), which is the Board of Directors.

The Group is currently focused on forestry and timber trading. These are the Group's primary reporting segments. For the six months ended 30 June 2019 sales made to one customer accounted for 14% of the total turnover. Sales made to a second customer during the same period accounted for 13% of the total turnover.

The following table shows the segment analysis of the Group's loss before tax for the six months to and net assets at 30 June 2019:

	Forestry $000	Trading $000	Unallocated head office costs, discontinued operations and intra-group eliminations $000	Total $000
INCOME STATEMENT				
Turnover	3,602	5,729	-	9,331
Cost of Sales	(2,847)	(5,141)	-	(7,988)
Gross profit	755	588	-	1,343
Other income	43	3	14	60
Operating costs	(2,025)	(738)	-	(2,763)
Administrative expenses	-	(5)	(754)	(759)
Depreciation	(105)	(32)	(4)	(141)
Share based payment expense	(75)	(92)	(6)	(173)
Foreign exchange gain	47	108	32	187
Contingent acquisition expense	(239)	(239)	-	(478)
Segment operating (loss)/profit	(1,599)	(407)	(718)	(2,724)
Finance costs	(208)	(423)	-	(631)
Loss before taxation	(1,807)	(830)	(718)	(3,355)
Taxation	24	-	-	24
Loss after taxation	**(1,783)**	**(830)**	**(718)**	**(3,331)**
NET ASSETS				
Assets:	214,466	40,550	(21,806)	233,210
Liabilities:	(19,232)	(35,300)	16,089	(38,443)
Deferred tax liability	(62,655)	-	-	(62,655)
Net assets	**132,579**	**5,250**	**(5,717)**	**132,112**

The following table shows the segment analysis of the Group's loss before tax for the year and net assets at 31 December 2018:

	Forestry	Trading	Unallocated head office costs and intra-group eliminations	Total
	$000	$000	$000	$000
INCOME STATEMENT				
Turnover	5,579	7,869	-	13,448
Cost of Sales	(4,397)	(6,937)	-	(11,334)
Gross profit	1,182	932	-	2,114
Other income	5	-	155	160
Operating costs	(3,443)	(1,330)	(583)	(5,356)
Administrative expenses	-	(290)	(1,816)	(2,106)
Depreciation	(408)	(66)	-	(474)
Share based payment expense	(422)	(151)	(85)	(658)
Foreign exchange (losses) / gains	(38)	(411)	712	263
Gain on disposal of Tanzanian business	-	-	176	176
Contingent acquisition expense	-	(860)	-	(860)
Gain on fair value of Biological assets	1,611	-	-	1,611
Segment operating loss	(1,513)	(2,176)	(1,441)	(5,130)
Finance costs	-	(201)	(243)	(444)
Loss before taxation	(1,513)	(2,377)	(1,684)	(5,574)
Taxation	(585)	(366)	-	(951)
Loss after taxation	**(2,098)**	**(2,743)**	**(1,684)**	**(6,525)**
NET ASSETS				
Assets:	205,205	11,104	11,893	228,202
Liabilities:	(17,303)	(9,692)	(9,036)	(36,031)
Deferred tax (liability) / asset	(62,655)	-	-	(62,655)
Net assets	**125,246**	**1,412**	**2,858**	**129,516**

9. EARNINGS PER SHARE

Basic earnings per share is based on a loss for the six months of $4.050 million (being the loss for the six months of $3.394 million adjusted for preference share dividends accrued, classified as equity, of $0.656 million) attributable to equity holders of the parent, divided by the weighted average number of ordinary shares in issue during the period of 432,019,220 (which is exclusive of 99,378 treasury shares). During the period 88,000,000 shares were issued (see note 14).

10. BIOLOGICAL ASSETS

Standing timber	30 June 2019 (Unaudited) $'000	30 June 2018 (Unaudited) $'000	31 December 2018 (Audited) $'000
Carrying value at beginning of the period	194,708	192,501	192,501
Additions	-	-	596
Fair value adjustment	-	-	1,611
Carrying value at end of period	**194,708**	**192,501**	**194,708**

Valuation of the biological assets is reviewed by the Directors once a year however, nothing has come to our attention since the last review and the date of issue of these accounts, to indicate that the assets are potentially impaired or have materially increased in value since the last review.

The methods and assumptions used in determining the fair value of standing timber within the forestry concessions held has been based on discounted cash flow models which require a number of significant judgements to be made by the Directors in respect of sales price, production levels, operational cost and discount rates. Please refer to note 13 of the financial statements for the year ended 31 December 2018 for more details.

11. TRADE AND OTHER RECEIVABLES

	30 June 2019 (Unaudited) $'000	30 June 2018 (Unaudited) $'000	31 December 2018 (Audited) $'000
Trade receivables	3,605	942	2,874
Other receivables	237	1,126	824
Deposits	33	28	35
Current tax receivable*	50	25	-
Sales tax recoverable	408	131	242
Consideration due – sale of Tanzanian business - current portion	-	-	659
Related party receivable re discontinued operations	58	-	-
Prepayments and accrued income	2,521	1,097	1,290
Total	**6,912**	**3,349**	**5,924**

*A portion ($0.032 million) of the VAT receivable balance relates to refunds owing to our operations in Mozambique. According to VAT legislation in Mozambique, the Group should be able to obtain a cash refund of the input VAT owing however, our experience has been that it is only recoverable through utilisation against Vatable sales. Given that local (VATable) sales in Mozambique is difficult to predict, it may be that a portion of the balance is not going to be recovered within 12 months (and should therefore be classified as long term instead). If we see local sales dropping, we shall reclassify the amount.

12. TRADE AND OTHER PAYABLES

	30 June 2019 (Unaudited) $'000	30 June 2018 (Unaudited) $'000	31 December 2018 (Audited) $'000
Trade payables	2,271	3,046	2,621
Contract liabilities	1,968	261	1,249
Accruals	68	402	588
Current tax payable	24	-	27
Other payables	667	506	905
Other related party loans	7	112	-
Provisions	24	60	-
Debt due to concession holders	274	351	361
Total	**5,303**	**4,738**	**5,751**

The Directors consider that the carrying amount of trade and sundry payables approximates to their fair value.

13. BORROWINGS

	30 June 2019 (Unaudited) $'000	30 June 2018 (Unaudited) $'000	31 December 2018 (Audited) $'000
Non-current liabilities			
Bank facility	1,998	-	-
Business loan	877	1,567	1,256
Internal trade fund	12,657	1,453	3,804
Car loans	20	36	26
	15,552	3,056	5,086
Current Liabilities			
Bank facility	1,252	3,908	4,394
Business Loan	640	1,225	613
Car loans	17	17	17
	1,909	5,150	5,024
Total	**17,461**	**8,206**	**10,110**

During the six-month period ending 30 June 2019, the Group raised additional trade finance to the value of $8.4 million net of accrued interest. The internal trade fund accrues interest at a rate of 11.5% per annum. Interest accrued at 30 June 2019 was $0.407 million (30 June 2018: $0.053 million, 31 December 2018: $0.242 million). Other than 1798 Volantis Fund Limited (who invested $5 million in the fund), who under the terms of the Deed of Variation, signed in July 2019, will not request repayments prior to 16 July 2020, investors in the internal trade fund are required to give 120 days' notice of a request for repayment. At the time of writing, no investor has given notice of a request for repayment and as such, the entire fund has been classified as non-current. Should such notice be received, the relevant portion would be reclassified as current.

Except for a portion of $5 million that is unsecured, the internal trade fund is secured by either the trade debtor or inventory item that it financed.

The bank facility is repayable at $0.313 million a quarter.

14. SHARE CAPITAL

	Number	$'000
Authorised: Ordinary shares of 1 penny each	Unlimited	Unlimited
Allotted, issued and fully paid: Ordinary shares of 1 penny each		
At 1 January 2018	293,279,267	4,500
Issued in the period	34,436,781	483
At 30 June 2018	327,716,048	4,983
Issued in the period	49,735,883	634
At 31 December 2018	377,451,931	5,617
Issued in the period	88,000,000	1,143
At 30 June 2019	**465,451,931**	**6,760**

Balances classified as share capital include the nominal value on issue of the Company's equity share capital, comprising ordinary shares of 1p each.

During the period ended 30 June 2019, 88,000,000 ordinary shares with a nominal value of $1.143 million were issued for a cash consideration of $6.9 million.

As at 31 December 2018 there were existing warrants in issue of 34,436,781 held by third parties, including Miles Pelham (ex-Chairman) who holds 5,714,286 warrants. The subscription price for these warrants is 20p and they expire on 28 February 2020.

In January 2019 the Company accepted subscription to 40,000,000 new Woodbois Limited warrants at 10p, from 1798 Volantis Fund Limited, acting through its discretionary investment manager Lombard Odier Asset Management (USA) Corp. In July 2019, a deed of variation amended the subscription price to 8p.

Volantis will be entitled to exercise 50% of the warrants at any time during the period commencing on the first anniversary of the drawdown date of the trade finance loan being 1 April 2020 and expiring on the third anniversary of the drawdown date of the Loan Agreement. Up to 50% of the warrants will also be exercisable at any time following the initial drawdown date provided that Volantis has owned 10% or more of the issued share capital of Woodbois prior to exercise.

15. PREFERENCE SHARES

	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)	31 December 2018 (Audited)
	$'000	$'000	$'000
Preference share liability	13,901	11,932	13,901
Preference share capital	14,318	14,318	14,318
Total	28,219	26,250	28,219
Preference share liability	13,901	12,588	11,932
Preference share dividend accrued	656	656	1,969
Total	**14,557**	**13,244**	**13,901**

As at 31 December 2018, the Group had issued 75,000 preference shares, in Argento Limited (Mauritius subsidiary) at a par value of $350 per share. The preference shares are convertible into either ordinary Woodbois Limited shares at a current ratio of 1:2,537 as of 30 June 2019 or ordinary Argento Limited shares (1:1), at any time, at the option of the shareholder. Conversion ratios will continue to be adjusted for any dilution.

The preference shares have priority for an annual dividend equivalent to 5% of the amount subscribed for the Shares (which will compound until paid), and paid pro rata for any period up to a liquidity event and will also participate pro-rata in any further dividend paid on the ordinary shares. The preference shares have no maturity date.

The preference shares do not carry the right to vote.

The preference shares have been determined to contain both a host liability and an equity component and is therefore classified as a compound financial instrument. In valuing the preference shares, the fair value of the liability component was determined first by valuing the preferred shares at the market rate that would apply to an identical financial instrument without the conversion option. The average market rate used in determining the fair value of the liability portion was 11%.

As explained in more detail in the CEO's report, the Group proposed to restructure the 5% perpetual preference shares in Woodbois subsidiary Argento by buying them back and issuing the holders instead with a convertible bond, issued by Woodbois. The Woodbois convertible bond will have a 5 year tenure, 4% coupon and conversion price of 8p. 100% of Preference shareholders have accepted the conversion terms.

16. MERGER RESERVE

As voted on and approved by the Shareholders at the last Annual General Meeting (19 June 2019), the balance on the merger reserve was transferred to retained earnings.

17. POST BALANCE SHEET EVENTS

Other than the events related to the missed payment due for the sale of the Tanzanian business (see note 7) and the conversion of the preference shares to convertible bonds (see note 15), the directors are not aware of any events that occurred between the reporting date and the date of issue of these accounts that require further disclosure or adjustment.

18. INTERIM FINANCIAL REPORT

A copy of this interim report as well as the full Annual Report for the year ended 31 December 2018 can be found on the Company's website at www.woodbois.com.