Invictus Energy Ltd

ACN 21 150 956 773

Half-Year Financial Report

31 December 2019

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Corporate directory

Directors	Dr Stuart Lake *Non-Executive Chairman* Mr Scott Macmillan *Managing director* Mr Barnaby Egerton-Warburton *Non-executive director* Mr Gabriel Chiappini *Non-executive director* Mr Eric De Mori *Non-executive director*
Company Secretary	Mr Gabriel Chiappini
Registered Office	24 Outram Street West Perth WA 6005 Tel: +618 6102 5055
Share Register	Link Market Services Limited Ground Floor Level 4 Central Park 152 St Georges Terrace Perth WA 6000
Stock Exchange Listing	Australian Securities Exchange (ASX: IVZ)
Auditor	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008
Solicitors	Price Sierakowski 24/44 St Georges Terrace Perth WA 6000
Website	www.invictusenergy.com

Directors' report

The Directors present their report together with the financial statements for the half-year period ending on 31 December 2019.

Directors

The names of the Directors of Invictus Energy Limited (hereafter "Invictus" or "the Company") and the entities it controls throughout the reporting period and at the date of this report are as set out above in the Corporate Directory. Dr Stuart Lake was appointed as Non-Executive Chairman on 31 July 2019.

Principal Activities

The principal activities of the consolidated entity carried out during the period consisted of:

- Progressing the development of the Cabora Bassa Project in Zimbabwe that encompasses the Mzarabani Prospect, a multi-TCF conventional gas-condensate target which is potentially the largest, undrilled seismically defined structure onshore Africa. The prospect is defined by a robust dataset acquired by Mobil in the early 1990s that includes seismic, gravity, aeromagnetic and geochemical data, and
- Ongoing evaluation of additional hydrocarbon projects to compliment the company's activities

Results of Operations and Dividends

The net loss from continuing operations for the half-year period to 31 December 2019 was $915,878 (31 December 2018: $481,313).

No dividends have been paid or declared by the Company during the period ended 31 December 2019 (31 December 2018: nil).

Review of Operations

The Company completed the acquisition and geochemical analysis of the two primary source rock intervals in the Cabora Bassa Basin. Geochemical analysis of new outcrop samples of the Permian aged Mkanga formation collected in July indicated a strong correlation with two oil seep samples on trend in the neighbouring Mid Zambezi sub basin in Zimbabwe. Analysis of the Triassic aged Alternations Member (Upper Angwa) confirms good source potential for gas and liquids generation. The geochemical data correlates with other African and West Australian Basins having oil and gas prone source rocks that charge multi- billion barrel and multi- Tcf discoveries. The results have enhanced the confidence in the source rock presence, distribution and quality within the Cabora Bassa Basin. Importantly the geochemical analysis validates the Company's basin modelling assumptions of multiple periods of hydrocarbon generation.

The enhanced seismic imaging obtained from the reprocessed field tapes has enabled the outcrop source and reservoir sequences to be mapped into the subsurface with greater confidence as well as providing a favourable view of the timing of two major episodes of generation of hydrocarbons into the multiple traps in the basin. The location of the source rock directly beneath the reservoir positions them to charge the primary Upper Angwa Alternations Member target as well as shallower horizons in the Pebbly Arkose, Forest and Dande Formations. There is potential evidence of this shown by the seismic amplitude anomalies that conform to structure.

The Company entered into a Gas Sale MOU with Tatanga Energy to progress gas supply for a ±500 megawatt (MW) Gas to Power plant in the event of a commercial gas discovery from Special Grant 4571 in Muzarabani. The proposed Gas to Power plant will be built in two phases with the first phase estimated at ±150MW and the second phase consisting of an additional ±350MW. The optimal location of the plant will be determined by factors including proposed pipeline routings and access to transmission infrastructure including the Southern Africa Power Pool (SAPP). The potential gas supply of up to 100 million cubic feet per day for 20 years is a substantial volume which will underpin the development of any commercial gas discovery from the Cabora Bassa Project.

Subsequent Events

No matters or circumstances have arisen since the end of the financial period which have significantly affected or may significantly affect the operations, results or state of affairs of the group in future financial periods which have not been disclosed publicly at the date of this report.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 6 and forms part of this report.

This report is made in accordance with a resolution of directors.

Scott Macmillan

Scott Macmillan

Director

11 March 2020

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DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF INVICTUS ENERGY LIMITED

As lead auditor for the review of Invictus Energy Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Invictus Energy Limited and the entities it controlled during the period.

Neil Smith

Director

BDO Audit (WA) Pty Ltd

Perth, 11 March 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Invictus Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Invictus Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Groupis not in accordance with the Corporations Act 2001 including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

Neil Smith

Director

Perth, 11 March 2020

Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2019

	Note	31-Dec-19 A$	31-Dec-18 A$
Interest revenue		15,463	11,620
Corporate costs		(43,412)	(62,033)
Professional fees		(210,660)	(150,665)
Director fees		(359,057)	(221,171)
Other expenses		(217,003)	(59,064)
Depreciation		(62,970)	-
Finance costs		(38,239)	-
Loss before income tax		**(915,878)**	**(481,313)**
Income tax expense		-	-
Loss after income tax		**(915,878)**	**(481,313)**
Loss for the period attributable to:			
Members of the parent entity		(914,306)	(481,188)
Non- controlling interest		(1,572)	(125)
Loss for the period		**(915,878)**	**(481,313)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss:			
Foreign currency translation - members of the parent entity		1,588	182,077
Foreign currency translation – non- controlling interest		408	45,505
Total other comprehensive profit/ (loss) for the period		**1,996**	**227,582**
Total comprehensive loss for the period attributable to:			
Members of the parent entity		(912,718)	(299,111)
Non- controlling interest		(1,164)	45,380
Total comprehensive loss for the period		**(913,882)**	**(253,731)**
Basic and diluted loss per share (cents) attributable to the ordinary equity holders of the Company	5	(0.23)	(0.13)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 31 December 2019

	Note	31-Dec-19 A$	30-Jun-19 A$
ASSETS			
Current assets			
Cash and cash equivalents		2,057,149	2,214,264
Trade and other receivables		72,161	31,764
Other current assets		26,621	12,784
Total current assets		**2,155,931**	**2,258,812**
Non-current assets			
Exploration and evaluation expenditure	4	7,630,663	7,154,189
Property, plant and equipment		51,998	40,809
Other financial assets		96,143	96,143
Right of use - asset		230,317	-
Total non-current assets		**8,009,120**	**7,291,141**
Total assets		**10,165,051**	**9,549,953**
LIABILITIES			
Current liabilities			
Trade and other payables	3	288,582	479,176
Provisions		35,170	23,764
Right of use - liability		113,992	-
Total current liabilities		**437,744**	**502,940**
Non-current liabilities			
Right of use – liability		128,978	-
Total non-current liabilities		**128,978**	**-**
Total liabilities		**566,722**	**502,940**
Net assets		**9,598,329**	**9,047,013**
EQUITY			
Share capital	6	27,475,016	26,064,996
Reserves	14	802,443	745,677
Accumulated losses		(19,892,635)	(18,978,329)
Total equity attributable to owners of Invictus Energy Limited		**8,384,824**	**7,832,344**
Non- controlling interest		1,213,505	1,214,669
Total equity		**9,598,329**	**9,047,013**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the half year ended 31 December 2019

	Share capital A$	Foreign currency translation reserve A$	Share-based payment reserve A$	Total reserves A$	Accumulated loss A$	Total attributable to equity holders of the group A$	Non-controlling interest A$	Total equity A$
Balance at 1 July 2018	**25,085,561**	**(1,251)**	**541,594**	**540,343**	**(17,956,405)**	**7,669,499**	**917,230**	**8,586,729**
Loss for the period	-	-	-	-	(481,188)	(481,188)	(125)	(481,313)
Foreign currency translation	-	182,077	-	182,077	-	182,077	45,505	227,582
Total comprehensive loss for the period	**-**	**180,826**	**-**	**722,420**	**(18,437,593)**	**7,370,388**	**962,610**	**8,332,998**
Balance at 31 December 2018	**25,085,561**	**180,826**	**541,594**	**722,420**	**(18,437,593)**	**7,370,388**	**962,610**	**8,332,998**
Balance at 1 July 2019	**26,064,996**	**204,083**	**541,594**	**745,677**	**(18,978,329)**	**7,832,344**	**1,214,669**	**9,047,013**
Loss for the period	-	-	-	-	(914,306)	(914,306)	(1,572)	(915,878)
Foreign currency translation	-	1,588	-	1,588	-	1,588	408	1,996
Total comprehensive loss for the period	**-**	**1,588**	**-**	**1,588**	**(914,306)**	**(912,718)**	**(1,164)**	**(913,882)**
Issue of shares	1,500,000	-	-	-	-	1,500,000	-	1,500,000
Share issue costs	(108,980)	-	-	-	-	(108,980)	-	(108,980)
Share based payments	19,000	-	55,178	55,178	-	74,178	-	74,178
Total distributions to owners of Company recognised directly through equity	**1,410,020**	**-**	**55,178**	**55,178**	**-**	**1,465,198**	**-**	**1,465,198**
Balance at 31 December 2019	**27,475,016**	**205,671**	**596,772**	**802,443**	**(19,892,635)**	**8,384,824**	**1,213,505**	**9,598,329**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows
For the half year ended 31 December 2019

	31-Dec-19 A$	31-Dec-18 A$
Cash flows from operating activities		
Interest received	15,463	11,620
Payments to suppliers and employees	(1,073,412)	(697,037)
Net cash used in operating activities	**(1,057,949)**	**(685,417)**
Cash flows from investing activities		
Exploration payments	(470,585)	(339,599)
Security deposits paid	-	(96,143)
Property, plant and equipment purchased	(19,430)	-
Net cash from investing activities	**(490,015)**	**(435,742)**
Cash flows from financing activities		
Proceeds from issue of shares	1,500,000	-
Share issue costs	(108,979)	-
Cash consideration for Cabora Bassa project	-	(743,247)
Net cash from financing activities	**1,391,021**	**(743,247)**
Total cash movement for the period	**(156,943)**	**(1,864,406)**
Cash and Cash Equivalents at 1 July	2,214,264	4,987,780
Exchange rate adjustment	(172)	28
Total cash at end of the period	**2,057,149**	**3,123,402**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

1. Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Invictus Energy Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for those detailed below.

New accounting standards and interpretations

In the half-year ended 31 December 2019, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Company include:

- AASB 16 Leases

AASB 16 Leases

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees i.e. leases of 'low-value' assets and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset or ROU asset).

Lessees will separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

AASB 16 became effective for the Group for the accounting period beginning 1 July 2019. The Group has chosen the modified retrospective approach to the application of AASB 16 and has consequently not restated the comparative information.

The Group leases its corporate office. This has been recognised as a right-of-use-asset with a corresponding lease liability.

Impact of application of AASB 16 Leases

As at 1 July 2019 the Group recognised a right-of-use asset with a net book value of $285,593 and corresponding lease liabilities of $285,593. After accounting for depreciation and lease principal payments during the half-year the balances as at 31 December 2019 were right-of-use assets with a net book value of $230,317 and lease liabilities of $242,970.

Going concern

The going concern concept relates to the assessment of the Company's ability to continue its operations (and pay its debts when they fall due) for the next 12 months from the date when the directors sign the interim financial report without the need to raise money from issuing shares or increasing the current level of its borrowings. The interim financial report has been prepared on a going concern basis.

The Company incurred a loss after tax of $915,878 Total net cash outflows from operating and investing activities of $1,547,964 for the half year ended 31 December 2019.

The Directors have prepared an estimated cash flow forecast for the period to February 2021 to determine if the Company may require additional funding during this period. The Group intends to continue cash expenditure on operating activities and the Cobora Bassa Project. This results in a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern.

As at 31 January 2020, the Group has $1.906m cash and cash equivalents on hand.

The Directors have made an assessment on whether it is reasonable to assume that the Company will be able to continue its normal operations based on the following factors and judgements:

- Securing funding to provide working capital to Groups operations;

Should the Company not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The interim financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

Critical accounting estimates and judgements

The preparation of financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the annual consolidated financial statements as at and for the year ended 30 June 2019.

2. Segment information

Description of segments

The Directors have determined the Group has one reportable segment, being oil and gas in Zimbabwe. As the Group is focused on hydrocarbon exploration, the Board monitors the Group based on actual versus budgeted exploration expenditure incurred by area of interest. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

3. Trade and other payables

	31-Dec-19 A$	30-Jun-19 A$
Trade payables	218,975	309,846
Accrued expenses	69,607	169,330
	288,582	479,176

4. Exploration and evaluation expenditure

As at 31 December 2019, the carrying value of the capitalised exploration and evaluation properties of the consolidated entity was $7,630,663 (June 2019: $7,154,189); the carrying amounts of individual projects are as per the reconciliation of movement in exploration and evaluation property below.

	31-Dec-19 A$	30-Jun-19 A$
Cabora Bassa Project		
Project carrying value – opening	7,154,189	4,583,423
Costs incurred during the period	469,976	1,087,968
Impairment	-	-
Deferred acquisition costs – Capitalised Class A Performance Shares	-	1,233,097
Effect of translation to presentation currency	6,498	249,701
Project carrying value – closing	7,630,663	7,154,189

The total recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

5. Earnings per share

The calculation of basic and diluted earnings (loss) per share at 31 December 2019 was calculated as follows:

	31-Dec-19 A$	31-Dec-18 A$
Loss attributable to ordinary shareholders for the period	(915,878)	(481,313)
Number of ordinary shares		
Issued ordinary shares at the beginning of the period	391,001,892	355,746,191

Effect of shares issued during the period	58,192,314	10,000,000
Number of ordinary shares at 31 December	**449,194,206**	**365,746,191**
Weighted average number of ordinary shares outstanding during the period used in calculation of basic and diluted loss per share	**406,730,982**	**365,691,546**
Loss per share		
Basic and diluted loss per share attributable to the ordinary equity holders of the Company (cents per share)	**(0.23)**	**(0.13)**

Diluted loss per share

Potential ordinary shares are not considered dilutive, thus diluted loss per share is the same as basic loss per share.

6. Contributed equity

	31-Dec-19 A$	30-Jun-19 A$
Shares on issue	30,320,961	28,801,961
Issuance costs	(2,845,945)	(2,736,965)
	27,475,016	**26,064,996**

Reconciliation of movement in share capital	**Number of shares**	**$**
Balance at 1 July 2019	**391,001,892**	**26,064,996**
Issue of shares	57,692,314	1,500,000
Share issue costs	-	(108,980)
Share based payment (refer to note 12)	500,000	19,000
Balance at 31 December 2019	**449,194,206**	**27,475,016**
Balance at 1 July 2018	**355,746,191**	**18,154,702**
Issue of shares	10,000,000	-
Balance at 31 December 2018	**365,746,191**	**18,154,702**

7. Related party transactions

During the reporting period $15,000 was paid to Gabriel Chiappini's Consultancy Company, Laurus Corporate Services, for Company Secretarial services provided during the reporting period (31 December 2018: $15,000).

8. Share based payments

On 1 August 2019 the Company announced the appointment of Dr Stuart Lake as Non-Executive Chairman of the Company. As part his remuneration Dr Lake was granted 9,000,000 options on the terms as set out in the table below along with 500,000 ordinary shares for nil consideration.

Inputs	Tranche 1	Tranche 2	Tranche 3
Number	3,000,000	3,000,000	3,000,000
Exercise price	$0.06	$0.09	$0.12
Grant date	25 July 2019	25 July 2019	25 July 2019
Expiry date	31 July 2022	31 July 2022	31 July 2022
Share price at grant date	$0.04	$0.04	$0.04
Historical volatility (%)	85%	85%	85%
Risk-free interest rate (%)	0.83%	0.83%	0.83%
Expected dividend yield (%)	0%	0%	0%

The option expense for the half-year was $55,178 (2018: nil) and has been captured in the Directors Fees expense line in the Statement of Profit and Loss. The options will vest after 12 months, subject to Dr Lake holding his position as Chairman at the time the vesting period has been satisfied.

The share expense was $19,000 (2018: nil) being the closing price of the share on the date of issue. The shares are escrowed to 31 July 2020.

9. Dividends

No dividends were paid by the Group during the half year ended 31 December 2019 (2018: nil).

10. Events occurring after the reporting period

No matters or circumstances have arisen since the end of the financial period which have significantly affected or may significantly affect the operations, results or state of affairs of the group in future financial periods which have not been disclosed publicly at the date of this report.

Director's Declaration

In the directors' opinion:

(a) The financial statements and notes set out on pages 10 to 15 are in accordance with the *Corporations Act 2001*, including:

  (i) Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date and

(b) There are reasonable grounds to believe that Invictus Energy Ltd will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Scott Macmillan

Scott Macmillan
Managing Director
Perth
11 March 2020