WOODBOIS Ltd.

Woodbois Limited

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

Company number: 52184

Woodbois Limited
Directors and Officers

DIRECTORS AT DATE OF THIS REPORT

Paul Dolan	*(Chairman and Chief Executive Officer)*
Hadi Ghossein	*(Deputy Chairman)*
Carnel Geddes	*(Chief Financial Officer)*
Henry Turcan	*(Non-executive Director)*
Graeme Thomson	*(Non-executive Director)*

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

COMPANY NUMBER
52184 (Guernsey)

REGISTERED OFFICE
P.O Box 161, Dixcart House
Sir William Place
St Peter Port
Guernsey GY1 1GX

NOMINATED ADVISER AND BROKER
Canaccord Genuity Limited
88 Wood Street
London, EC2V 7QR

REGISTRARS
Neville Registrars Limited
Neville House
Steelpark Road
Halesowen B62 8HD

LAWYERS TO THE COMPANY (UK)
DWF LLP
Bridgewater Place
Water Lane
Leeds, LS11 5DY

INDEPENDENT AUDITOR
PKF Littlejohn LLP
15 Westferry Circus
Canary Wharf
London, E14 4HD

LAWYERS TO THE COMPANY (Guernsey)
Carey Olsen
Carey House
Les Banques
St Peter Port
Guernsey, GY1 4B2

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CEO and Chairman's Statement

Highlights

- Revenues of US$8.6m (H1 2019:US$9.3m), impacted by COVID-19 related lockdown measures
- Net cash outflow from operating activities US$(0.7m) in H1 2020 vs US$(10.1m) for H1 2019
- EBITDA US$(794k) in H1 2020 vs US$(1.459m) in H1 2019
- Recommencement of operations in Mozambique after more than 2 years

Post period

- Transformational Fundraise and Debt Restructuring: net debt reduced from US$49.9m to US$1.1m
- Management acquired US$2.3m in new equity
- Placed third in the Sustainability Policy Transparency Toolkit ('SPOTT') ESG transparency assessment for worldwide timber and pulp industries

Executive summary

The Company continued its rapid pace of transformation during the first six months of 2020, notwithstanding the global impact of the COVID-19 pandemic.

Overall levels of production and trading were unsurprisingly curtailed as a result of lockdown measures in Gabon, global supply chain disruption and the temporary freezing of orders for our products. Over the summer months however, order-flow from Asia, the Middle East and Europe has suggested a strong bounce-back in demand for construction materials, and one that Woodbois is better equipped than ever to fulfil.

Cash conservation and balance sheet improvement was a primary objective for 2020, even prior to the arrival of the pandemic and post period, management completed a wholesale restructuring in August whereby net debt has been reduced from US$49.9m to just US$1.1m today.

The potential impact of any second wave of COVID-19 is of course unclear for all, but with minimal levels of remaining debt to service, the Company is now positioned to withstand further macro-economic shocks and to rapidly maximise operational leverage from investments made to date as global demand recovers.

With the objective of balance sheet restructuring successfully achieved, the goal of driving consistent, positive free cash-flow from our sustainable resource base now tops our agenda. As the Company enters this next phase, our motivated management team is excited by the prospects of profitability and the many growth opportunities that lie ahead.

COVID-19 impact

A strong start to 2020 masked the initial impact of COVID-19 on the business in Q1. As countries around the world entered lockdown from mid-March, the resulting economic shock heralded a decrease in new business. With typical trading and production cycles of two to five months respectively, revenues for Q2 and Q3 reflect a corresponding dip. However, a pronounced uptick in demand began to filter through as we entered the summer months, which if maintained will allow for a strong 2020 exit rate.

Gabon moved relatively early into lockdown and from available data and local feedback the virus appears to have been quite successfully controlled there to date. With little in the way of state aid available for the population, the protection of the livelihoods as well as the health of our employees is of critical importance. Through strictly observing government restrictions on transportation, social distancing in the workplace and hours of curfew, we have been able to re-start operations in the forest, sawmill and veneer factory on a single shift basis versus our usual 24/7 operations. With a solid and growing order book now in place, we look forward to welcoming more staff back to work and increasing production hours to maximum shift times as soon as it is safe and permissible to do so.

H1 Financial performance

The Group experienced an 8% decline in revenue and a 36% reduction in gross profit level for the six months to June 2020 compared to the same period for 2019, due to the impact of COVID-19. Margins within our own production fell to 20% from 24% in 2019, largely due to our obligation to maintain some fixed costs in Gabon during the two month government mandated closure of our production facilities. Prior to the disruption from COVID-19, improved recovery rates from the new sawmill lines had started to drive an improvement in profit margins, creating confidence that current targets for the full year 2020 can be met if COVID-19 restrictions are lifted in the near term.

Margins within the trading business fell to 6% in H1 2020 from 9% in FY 2019. As the impact from COVID-19 began to bite in March 2020, customers looked to cancel orders or negotiate price reductions. Management took the view that accepting lower margins was preferable to the risk of building inventory while the outlook was so uncertain, but that we should execute trades that were already in the pipeline. This also minimised any potential reputational damage with key suppliers with whom we have invested significant time in building relationships over recent years.

The rapid and decisive action to slim down operations as we waited for more information about the pandemic to become available resulted in the reduction of US$0.7m (19%) in operating and administrative expenses when compared to the same period in 2019.

The large finance cost burden carried prior to the August 2020 restructuring is evident in the June 2020 profit and loss numbers. With the balance sheet restructuring now complete, this cost has been dramatically reduced through the elimination of a finance cost to the profit and loss account of US$3.9m per annum.

As stated above, the primary goal now is to get the Group to a point where it is consistently cash flow positive. While there is further work to do, I am pleased that in the first six months of 2020 our continuing operations were much closer to cash flow break-even from operating activities at a negative $0.5m vs a negative $10.1m at the same period in 2019. We now have a well invested asset base and a clear path to drive revenues to substantially exceed our fixed and variable operating cost.

Transformational equity raise and wholesale debt restructuring

During H1 2020, significant management energy was focussed on restructuring the Company's debt profile through negotiation with stakeholders including Convertible Bond holders, Internal Trading Fund (ITF) holders and senior employees to whom deferred 2017 acquisition consideration was due.

Canaccord Genuity Limited was appointed as the Company's Nominated Adviser and Sole Broker in June working with the Group on the equity raise, on which the debt restructuring was conditional.

Despite the headwind from the COVID-19 driven economic backdrop, the equity raise was completed raising gross proceeds of £13.1 million (approximately US$16.4 million).

The Debt Restructuring comprised:

- Conversion of almost 97% of the US$30m 4% coupon Convertible Bond into Ordinary Shares, both voting and non-voting. The remaining US$1.05m Convertible Bond carries no interest and has a final payment date of mid 2023;
- The settlement of all of the US$13.9m 11.5% interest-bearing ITF and;
- The conversion of approximately half of the sum owed for the acquisition of Woodbois ApS in 2017 into Ordinary Shares and a revised payment schedule for the other approximately US$1.5m;
- Management acquired US$2,339,893 in new equity in aggregate via Subscription agreement, settlement of Deferred acquisition payments and conversion of Convertible Bond.

In total, the management team invested a further US$2,339,893m in Ordinary Shares in the restructuring and now holds 10.82% of the voting share capital. Once we are out of a closed period for share dealing, we will issue share options to key personnel as we had previously set out in the circular to shareholders.

Full details of the options will be announced in due course but they will include demanding performance criteria with full vesting at multiples of the current share price.

The restructuring has delivered a radical improvement to the debt profile of the Company, transforming its growth and profitability prospects, and aligns the interests of all stakeholders with those of ordinary shareholders. We welcome our new shareholders and thank all stakeholders for their support in transforming the Company’s outlook.

Mozambique

On 19 March 2020, we announced the signing of a management agreement with Future Earth II LLC ("Future Earth"), a US company with substantial concessions in Mozambique, under which Future Earth will fund, manage and operate Woodbois' Mozambique concessions, employees and equipment, in order to produce sawn lumber and veneers to be sold by Future Earth on a profit share basis.

The Woodbois concessions in Mozambique had been on a care and maintenance basis for over two years, partly due to an industry export ban in 2018 and due to the quantum of investment required to restart and to enlarge the operations to be able to earn an acceptable return on capital comparable to the Group's other business segments. Management had been seeking the optimum way to recommence operations and believe the management agreement with Future Earth provides material benefits to both parties, not least from the economies of scale arising from Woodbois' approximately 300,000 hectares and Future Earth's approximately 620,000 hectares of concessions within Mozambique.

Board changes

Kevin Milne, non-executive Board member since August 2015 and interim-Chairman from July 2019 stepped down from the Board on 30 April 2020. We are very grateful to Kevin for his dedication to the Company over the last five years. Paul Dolan assumed the role of Executive Chairman and CEO and Graeme Thomson, our Senior Independent Non-Executive, was appointed Chairman of the Audit and Remuneration Committees

In line with the Company’s expansion plans and best practice the Directors decided to differentiate the operating board from that of the parent company. Accordingly, on 11 June 2020, Zahid Abbas and Jacob Hansen stepped down as Directors and continue as Head of Trading and Chief Operating Officer respectively. This reorganisation accelerated our commitment towards ensuring that our Board composition is in line with best practice corporate governance guidelines whilst not reducing our operational capabilities. As we look to accelerate the growth trajectory of the Company, we continue to seek high-calibre talent at both operating and Group board levels, including but not limited to an additional Independent Non-Executive Directors with complementary skillsets to that already to be found on the Board.

Placed 3rd in SPOTT ESG Transparency Assessment

In August 2020, we were very pleased to have been placed third in the SPOTT ESG policy transparency assessment of worldwide timber and pulp companies.

The recognition of Woodbois' ESG practices and the transparency of our disclosures is a welcome endorsement of our practices, and further enhancing these high standards lies at the centre of management's goals on behalf of all stakeholders. Woodbois was recognised as the highest-ranked public company.

As the importance of sustainable forestry management increasingly becomes a focal point in the mitigation of deforestation and climate change, Woodbois is dedicated to being at the forefront of transparency and best practice.

Outlook

We believe our emphasis on sustainability, transparency and good practices will differentiate us as customers become increasingly focused on environmental and other considerations.

We remain ever conscious of the uncertain course and impact of COVID-19 and continue to ensure we remain flexible and ready to react promptly, but recent improved conditions both in Gabon and in the trading arena give cause for optimism as a pronounced uptick in demand began to filter through as we entered the summer months, which if maintained will allow for a strong 2020 exit rate.

I particularly wish to thank all of my colleagues and our dedicated staff and advisers for their unstinting work during this exceptional year.

With the Company relieved of most of its debt, management is now focused on ensuring sustainable profitability and long-term cash generation, with the clear objective to deliver on our commitment to pay a dividend in 2022.

In my four years with the Company I have never felt more confident in its future prospects.

Paul Dolan
Chairman and CEO
1 September 2020

Woodbois Limited
Condensed Consolidated Statement of Profit or Loss and Total Comprehensive Income
For the six-month period ended 30 June 2020

Continuing operations	Notes	Six months to 30 June 2020 (Unaudited) $'000	Six months to 30 June 2019 (Unaudited) $'000	Year to 31 December 2019 (Audited) $'000
Turnover		8,574	9,331	19,459
Cost of Sales		(7,717)	(7,988)	(16,696)
Gross profit		857	1,343	2,763
Other income		85	60	110
Operating costs		(2,288)	(2,763)	(4,726)
Administrative expenses		(552)	(759)	(1,415)
Depreciation		(459)	(141)	(306)
Share based payment expense		(73)	(173)	(231)
Operating loss		(2,430)	(2,433)	(3,805)
Contingent acquisition expense		(331)	(478)	(956)
Fair value gain		-	-	4,602
Foreign exchange gain		618	187	271
Finance costs	5	(2,126)	(631)	(2,009)
Loss before tax		(4,269)	(3,355)	(1,897)
Taxation	6	(18)	24	(54)
Total loss for the period from continuing operations		**(4,287)**	**(3,331)**	**(1,951)**
Discontinued operations	7	(62)	(63)	(2,893)
Loss for the period		**(4,349)**	**(3,394)**	**(4,844)**
Other comprehensive income:				
Currency translation differences, net of tax		(1,168)	157	(155)
Total comprehensive loss for the period:		**(5,517)**	**(3,237)**	**(4,999)**
Loss per share from continuing operations				
Basic (cents)	9	(0.91)	(0.92)	(0.67)
Loss per share from discontinued operations				
Basic (cents)		(0.01)	(0.01)	(0.64)
Total loss per share				
Basic (cents)		(0.92)	(0.93)	(1.31)

Woodbois Limited
Condensed Consolidated Statement of Changes in Equity
For the six-month period ended 30 June 2020

	Share capital $'000	Share premium $'000	Merger reserve $'000	Preference share capital $'000	Convertible bonds $'000	Foreign exchange reserve $'000	Share based payment reserve $'000	Retained Earnings $'000	Total equity $'000
At 1 January 2019	**5,617**	**29,954**	**44,487**	**14,318**	**-**	**(4,716)**	**1,012**	**38,844**	**129,516**
Loss for the period	-	-	-	-	-	-	-	(3,394)	(3,394)
Other comprehensive income:									
Currency translation differences	-	-	-	-	-	157	-	-	157
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**157**	**-**	**(3,394)**	**(3,237)**
Issue of ordinary shares	1,140	5,176	-	-	-	-	-	-	6,316
Reserve transfer (note 17)	-	-	(44,487)	-	-	-	-	44,487	-
Preference share dividend	-	-	-	-	-	-	-	(656)	(656)
Share based payment expense	-	-	-	-	-	-	173	-	173
Share options forfeited	-	-	-	-	-	-	(109)	109	-
At 30 June 2019	**6,757**	**35,130**	**-**	**14,318**	**-**	**(4,559)**	**1,076**	**79,390**	**132,112**
Loss for the period	-	-	-	-	-	-	-	(1,450)	(1,450)
Other comprehensive income:									
Currency translation differences	-	-	-	-	-	(312)	-	-	(312)
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**-**	**(312)**	**-**	**(1,450)**	**(1,762)**
Transactions with owners:									
Convertible bonds issued	-	-	-	-	1,495	-	-	-	1,495
Preference share redemption	-	-	-	(14,318)	-	-	-	-	(14,318)
Preference share dividend	-	-	-		-	-	-	(398)	(398)
Share options forfeited	-	-	-	-	-	-	(166)	166	-
Share based payment expense	-	-	-	-	-	-	58	-	58
At 31 December 2019	**6,757**	**35,130**	**-**	**-**	**1,495**	**(4,871)**	**968**	**77,708**	**117,187**
Loss for the period	-	-	-	-	-	-	-	(4,349)	(4,349)
Other comprehensive income:									
Currency translation differences	-	-	-	-	-	(1,168)	-	-	(1,168)
Total comprehensive loss for the period	**-**	**-**	**-**	-	**-**	**(1,168)**	**-**	**(4,349)**	**(5,517)**
Issue of ordinary shares	57	250	-	-	-	-	-	-	307
Share options forfeited	-	-	-	-	-	-	(128)	128	-
Share based payment expense	-	-	-	-	-	-	73	-	73
At 30 June 2020	**6,814**	**35,380**	**-**	**-**	**1,495**	**(6,039)**	**913**	**73,487**	**112,050**

Woodbois Limited
Condensed Consolidated Statement of Financial Position
As at 30 June 2020

	Notes	30 June 2020 (Unaudited) $'000	30 June 2019 (Unaudited) $'000	31 December 2019 (Audited) $'000
ASSETS				
Non-current assets				
Consideration receivable	7	-	2,547	-
Biological assets	10	194,708	194,708	194,708
Property, plant and equipment		19,558	17,650	20,323
Total non-current assets		**214,266**	**214,905**	**215,031**
Current assets				
Trade and other receivables	11	4,882	6,888	6,123
Inventory		5,295	7,124	6,409
Cash and cash equivalents		802	4,269	1,490
Total current assets		**10,979**	**18,281**	**14,022**
TOTAL ASSETS		**225,245**	**233,186**	**229,053**
LIABILITIES				
Current liabilities				
Trade and other payables	12	(4,493)	(5,279)	(4,801)
Borrowings	13	(6,231)	(1,909)	(6,343)
Contingent acquisition liability	18	(824)	(1,122)	-
Total current liabilities		**(11,548)**	**(8,310)**	**(11,144)**
Non-current liabilities				
Borrowings	13	(13,889)	(15,552)	(13,545)
Deferred tax	6	(62,655)	(62,655)	(62,655)
Convertible bond - host liability	14	(24,755)	-	(23,547)
Preference share liability	16	-	(14,557)	-
Contingent acquisition liability	18	(348)	-	(975)
Total non-current liabilities		**(101,647)**	**(92,764)**	**(100,722)**
TOTAL LIABILITIES		**(113,195)**	**(101,074)**	**(111,866)**
NET ASSETS		**112,050**	**132,112**	**117,187**
EQUITY				
Share capital	15	6,814	6,757	6,757
Share premium		35,380	35,130	35,130
Convertible bonds – equity component	14	1,495	-	1,495
Preference shares	16	-	14,318	-
Foreign exchange reserve		(6,039)	(4,559)	(4,871)
Share based payment reserve		913	1,076	968
Retained earnings		73,487	79,390	77,708
TOTAL EQUITY		**112,050**	**132,112**	**117,187**

Approved by the board and authorised for issue on 1 September 2020

P Dolan
Chairman and CEO

Woodbois Limited
Condensed Consolidated Statement of Cash Flows
For the six-month period ended 30 June 2020

	Six months to 30 June 2020 (Unaudited) $'000	Six months to 30 June 2019 (Unaudited) $'000	Year to 31 December 2019 (Audited) $'000
OPERATING ACTIVITIES			
Loss before taxation – continuing operations	(4,269)	(3,355)	(1,897)
Loss before taxation – discontinued operations	(62)	(63)	(2,893)
Loss before taxation	(4,331)	(3,418)	(4,790)
Adjustment for non-cash items:			
Movement in foreign exchange	(766)	(187)	(271)
Depreciation of property, plant and equipment	964	614	1,393
Inventory losses	-	(149)	(244)
Non-cash items in discontinued operations	-	-	221
Contingent acquisition expense	331	478	956
Transaction costs deducted off Convertible bond liability	-	-	(94)
Share based payment expense	73	173	231
Shares issued in lieu of ITF Interest	-	-	(335)
Impairment on sale of discontinued operations	-	-	2,502
Fair value gain	-	-	(4,602)
Decrease/(increase) in trade and other receivables	1,231	(1,674)	(838)
(Decrease)/increase in trade and other payables	(815)	(6,100)	(7,173)
Decrease/(increase) in inventory	1,112	(237)	817
Finance costs	2,126	631	2,009
Cash outflow from continuing operations	**(75)**	**(9,869)**	**(10,218)**
Income taxes paid	(19)	(29)	(47)
Interest paid	(444)	(224)	(331)
Net cash flow from operating activities	**(538)**	**(10,122)**	**(10,596)**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(382)	(1,359)	(5,016)
Net cash outflow from investing activities	**(382)**	**(1,359)**	**(5,016)**
FINANCING ACTIVITIES			
Proceeds from (repayment)/receipt of loans and borrowings	(268)	(1,502)	1,271
Proceeds from the issue of ordinary shares	-	6,896	6,316
Proceeds from trade finance facility	500	8,446	7,605
Net cash inflow from financing activities	**232**	**13,840**	**15,192**
Increase/(Decrease) in cash and cash equivalents	**(688)**	**2,359**	**(420)**
Cash and cash equivalents at start of period	1,490	1,910	1,910
Net cash and cash equivalents at end of period	**802**	**4,269**	**1,490**

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six-month period ended 30 June 2020 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 consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and those parts of the Companies (Guernsey) Law 2008 applicable to Companies reporting under IFRS. The condensed annual financial statements have been prepared under the historical cost convention except for biological assets and certain financial assets and liabilities, which have been measured at fair value.

The condensed consolidated interim financial statements of Woodbois Limited are unaudited, condensed consolidated financial statements for the six months to 30 June 2020. These include unaudited comparatives for the six-month period to 30 June 2019 together with audited comparatives for the year to 31 December 2019. The condensed consolidated financial statements do not constitute statutory accounts, as defined under section 244 of the Companies (Guernsey) Law 2008.

The condensed consolidated interim financial statements for the six-month period ended 30 June 2020 were approved by the Board of Directors on 1 September 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in preparing these financial statements are in terms of IFRS and are consistent with those applied in the previous annual financial statements for the year ended 31 December 2019.

It has been prepared assuming that the Group will continue as a going concern in accordance with the recognition and measurement criteria of IFRS as adopted by the European Union.

Under this assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor necessity of liquidation, ceasing trading or seeking protection from creditors for at least 12 months from the date of the signing of the financial statements.

An assessment of going concern is made by the Directors at the date the Directors approve the interim financial statements, taking into account the relevant facts and circumstances at that date including:

- Review of profit and cash flow forecasts;
- Review of actual results against forecast;
- Timing of cash flows;
- Financial or operational risks; and
- The impact of COVID-19

Taking into account the restructure of the Group as described in Note 18, Post Balance Sheet Events, current internal forecasts, based on information available at the date of approval of these interim financial statements, the Directors have a reasonable expectation that the Group has or will have adequate resources to continue in operational existence for the foreseeable future, being 12 months to the start of September 2021, and have therefore adopted the going concern basis of preparation in the interim financial statements.

The statutory accounts for the period to 31 December 2019 were approved by the Board of Directors on 29 April 2020 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.

The auditors, having issued their report prior to the Group's restructure and with reference to the potential unknown impact of COVID-19, made reference to the existence of a material uncertainty in relation to going concern within that audit report, to which we draw your attention.

3. ADOPTION OF RECENT ACCOUNTING PRONOUCEMENTS

Amendments to IFRS 3, Business Combinations
In October 2018, the IASB issued amendments to the guidance in IFRS 3, Business Combinations, which revise the definition of a business for acquisition accounting purposes. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. To be considered a business without outputs, there will now need to be an organized workforce present. Under the new standard, the changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions.

The amendments to IFRS 3 are effective for business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting periods beginning on or after 1 January 2020. The Company will assess the impact of this standard on a case-by-case basis upon future acquisitions performed but does not anticipate a material impact due to the nature and structure of its historical acquisitions.

Amendments to IAS 1 and IAS 8: Definition of Material
In October 2018, the IASB issued amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." These amendments are effective for annual periods beginning on or after January 1, 2020. The amendments to the definition of material did not have a significant impact on the interim financial statements nor is there any expectation of a future impact to the Company.

Future Accounting Pronouncements

Amendment to IAS 1: Classification of Liabilities as Current or Non-Current
In January 2020, the IASB has issued an amendment to IAS 1, Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments:

- specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months; – provide that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and
- clarify when a liability is considered settled.

The new guidance will be effective for annual periods starting on or after January 1, 2023 and is to be applied retrospectively. The Company has not yet determined the impact of this standard on its financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. It also requires management to exercise judgment in applying the Company's accounting policies and the reported amounts of assets and liabilities, revenue and expenses, and related disclosures. Estimates and judgments are continually evaluated and are based on current facts, historical experience and other factors, including expectations of future events that are believed are reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results.

The following are management's most significant estimates and assumptions in determining the value of assets and liabilities and the most significant judgments in applying its accounting policies:

- Residual values and useful lives of property, plant and equipment
- Fair value of biological assets
- Provisions for doubtful debts
- Convertible bond liability
- Impairment – consideration receivable

- Share based payments
- The effects of the post balance sheet matters set out in Note 18 and
- Impact of COVID-19.

In March 2020, the World Health Organization declared COVID-19 (coronavirus) a global pandemic. The continued spread of this contagious disease outbreak and related public health developments have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn and to legislative and regulatory changes that may impact the Company's business and operations. At this time, the duration and magnitude of the impact of the outbreak and its potential adverse effects on the Company's business or results of operations are uncertain and will depend on future developments. Judgments made in these interim financial statements reflect management's best estimates as of the period end, taking into consideration the most significant judgments that may be directly impacted by COVID-19.

The following are management's significant estimates and assumptions that could be impacted most by COVID-19:
- revenue recognition and determination;
- impairment of trade receivables; and
- fair value of biological assets.

5. FINANCE COST

	6 months 30 June 2020 (Unaudited)	6 months 30 June 2019 (Unaudited)	Year to 31 December 2019 (Audited)
	$'000	$'000	$'000
Interest on bank facilities	160	224	335
Interest on trade finance facility	758	407	1,197
Interest accrued on convertible bonds	1,208	-	477
Total	**2,126**	**631**	**2,009**

6. TAXATION

The prevailing tax rates of the operations of the Group range between 3% and 32%. Therefore, a rate of 20% has been used as it best represents the weighted average tax rate experienced by the Group. As at 31 December 2019, the Group had estimated losses of $17.6 million (2018: $11.2 million) available for carry forward against future taxable profits.

The Group has recognised a net deferred tax liability of $62.655 million at 30 June 2020 (30 June 2019: $62.655 million, 31 December 2019: $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, which was treated as a discontinued operation.

As at 30 June 2020, the cash consideration has not been received and whilst the Group remains in discussions with the purchaser and reserves all its legal rights it was deemed prudent to fully impair this amount as at 31 December 2019.

8. SEGMENT REPORTING

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

The Group is currently focused on forestry and timber trading. These are the Group's primary reporting segments, operating in Gabon, Mozambique, Denmark, Hong Kong, Mauritius and UK.

For the six-month period ended 30 June 2020 sales made to one customer accounted for 20% of the total turnover (H1 2019: 14%). Sales made to a second customer during the same period accounted for 6% of the total turnover (H1 2019: 13%).

The Group's Chairman and Chief Executive Officer reviews the internal management reports of each division at least monthly.

There are varying levels of integration between the Forestry and Trading segments. This integration includes transfers of sawn timber and veneer, respectively. Inter-segment pricing is determined on an arm's length basis.

Information relating to each reportable segment is set out below. Segment profit / (loss) before tax is used to measure performance, because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industry. All amounts are disclosed after taking into account any intra-segment and intra-group eliminations.

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 2020:

	Forestry	Trading	Unallocated head office costs and intra-group eliminations	Total
	$000	$000	$000	$000
INCOME STATEMENT				
Turnover	2,311	6,263	-	8,574
Cost of Sales	(1,845)	(5,872)	-	(7,717)
Gross profit	**466**	**391**	**-**	**857**
Other income	75	-	10	85
Operating costs	(1,570)	(784)	-	(2,354)
Administrative expenses	-	(2)	(484)	(486)
Depreciation	(447)	(12)	-	(459)
Share based payment expense	(29)	(41)	(3)	(73)
Foreign exchange gain	48	570	-	618
Contingent acquisition expense	(165)	(166)	-	(331)
Segment operating (loss)/profit	**(1,622)**	**(44)**	**(477)**	**(2,143)**
Finance costs	(1,072)	(1,054)	-	(2,126)
Loss before taxation	**(2,694)**	**(1,098)**	**(477)**	**(4,269)**
Taxation	(18)	-	-	(18)
Loss after taxation	**(2,712)**	**(1,098)**	**(477)**	**(4,287)**
NET ASSETS				
Assets:	215,404	9,740	101	225,245
Liabilities:	(2,471)	(23,265)	(24,804)	(50,540)
Deferred tax liability	(62,655)	-	-	(62,655)
Net assets	**150,278**	**(13,525)**	**(24,703)**	**112,050**

The following table shows the segment analysis of the Group's loss before tax for the year and net assets at 31 December 2019:

	Forestry	Trading	Unallocated head office costs and intra-group eliminations	Total
	$000	$000	$000	$000
INCOME STATEMENT				
Turnover	6,850	12,609	-	19,459
Cost of Sales	(5,237)	(11,459)	-	(16,696)
Gross profit	**1,613**	**1,150**	**-**	**2,763**
Other income	75	21	14	110
Operating costs	(3,396)	(1,330)	-	(4,726)
Administrative expenses	(22)	(391)	(1,002)	(1,415)
Depreciation	(230)	(63)	(13)	(306)
Share based payment expense	(98)	(124)	(9)	(231)
Foreign exchange (losses) / gains	6	267	(2)	271
Contingent acquisition expense	(478)	(478)	-	(956)
Fair value gain	-	-	4,602	4,602
Segment operating loss	**(2,530)**	**(948)**	**3,590**	**112**
Finance costs	(913)	(1,088)	(8)	(2,009)
Loss before taxation	**(3,443)**	**(2,036)**	**3,582**	**(1,897)**
Taxation	(58)	4	-	(54)
Loss after taxation	**(3,501)**	**(2,032)**	**3,582**	**(1,951)**
NET ASSETS				
Assets:	216,360	12,380	313	229,053
Liabilities:	(3,048)	(22,557)	(23,606)	(49,211)
Deferred tax (liability) / asset	(62,655)	-	-	(62,655)
Net assets	**150,657**	**(10,177)**	**(23,293)**	**117,187**

9. EARNINGS PER SHARE

Basic earnings per share is based on a loss for the six months of $4.349 million, divided by the weighted average number of ordinary shares in issue during the period of 469,006,665 (which is exclusive of 99,378 treasury shares). During the period 4,384,934 new shares were issued (see note 15).

10. BIOLOGICAL ASSETS

	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	31 December 2020 (Audited)
Standing timber	$'000	$'000	$'000
Carrying value at beginning of the period	194,708	194,708	194,708
Carrying value at end of period	**194,708**	**194,708**	**194,708**

The valuation of the biological assets are 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 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 11 of the financial statements for the year ended 31 December 2019 for more details.

11. TRADE AND OTHER RECEIVABLES

	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	31 December 2019 (Audited)
	$'000	$'000	$'000
Trade receivables	1,812	3,581	2,229
Other receivables	59	295	213
Deposits	117	33	40
Current tax receivable	10	50	20
Sales tax recoverable	432	408	445
Prepayments to suppliers	2,452	2,521	3,176
Total	**4,882**	**6,888**	**6,123**

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

12. TRADE AND OTHER PAYABLES

	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	31 December 2019 (Audited)
	$'000	$'000	$'000
Trade payables	1,072	2,271	1,256
Contract liabilities (prepayments from customers)	1,362	1,968	1,139
Accruals	1,662	68	1,498
Current tax payable	44	24	55
Other payables	148	667	383
Other related party loans	42	7	285
Debt due to concession holders	163	274	185
Total	**4,493**	**5,279**	**4,801**

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

13. BORROWINGS

	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	31 December 2019 (Audited)
	$'000	$'000	$'000
Non-current liabilities			
Business loans	904	877	1,227
Bank overdraft	2,047	1,998	-
Internal trade fund	10,938	12,657	12,311
Car loans	-	20	7
	13,889	15,552	13,545
Current Liabilities			
Business loans	1,710	-	1,391
Bank overdraft	525	1,252	2,988
Working capital facility	2,036	640	1,944
Internal trade fund	1,960	-	-
Car loans	-	17	20
	6,231	1,909	6,343
Total	**20,120**	**17,461**	**19,888**

The internal trade fund accrues interest at a rate of 11.5% per annum. Interest accrued (included in 'Accruals" in Trade and other payables (see note 12)) at 30 June 2020 was $1.073 million (30 June 2019: $0.407 million, 31 December 2019: $0.902 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, two investors had given notice of a request for repayment and as such, $1.96 million has been classified as current liabilities. As noted in note 18, Post Balance Sheet Events, and as a part of the Fund raise and debt restructure, the Group has retired the internal trade fund in August 2020 and hence all remaining investors were repaid.

Except for a portion of $5.5 million that is unsecured, the internal trade fund is covered by either the trade debtor or inventory item that it financed.

Certain bank facilities are repayable on a quarterly basis. However, due to COVID-19, the counterparty bank has given the Company a six-month repayment holiday with repayments recommencing in December 2020.

14. CONVERTIBLE BONDS

	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	31 December 2019 (Audited)
	$'000	$'000	$'000
Convertible bonds: Liability component	24,755	-	23,547
Convertible bonds: Equity component	1,495	-	1,495
Total	**26,250**	**-**	**25,042**
Convertible bond liability	23,070	-	23,070
Interest accrued	1,685	-	477
Total	**24,755**	**-**	**23,547**

During the previous financial year, the Company restructured the 5% perpetual preference shares in Woodbois subsidiary, Argento Limited, by buying it back and issuing the holders instead with Convertible Bonds in Woodbois Limited ("Bonds"). The Woodbois Convertible Bond has a maturity of not later than 30 June 2024, 4% coupon and conversion price of 8p per share, being a maximum total of all the Bonds on conversion of 300 million ordinary shares. 100% of preference shareholders accepted the switch terms. The switch is from a preference share with variable conversion terms linked to a subsidiary company, to a bond convertible into Woodbois Limited Ordinary Shares at a fixed rate.

On 21 October 2019, the Company completed the re-purchase of the full 75,000 preference shares in issue and Neville Registrars Limited, who were appointed by the Company to act as transfer agent, issued 4% convertible bonds, convertible no later than 30 June 2024.

Save for $1.05 million all of the Bonds were converted to Equity in August 2020. See note 18, Post Balance Sheet Events, for further details.

15. 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 2019	377,451,931	5,617
Issued in the period	88,000,000	1,140
At 30 June 2019	465,451,931	6,757
Issued in the period	-	-
At 31 December 2019	465,451,931	6,757
Issued in the period	4,384,934	57
At 30 June 2020	**469,836,865**	**6,814**

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

1798 Volantis Fund Limited ("Volantis"), a fund managed on a discretionary basis by Lombard Odier Asset Management group ("Lombard"), and Paul Dolan, Chairman and Chief Executive of the Company, agreed to receive Woodbois ordinary shares ("Shares") in lieu of interest (at 11.5%) for the period from 1 July 2019 to 31 December 2020 on their Internal Trading Fund ("ITF") loans, in respect of $5.0m for Volantis and $295,520 for Paul Dolan. On 21 January 2020, 4,140,230 new Shares have been issued to Volantis and 244,704 new Shares have been issued to Paul Dolan for a nominal value of $0.057 million.

As at 31 December 2019 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 were 20p and they expired 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.

16. PREFERENCE SHARES

	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	31 December 2019 (Audited)
	$'000	$'000	$'000
Preference share liability	-	13,901	-
Preference share capital	-	14,318	-
Total	-	28,219	-
Preference share liability	-	13,901	-
Preference share dividend accrued	-	656	-
Total	**-**	**14,557**	**-**

As explained in note 14, Convertible Bonds, during the previous financial year the Company restructured the 5% perpetual preference shares in Woodbois subsidiary, Argento Limited, by buying it back and issuing the holders instead with a Convertible Bond in Woodbois Limited.

17. MERGER RESERVE

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

18. POST BALANCE SHEET EVENTS

On 15 July 2020, Woodbois Limited announced the results of a Fundraise and Debt Restructure. Gross proceeds of £13.1 million (approximately $16.4 million) were raised by way of a conditional Placing, Retail Offer and Subscription issuing 655,000,000 new Ordinary Shares at a price of 2 pence per Ordinary Share (the "Placing Price").

In addition, 243,413,455 Capitalisation Ordinary Shares relating to the conversion of $22.5 million Convertible Bonds and 62,500,000 Deferred Consideration Shares were to be issued at the Placing Price. The Placing Shares, Primary Bid Shares, Subscription Shares, Capitalisation Ordinary Shares and Deferred Consideration Shares represented 204.6 per cent of the existing issued Ordinary Share capital of the Company prior to the Fundraise and Debt Restructuring. In addition, 685,287,914 Capitalisation Non-Voting Shares were to be issued.

On 27 July 2020 the Company announced an additional capitalisation of $6.448 million of Convertible Bonds for a further 266,178,196 Capitalisation Shares. A total of $1,051,200 non-interest bearing Convertible Bonds 2023 remain outstanding.

On 5 August 2020, the Fundraise and the Debt Restructuring was approved by the shareholders. The New Ordinary Shares issued pursuant to the Fundraise and Debt Restructuring were admitted to trading on AIM at 8.00 a.m. on 6 August 2020.

Following Admission of the New Ordinary Shares, the Company's issued share capital comprises of 2,382,117,052 shares, of which 1,430,751,958 are voting shares and 951,365,094 are non-voting shares.

Retirement of internal trade fund

As a part of the Fundraise and Debt restructure, the Group had plans to retire the internal trade fund and as such repayments were made to all the remaining investors in August 2020.

19. INTERIM FINANCIAL REPORT

A copy of this interim report as well as the full Annual Report for the year ended 31 December 2019 can be found on the Company's website at www.woodbois.com.