RNS Number : 0281S
Obtala Limited
28 September 2017

28 September 2017

Obtala Limited
("Obtala", the "Group" or the "Company")
(AIM: OBT)

Interim Results for the six months to 30 June 2017

CHAIRMAN'S STATEMENT

I am pleased to present the interim report and consolidated financial statements for Obtala

The Company made a transformational acquisition, identified early in 2017 and completed at the end of the second quarter, with the purchase of WoodBois International ApS ('WoodBois'). In WoodBois we identified a substantial timber asset already in production and continuing to scale, and a successful timber trading business that will bring record levels of revenue to the Group as well as placing us in a strong position to maximize revenue from our production assets in Mozambique.

While this M&A process was ongoing we continued to make significant headway with our existing businesses, putting in place the infrastructure (both physical and human) required to monetize our asset base in Mozambique and Tanzania. Thanks to the work of our operational teams on the ground we have achieved milestones in a matter of months that are known to take years in our jurisdictions. In Mozambique, we identified and acquired a 10.5 hectare site for a new sawmill in Nampula, completing land acquisition process and commencing construction within three months. In Tanzania, we upgraded our existing packhouse with a significant increase in cold packing and storage area and a new loading bay. We are now able to handle increased harvest levels required for our business plan while maintaining the cold chain necessary for developing a high value fruit and vegetable export-driven business.

With significant revenue expected in the second half of the year, and a significantly expanded geographical footprint (including Denmark, West Africa, and Asia) we have been conscious of the need to consult with tax and transfer pricing consultants to ensure we are optimizing our corporate structure. We are mindful of the need to streamline our operations as best we can, and I am pleased that our new CFO, Carnel Geddes, who has already been working since March as our Group Accountant, has had the opportunity to lead our implementation of new accountancy software which will greatly enhance the visibility we have on our operations and speed and depth with which we can report to the market.

Although our Company's value on the equity market has not yet recognized the value of our assets, we are excited to see the impact of our efforts over these past 6 months on our revenues for the second half of 2017 and remain as bullish as ever on the prospects for African forestry and agriculture given the growing supply-demand imbalances we are witnessing with the growth of the global middle class led by the African and Asian regions.

Financial Results

The Group generated a profit of $22.7m (June 2016: loss of $3.8m) during the six-month period, across the Group.

Profit was driven by a gain on the acquisition of 100% of the shares and voting interests in WoodBois International ApS, including biological assets valued at $53m.

The six-month period generated revenues of $149k (June 2016: $381k), not including WoodBois.

Forestry revenues in Mozambique are not expected to be material in the six-month period due to the annual closed season (Jan-March) which was extended by three months in 2017, though increased stockpiling of wood in the cutting season will facilitate higher H1 revenues in future years. Similarly, our first substantial harvest was not expected to commence in Tanzania until after June.

Operating costs in the six-month period were $1.1m (June 2016: $0.6m), not including WoodBois.

The acceleration of operating costs reflects the more potent infrastructure assembled within existing operations, positioning us for substantial revenue growth from all areas of the business during H2 2017 and thereafter. All business lines are streamlined and scalable without a requirement to add layers of management, as demonstrated by the YOY consistency of administrative expense, and despite the significant upgrade of management personnel undertaken in the last 12 months.

The net equity position of the Group increased from USD115.4m in December 2016 to USD$144.8m by a combination of profit on purchase from, and issuance of equity to the owners of WoodBois International as well as the exercise of warrants by Weiss Asset Management.

Director Changes

In March 2017, we announced the departure of Simon Rollason as Managing Director and Jean du Lac as a Non-executive Director. This was followed by the retirement of Frank Scolaro as Non-executive Director and Philippe Cohen as Financial Director in July 2017. I am extremely grateful to their contribution to the company, in particular Frank Scolaro, Obtala's founder, who remains a significant shareholder.

Jessica Camus joined the Obtala Board in March as a Non-executive Director, bringing a wealth of experience on measuring social impact and experience working with various funding bodies from her time at the World Economic Forum. We are also welcoming Martin Collins to the Board as Deputy Chairman, with a specific focus on the Agriculture Business, who is replacing COO Warren Deats, and Carnel Geddes as Group CFO. Both Martin and Carnel have been working with the Company since March. Kevin Milne (Non-executive Director) and Paul Dolan (CEO) remain on the board.

Corporate social responsibility

In recognition of the ongoing work we are doing, Obtala was named Social Stock Exchange Impact Company of the Year at the annual Small Cap awards in June. This recognized the significant impact we are having on local communities as we scale our businesses in Sub-Saharan Africa, creating hundreds of skilled jobs and creating many positive externalities with our infrastructure investments. We are delighted that WoodBois' founders share our ethos for these activities as we strive to be an example for other sustainable forestry and agriculture businesses in the region.

Outlook

I believe Obtala is the most investable it has ever been since its listing in 2007. Our fundraising efforts that started in 2016 have given us the capital to put our forestry and agriculture businesses into production. This will not only allow us to deliver revenue and profit for shareholders, but also continue to unlock strategic opportunities to acquire companies such as WoodBois who are proven operators with the potential to scale many times over with the provision of additional capital. Although our integration timeline is aggressive, we see immediate synergies and investment opportunities with payback in a matter of months as opposed to years. The Board is highly confident that the acquisition will provide exceptional value to shareholders.

Ongoing external intelligence gathering, combined with the monitoring of data from rapidly evolving internal management systems helps direct our financial resources towards those business opportunities with the greatest potential ROI. I'm happy to report healthy competition for capital across the Group, and with strong, proven management now in place across all operations, I feel confident of equally healthy returns from each area receiving additional capital. As owners of the business through the equity option scheme our managers understand that those businesses with the potential for the quickest and highest ROI take precedence, which in turn helps them to plan and execute commercially.

The WoodBois acquisition provides a significant kicker to the step change in revenues that we expect to deliver in 2017. Trade Finance for our integrated trading arm will further accelerate revenue growth and is key to unlocking exponential growth within our timber trading business, as previously indicated we are actively seeking to get a suitable facility in place.

My review of 2016 specified that much of the funding that we have raised to underpin our rapid transformation has come from Asia, and that further strengthening our ties with Asian based investors through a dual listing in China or Australia is a target. We remain of the opinion that such a dual listing would significantly improve liquidity and investor interest and we will actively pursue conversations in this regard while executing on our strategy. We expect that our ability to rapidly grow revenue and profits from businesses based on the African continent will find an enthusiastic investor base in these markets.

Obtala Limited
Miles Pelham - Chairman
Paul Dolan - CEO
Martin Collins - Deputy Chairman
+44 (0)20 7099 1940

www.obtala.com

ZAI Corporate Finance Limited (Nomad)
+44 (0)20 7060 2220

John Treacy

Brandon Hill Capital (Joint Broker)
+44 (0)20 3463 5000

Jonathan Evans

Beaufort Securities Limited (Joint Broker)
+44 (0)20 7382 8300

Jon Belliss

This announcement contains information which was previously inside information for the purposes of Article 7 of the Market Abuse Regulation EU Regulation 596/2014.

OBTALA LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period to 30 June 2017

	Six months to 30 June 2017	Six months to 30 June 2016	Year to 31 December 2016

Continuing operations	Notes	(Unaudited) $'000	(Unaudited) $'000	(Audited) $'000
Turnover		149	381	630
Cost of Sales		(953)	(333)	(141)
Gross profit		(804)	48	489
Operating costs		(1,073)	(558)	(829)
Administrative expenses		(1,765)	(1,700)	(3,488)
Depreciation		(163)	(296)	(907)
Operating profit/(loss)		(3,805)	(2,506)	(4,735)
Gain from bargain purchase	11	34,028	-	-
Contingent acquisition expense	11	(7,305)	-	-
Finance income/(costs)	12	(161)	-	(516)
Profit/(loss) before tax		22,757	(2,506)	(5,251)
Taxation	4	-	(1,286)	-
Total profit/(loss) for the period/year		**22,757**	**(3,792)**	**(5,251)**
Discontinued Operations		(148)	-	(382)
Profit/(loss) for the year		22,609	(3,792)	(5,633)
Attributable to:				
Owners of the parent		16,579	(3,166)	(4,836)
Non-controlling interests		6,030	(626)	(797)
		22,609	(3,792)	(5,633)
Other comprehensive income:				
Exchange differences of re-translation of foreign operations		-	4,018	(24)
Share based payment expense		(661)	-	-
Total comprehensive income/(loss) for the period:		21,948	226	(5,657)
Attributable to:				
Owners of the parent		15,918	852	(4,860)
Non-controlling interests		6,030	(626)	(797)
		21,948	226	(5,657)
Earnings/(loss) per share				
From continuing operations	5	5.48	0.32	(1.70)
From Discontinued operations		(0.05)	-	(0.14)
From Earnings/(loss) for the year		5.43	0.32	(1.84)

OBTALA LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2017 to 30 June 2017

	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 2016(restated)	**4,104**	**17,968**	**44,487**	**-**	**(2,081)**	**1,580**	**25,061**	**91,119**	**29,477**	**120,596**
Profit/(loss) for the period	-	-	-	-	-	-	(3,166)	(3,166)	(626)	(3,792)
Other comprehensive income:										
Currency translation differences	-	-	-	-	(4,018)	-	4,018	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(4,018)**	**-**	**852**	**(3,166)**	**(626)**	**(3,792)**
Exchange differences on translating into presentational currency	-	-	-	-	3,351	-	-	3,351	-	3,351
At 30 June 2016(restated)	**4,104**	**17,968**	**44,487**	**-**	**(2,748)**	**1,580**	**25,913**	**91,304**	**28,851**	**120,155**
Profit/(loss) for the period	-	-	-	-	-	-	(1,694)	(1,694)	(171)	(1,865)
Other comprehensive income:										
Currency translation differences	-	-	-	-	3,994	-	(3,994)	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**3,994**	**-**	**(5,688)**	**(1,694)**	**(171)**	**(1,865)**
Transactions with owners:	-									
Sales of Subsidiary	-	-	-	-	-	-	311	311	(311)	-
Issue of Ordinary Shares	136	-	-	-	-	(136)	-	-	-	-
Reserve Transfer	-	-	-	-	-	(46)	46	-	-	-
Exchange differences on translating into presentational currency	-	-	-	-	(2,865)	-	-	(2,865)	-	(2,865)
At 31 December 2016	**4,240**	**17,968**	**44,487**	**-**	**(1,619)**	**1,398**	**20,582**	**87,056**	**28,369**	**115,425**
Profit/(loss) for the period	-	-	-	-	-	-	16,579	16,579	6,030	22,609
Other comprehensive income:										
Share based payment expense	-	-	-	-	-	661	(661)	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	-	**-**	**661**	**15,918**	**16,579**	**6,030**	**22,609**
Issue of Ordinary Shares	260	4,372	-	-	-	-	-	4,632	-	4,632
Issue of Preference Shares	-	-	-	7,758	-	-	-	7,758	-	7,758
Exchange differences on translating into presentational currency	-	-	-	-	2,138	-	-	2,138	-	2,138
At 30 June 2017	**4,500**	**22,340**	**44,487**	**7,758**	**519**	**2,059**	**36,500**	**118,163**	**34,399**	**152,562**

OBTALA LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 (Unaudited) $'000	30 June 2016 (Unaudited) $'000	31 December 2016 (Audited) $'000
ASSETS				
Non-current assets				
Available for sale investments		-	130	-
Assets under construction	10	40	-	-
Biological asset	6	227,828	174,528	174,528
Plant and equipment		11,181	2,448	1,935
Total non-current assets		**239,049**	**177,106**	**176,463**
Current assets				
Trade and other receivables		4,504	156	216
Inventory		3,470	545	1,017
Current Tax Receivable		-	-	25
Cash and cash equivalents		1,901	789	3,398
Total current assets		**9,875**	**1,490**	**4,656**
TOTAL ASSETS		**248,924**	**178,596**	**181,119**
LIABILITIES				
Current liabilities				
Trade and other payables	9	(9,190)	(2,622)	(9,846)
Current tax liabilities		(116)	29	-
Short term loan liability	11	(551)	-	-
Total current liabilities		**(9,857)**	**(2,593)**	**(9,846)**
Non-current liabilities				
Deferred tax	4	(72,878)	(55,848)	(55,848)
Preference share liability	7	(5,194)	-	-
Provision for contingent acquisition liability	11	(7,305)	-	-
Long term loan liability	11	(1,128)	-	-
Total non-current liabilities		**(86,505)**	**(55,848)**	**(55,848)**
TOTAL LIABILITIES		**(96,362)**	**(58,441)**	**(65,694)**
NET ASSETS		**152,562**	**120,155**	**115,425**
EQUITY				
Share capital	8	4,500	4,104	4,240
Share premium		22,340	17,968	17,968
Merger reserve		44,487	44,487	44,487
Preference share capital		7,758	-	-
Foreign exchange reserve		519	(2,748)	(1,619)
Share based payment reserve		2,059	1,580	1,398
Revenue reserve/(deficit)		36,500	25,913	20,582
Equity attributable to the owners of the parent		**118,163**	**91,304**	**87,056**
Non-controlling interests		34,399	28,851	28,369
TOTAL EQUITY		**152,562**	**120,155**	**115,425**

Approved by the board and authorised for issue on 27th September 2017

M Pelham
Chairman

OBTALA LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 January 2017 to 30 June 2017

	Notes	Six months to 30 June 2017 (Unaudited) $'000	Six months to 30 June 2016 (Unaudited) $'000	Year to 31 December 2016 (Audited) $'000
OPERATING ACTIVITIES				
Operating profit/(loss)		22,757	(2,506)	(5,251)
Adjustment for non-cash items:				
Foreign exchange (gains)/losses		2,138	3,418	-
Fair value adjustment of biological asset		-	-	-
Depreciation of property, plant and equipment		163	296	907
Loss from discontinued operation		(148)	-	382
Gain from bargain purchase		(34,028)	-	-
Decrease/(increase) in provision for contingent acquisition liability		7,305	-	-
Decrease/(increase) in trade and other receivables		(314)	250	195
(Decrease)/increase in trade and other payables		(4,569)	(668)	6,846
Decrease/(Increase) in inventory		78	310	(162)
Finance expense/(income)		161	-	521
Cash outflow from continuing operations		**(6,457)**	**1,100**	**3,438**
Income taxes refund received/(paid)		25	(1,285)	-
Interest received/(paid)		15	-	(521)
Net cash flow from operating activities		**(6,417)**	**(185)**	**2,917**

INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(2,180)	-	(493)
Cash outflow for assets under construction	(40)	-	-
Net cash outflow on the acquisition of subsidiary	(6,692)	-	-
Net cash inflow/(outflow) from investing activities	**(8,912)**	**-**	**(493)**
FINANCING ACTIVITIES			
Proceeds from the issue of ordinary shares	1,056	-	-
Proceeds from the issue of preference shares	12,776	-	-
Net cash inflow from financing activities	**13,832**	**-**	**-**
(Decrease)/Increase in cash and cash equivalents	**(1,497)**	**(185)**	**2,424**
Cash and cash equivalents at start of period	3,398	974	974
Net cash and cash equivalents at end of period	**1,901**	**789**	**3,398**

OBTALA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the period from 1 January 2017 to 30 June 2017

1. BASIS OF PREPARATION

The interim financial statements of Obtala Limited are unaudited condensed consolidated financial statements for the six months to 30 June 2017. These include restated unaudited comparatives for the six month period to 30 June 2016 together with audited comparatives for the year to 31 December 2016.

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 accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the period ended 31 December 2016.

The condensed consolidated financial statements do not constitute statutory accounts, as defined under section 244 of the Companies (Guernsey) Law 2008. The statutory accounts for the period to 31 December 2016 have been reported on by the Company's auditors, which have been delivered to the Guernsey Registrar of Companies.

3. SEGMENTAL REPORTING

The Group is currently in agriculture and forestry. In addition, the Group undertakes investing activities, which are based in Guernsey. These are the Group's primary reporting segments.

4. 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 based subsidiaries (six months to 31 June 2016: nil%).

The Group has recognised a deferred tax liability of $72,878,000 at 30 June 2017 (30 June 2016: $55,848,000, 31 December 2016: $55,848,000) which arose on the difference between the book value and the fair value of assets acquired on the acquisition of a subsidiary and the revaluation of a biological asset.

5. EARNINGS PER SHARE

Basic earnings per share is based on the profit for the six months of $15,918m attributable to equity holders of the parent divided by the number of ordinary shares in issue during the period of 293,279,267 exclusive of ordinary shares purchased by the Obtala Resources Employee Share Trust and held jointly by the Trust and certain employees. During the period 20,018,603 shares were issued.

OBTALA LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

6. BIOLOGICAL ASSET

	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)	31 December 2016 (Audited)
Standing timber	**$'000**	**$'000**	**$'000**
Carrying value at beginning of the period	174,528	174,528	174,528
Additions	53,300	-	-
Carrying value at end of period	**227,828**	**174,528**	**174,528**

The Group's main class of biological assets comprise forestry concessions which hold a range of hardwoods. Biological assets are carried at fair value less estimated costs to sell.

Mozambique

The brought forward biological assets are located in Northern Mozambique in the states of Cabo Delgado, Nyassa and Zambezia and are managed from a central point in Nampula, capital of the middle state of the North.

During the 2016 year the company consolidated its 12 concessions into 10 concessions on a 50-year concession basis (renewable

thereafter for a further 50 years) with the similar global map and surface. There were no additions to the concessions land to this date.

The assets were assessed internally at fair value and supported by a report on the valuation to a willing buyer dated 1 May 2017 and prepared by Edward Anderson-Bickley MRICS, Prydis Ltd. Mr. Bickley was formerly of Honour Capital Limited, valuators of the original concessions in 2014 and 2015.

Fair values have been determined internally by discounting a 20-year cash flow projection (Level 3 of the fair value hierarchy) for the 10 concession areas located in three separate blocks in northern Mozambique after taking into account the following assumptions:

- NPV based on a 20 years' cash flow on concessions valid for 50 years.
- 20-year operational cumulative sales revenues forecast at $710 million.
- We are now using a discount of 12% for all concessions as this is considered the most appropriate given the operational and country risk.
- Total area of 312,465 hectares.
- Total actual and estimated annual permitted cut ("APC") has been increased by almost 4,500 m3/year to 75,809 m3/year in 2016 from 71,348m3/year in 2015 on a 20-year cycle.
- The proportion of the APC to be harvested in any one year will increase over the first three years and then remain constant from year 4 at the level of the full current APC. We are confident that we will be able to continue to increase the APC on a regular basis as we have done in 2016 though this has not been factored into the valuation.
- Predicted harvesting levels used in the brought forward valuation report are 8% of the annual permitted cut in 2017 increasing to 61% in 2018 and 80% in 2019.
- Average annual production of sawn (processed) timber (FAS and thirds) is expected to be 2,760m3 in 2017 increasing to 22,080m3 in 2018 with the new sawmill in operation.
- Stabilized production costs encompassing harvesting, processing, transport and FOB costs but excluding fixed overhead assumed to be $287 per m3 for export grade sawn timber and $432 per m3 for veneer sheets.
- The weighted average sale price of the sawn timber varies in function of the grades with $833 per m3 for FAS (first and second) excluding Blackwood species, with top grade veneers between $2,000/m3 and $4,700/m3, (from year 3 only). Blackwood sales have been budgeted from year 3 at $9,400/m3.

Additions:

The additions represent 20-year concessions in Gabon which were independently valuated by Edward Anderson-Bickley MRICS, Prydis Ltd, dated June 2017.

Fair values have been determined internally by discounting a 10-year cash flow projection (Level 3 of the fair value hierarchy) after taking into account the following assumptions:

- NPV based on a 10 years' cashflow, with no terminal value.
- We are using a discount of 10.5% for all concessions as this is considered the most appropriate given the operational and country risk.
- Total area of 96,851 hectares, which consists of 82,703 hectares of dense forest.
- Each year 5,000 hectares can be applied to harvest for, and may remain open for 3 year period. No more than three 5,000 hectare areas may remain open at any one point in time.
  The 1,700 hectares of residual 2015 harvest included in 2017 harvest assumption.
- For each 5,000 hectares, a minimum of 3,000 hectares are achievable to operate in.
- The provision for road upgrades and construction of new forest roads is included.
- Based on only the 5 species of wood that are currently being harvested (Okoume, Okan, Azobe, Padauk, Ovengkol). Other species have been identified in the forest but not included in the valuation.
- Based on harvesting 90,000m3 per annum required to meet capacity at sawmill and veneer factory.
- Based on the blended price of both Air Dried and Kiln Dried.
- Based on the recovery of 40% on the sawmill and 70% on the veneer factory.

7. PREFERENCE SHARE LIABILITY

	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)	31 December 2016 (Audited)
	$'000	$'000	$'000
Present value from the issue of preference shares (net of transaction costs)	(5,018)	-	-
Interest accrued	(176)	-	-
Total	**(5,194)**	**-**	**-**

During the six months period ending 30 June 2017, the Group issued 40,144 preference shares, in Argento Limited (Mauritius subsidiary) at a par value of $350 per share. The preference shares are convertible into either ordinary Obtala Limited shares or ordinary Argento Limited shares, at any time after 30th August 2017, at the option of the shareholder. Conversion ratios will 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 preference event (preferred dividend) and will also participate pro-rata in any further dividend paid on the ordinary shares.

The preference shares do not carry the right to vote.

8. 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 2016	263,260,664	4,104
Issued in the period	-	-
At 30 June 2016	263,260,664	4,104
Issued in the period	10,000,000	136
At 31 December 2016	273,260,664	4,240
Issued in the period	20,018,603	260
At 30 June 2017	**293,279,267**	**4,500**

9. TRADE AND OTHER PAYABLES

	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)	31 December 2016 (Audited)
	$'000	$'000	$'000
Trade and sundry payables	(4,695)	(2,622)	(669)
Other payables	(4,495)	-	(9,177)
Total	**(9,190)**	**(2,622)**	**(9,846)**

The Directors consider that the carrying amount of trade and sundry payables approximates to their fair value.
Included within other payables are amounts received in advance relating to preference shares issued post-period-end of $4,495 thousand.

10. ASSETS UNDER CONSTRUCTION

	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)	31 December 2016 (Audited)
	$'000	$'000	$'000
Sawmill	40	-	-
Total	**40**	**-**	**-**

During the period ending 30 June 2017, the Group has started with the construction of a sawmill in Nampula, Mozambique. The Group incurred costs up to 30 June 2017 that totalled $40 thousand (2016: nil).

11. ACQUISITIONS

On 30 June 2017, the Group Acquired 100% of the shares and voting interests in WoodBois International ApS, therefore obtaining control of WoodBois International ApS (WBI). WBI is a private Danish-based forestry business with operations in Gabon and Côte d'Ivoire.

Taking control of WBI will enable the Group to utilise the knowledge and experience with an established global trading operation for its existing hardwood operation in Mozambique, thus enabling the Group to gain greater access to international markets. WBI also own concessions in Gabon, as well as a sawmill in the country, which will expand the Group's annual production capacity. WBI also has a veneer factory under construction which will enable the Group to access higher margin product sales.

A. Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

Purchase price	30 June 2017 (Unaudited) $'000
Cash paid on 30 June 2017	3,000
Equity instruments (15,641,499 ordinary shares) issued on 30 June 2017	3,576
Total consideration transferred	**6,576**

I. Equity instruments issued

The fair value of the ordinary shares issued was based on the listed share price of Obtala Limited at 30 June 2016 of £0.176 per share.

II. Contingent consideration

The Group has agreed to pay the selling shareholders, an amount totalling $8 million, over a period of the next five years, if the two founding members of WBI stays in the employment of the group during this period.

The potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangement is between $0 and $8 million.

In accordance with IFRS3 the substance of the contingent consideration should be evaluated, to determine if the contingent consideration is part of the consideration of the business combination.
Due to that the contingent consideration arrangement payments are automatically forfeited if the employment of the founding members of WBI in the Group are terminated, indicates that the contingent consideration arrangement is not part of the business

combination.

The Group has therefore raised a separate provision of $7.3 million for contingent acquisition costs related to the additional consideration payments, which represents its fair value at the date of acquisition.

B. Acquisition-related costs

The Group incurred acquisition-related costs of $103 thousand on legal fees and due diligence costs. These costs have been included in 'administrative expenses'.

C. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition. The following amounts have been measured on a provisional basis, and is pending the finalisation of the completion accounts:

	30 June 2017 (Unaudited) $'000
Inventory	2,531
Fixed assets	7,229
Trade and other receivables	3,974
Biological assets	53,300
Cash and cash equivalents	(3,692)
Trade and other payables	(3,913)
Loans:	(1,679)
- Short term portion	(551)
- Long term portion	(1,128)
Tax liabilities	(116)
Deferred tax	(17,030)
Total identifiable net assets acquired	**40,604**

I. Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation technique
Property, plant and equipment	*Market comparison technique and cost technique:* The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Biological assets	*Market comparison technique:* An independent valuation was carried out by a timber inventory surveyor to validate the assumptions about the value of the timber operation at current capacity.
Inventory	*Market comparison technique:* The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

D. Gain from bargain purchase

Gain from bargain purchase arising from the acquisition has been recognised as follows.

	Note	30 June 2017 (Unaudited) $'000
Consideration transferred	*(A)*	6,576
Fair value of identifiable net assets	*(C)*	(40,604)
Gain from bargain purchase		**(34,028)**

The gain on the bargain purchase of $34 million, arising from the acquisition consists largely on the net effect of the valuation of the concessions of $37 million (net of deferred tax).

12. FINANCE INCOME/(COST)

	30 June 2017 (Unaudited) $'000	30 June 2016 (Unaudited) $'000	31 December 2016 (Audited) $'000
Bank interest	15	-	(516)
Interest accrued on preference shares	(176)	-	-
Total	**(161)**	**-**	**(516)**

13. INTERIM FINANCIAL REPORT

A copy of this interim report will be distributed to shareholders and is also available on the Company's website at www.obtalaresources.com

This information is provided by RNS

The company news service from the London Stock Exchange

END

IR LLFEDASIDFID