# Invictus Energy Ltd

ACN 21 150 956 773

# Half-Year Financial Report

31 December 2022

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# Corporate directory

| | |
|---|---|
| **Directors** | Mr John Bentley (appointed 1 February 2023)<br>*Non-executive Chairman*<br><br>Mr Scott Macmillan<br>*Managing Director*<br><br>Mr Joseph Mutizwa<br>*Non-executive Deputy Chairman*<br><br>Mr Gabriel Chiappini<br>*Non-executive Director*<br><br>Mr Robin Sutherland (appointed 1 February 2023)<br>*Non-executive Director*<br><br>Stuart Lake (resigned 28 November 2022)<br>*Previous Non-executive Chairman* |
| **Company Secretary** | Mr Gabriel Chiappini |
| **Registered Office** | Level 1, 10 Outram Street<br>West Perth WA 6005<br>Tel: +618 6102 5055 |
| **Share Register** | Link Market Services Limited Ground Floor<br>Level 4 Central Park<br>152 St Georges Terrace<br>Perth WA 6000 |
| **Stock Exchange Listing** | Australian Securities Exchange (ASX: IVZ) |
| **Auditor** | BDO<br>Level 9<br>Mia Yellagonga Tower 2<br>5 Spring Street<br>Perth WA 6000 |
| **Solicitors** | Steinepreis Paganin<br>16 Milligan St, 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 2022.

***Directors***

The Directors of Invictus Energy Ltd (hereafter "Invictus" or "the Company") and the entities it controls are as set out above in the Corporate Directory. The Directors held their position for the full reporting period unless otherwise stated.

***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 Mukuyu prospect, a multi-TCF conventional gas-condensate target which is potentially the largest, seismically defined structure onshore Africa. The prospect is defined by a robust dataset that includes modern 2D seismic, gravity, aeromagnetic and geochemical data.
- Completed an updated independent prospective resource estimate for the Mukuyu prospect to 20 Tcf and 845 million barrels of conventional gas-condensate (gross mean unrisked)
- Expansion of the Cabora Bassa Project exploration footprint through the conclusion of the assignment of the exploration rights to Exclusive Prospecting Order 1848 and 1849 from the Sovereign Wealth Fund of Zimbabwe
- Completed the independent maiden prospective resource estimate for the newly identified Basin Margin Play within EPO 1848 consisting of 5 drill ready prospects totaling 1.2 billion barrels (gross mean unrisked)
- Entered into a 30-year contract with the Forestry Commission of Zimbabwe ("FCZ") for the development of the Ngamo-Gwayi-Sikumi ("NGS") REDD+ project, which is renewable for a further 30 years, as part of the company's sustainable plan to manage emissions.
- Completed the drilling of the Company's maiden wildcat Mukuyu-1 / ST1 well in the Cabora Bassa Basin
- 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 2022 was $2,062,623 (31 December 2021: $2,625,363).

No dividends have been paid or declared by the Company during the period ended 31 December 2022 (31 December 2021: nil).

***Review of Operations***

A summary of the Review of Operations during the reporting period is provided below.

- Invictus progressed its maiden oil and gas exploration drilling campaign at its 80 per cent owned and operated Cabora Bassa project in Zimbabwe. The campaign kicked off on 23 September 2022 with the spudding of the Mukuyu-1 well and, as announced in the ASX release on 10 November 2022, fluorescence and elevated gas shows in the Upper Angwa primary target confirmed the existence of a conventional working hydrocarbon system in the Cabora Bassa Basin.
- The highly encouraging results from the Mukuyu-1 and ST1 wells provided the Company confidence to execute a contract extension with Exalo Drilling S.A to keep the Exalo Rig 202 in the Cabora Bassa Basin for up to 12 months. Keeping the rig in country will result in significant time and cost savings, compared to demobilising and remobilising the rig to and from East Africa for future drilling.
- On 2 September 2022, Invictus announced that multiple drill-ready prospects had been mapped in the newly identified Basin Margin play along the southern basin bounding fault.
- On 19 September 2022, Invictus announced that its acreage in the Cabora Bassa Basin was expanded to cover the entire conventional oil and gas play fairway after the assignment of the exploration rights to the expanded licence area were gazetted. The Exploration Licences cover a combined area of approximately 360,000 hectares, with EPOs 1848 and 1849 each covering an area of approximately 130,000 hectares and the current Special Grant 4571 licence area covering a further 100,000 hectares.
- In August 2022, Invictus entered into a 30-year contract with the Forestry Commission of Zimbabwe ("FCZ") for the development of the Ngamo-Gwayi-Sikumi ("NGS") REDD+ project, which is renewable for a further 30 years, as part of the company's sustainable plan to manage emissions.
- The Ngamo-Gwaai-Sikumi REDD+ (NGS REDD+) project advanced with the draft Project Development Document (PDD) completed and the listing process commenced for project certification through Verra's internationally recognised Verified Carbon Standard (VCS). A pilot program focused on forest fire prevention and management was initiated in the Ngamo forest area in collaboration with the Zambesia Conservation Alliance. The Company is also in discussions with multiple parties to provide various forms of financing for the project including equity, debt and prepayment structures, including take or pay arrangements for future carbon offsets which validates the Company's strategy to acquire high quality carbon offset projects such as NGS REDD+ project. The NGS REDD+ project has the potential to make the Cabora Bassa Project the world's first carbon neutral oil and gas project from cradle to grave and potentially create a significant new revenue stream for the Company.
- During the reporting period, Invictus received confirmation Zimbabwe's Environmental Management Agency had renewed the Environmental Impact Assessment for Special Grant 4571 to July 2023. Renewal of the Environmental Management Plan enables the Company to undertake activities in the field including seismic acquisition and exploration drilling.
- On 31 August 2022 the Company completed a $25 million capital raise by way of private placement ("Placement") to sophisticated and institutional investors. The Placement was highly oversubscribed and received firm commitments from new and existing institutional investors across North America, the UK, Asia and Australia. Under the Placement, Invictus issued 111,974,222 new fully paid ordinary shares at an issue price of $0.23 per new share, with Placement participants also receiving a one-for-one unlisted option for every share issued, exercisable at $0.40 with a five-year term.
- In July 2022, Invictus secured Depository Trust Company ("DTC") approval for its OTCQB quoted ordinary shares through the Depository Trust & Clearing Corporation ("DTCC"). DTC eligibility

streamlines the Company's electronic trade functioning for North America based investors. The approval allowed North American investors to utilise real time electronic clearing and settlement in the United States through the DTCC for their OTCQB-traded common shares.

- During the reporting period, Invictus received an updated Independent Technical Report from ERCE estimating substantial additional resource potential in the Basin Margin Area of Exclusive Prospecting Order 1849. As announced in the ASX release on 6 October 2022, ERCE estimates the gross mean recoverable conventional potential of the Basin Margin Area at a combined 1.17 billion barrels of conventional oil on a gross mean unrisked basis[1].
- Non-Executive Chairman Dr Stuart Lake stepped down from the Invictus Board due to personal reasons, as announced in the ASX release on 29 November 2022.

[1]Cautionary Statement: The estimated quantities of petroleum that may be potentially recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation are required to determine the existence of a significant quantity of potentially movable hydrocarbons. Prospective Resource assessments in this release were estimated using probabilistic methods in accordance with SPE-PRMS standards.

***Subsequent Events***

- On 3 January 2023, Invictus announced that log analysis had indicated multiple potential gas bearing reservoir units, despite no initial fluid sample being able to be obtained due to technical and operational issues.
- On 23 January 2023, Invictus announced that following completion of operations of the Mukuyu-1 ST1 well, a total of 13 potential hydrocarbon bearing zones were interpreted in the Pebbly Arkose and Upper Angwa formations.
- On 30 January 2023, Invictus announced the appointment of John Bentley as Non-Executive Chairman of the Company, effective 01 February 2023. John has more than 40 years' experience in international natural resource development, with a specific focus on Africa's upstream oil and gas industry since 1993, when he was appointed CEO exploration and production at South African oil company Engen Ltd.
- On 1 February 2023, Invictus announced the appointment of Robin Sutherland as Non-Executive Director of the Company, effective 1 February 2023. Robin has extensive experience in the African E&P sector, having worked on the continent for more than 35 years.
- On 24 February 2023, Invictus announced an appraisal program would commence with Mukuyu-2 spud targeted for early Q3, 2023.

Other than the above, 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

15 March 2023

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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF INVICTUS ENERGY LTD

As lead auditor for the review of Invictus Energy Ltd for the half-year ended 31 December 2022, 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.

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth

15 March 2023

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# INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Invictus Energy Ltd

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the half-year financial report of Invictus Energy Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, 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 ended on that date, a summary of significant 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2022 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 the *Corporations Regulations 2001.*

### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

### Material uncertainty relating to going concern

We draw attention to Note 1 – Going Concern 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.

Responsibility of the directors for the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2022 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*.

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.

BDO Audit (WA) Pty Ltd

BDO

Jarrad Prue

Director

Perth

15 March 2023

# Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2022

| | Note | 31-Dec-22<br>A$ | 31-Dec-21<br>A$ |
|---|---|---|---|
| Interest revenue | | 36,446 | 4,098 |
| Corporate costs | 2 | (1,052,369) | (360,100) |
| Professional fees | | (291,359) | (182,229) |
| Director fees | | (214,404) | (286,657) |
| Share based payments | 9 | (403,000) | (1,519,358) |
| Other expenses | | (110,582) | (101,151) |
| Depreciation | | (121,531) | (119,457) |
| Finance costs | | (22,499) | (25,680) |
| Foreign currency loss | | 116,675 | (34,829) |
| **Loss before income tax** | | **(2,062,623)** | **(2,625,363)** |
| Income tax expense | | - | - |
| **Loss after income tax** | | **(2,062,623)** | **(2,625,363)** |
| **Loss for the period attributable to:** | | | |
| Members of the parent entity | | (1,901,598) | (2,586,203) |
| Non- controlling interest | | (161,025) | (39,160) |
| **Loss for the period** | | **(2,062,623)** | **(2,625,363)** |
| ***Other comprehensive income:*** | | | |
| Items that may be reclassified subsequently to profit and loss: | | | |
| Foreign currency translation – members of the parent entity | | (82,084) | 46,695 |
| Foreign currency translation – non- controlling interest | | (20,513) | 11,630 |
| **Total other comprehensive profit/ (loss) for the period** | | **(102,597)** | **58,325** |
| **Total comprehensive loss for the period attributable to:** | | | |
| Members of the parent entity | | (1,983,682) | (2,539,508) |
| Non- controlling interest | | (181,538) | (27,530) |
| **Total comprehensive loss for the period** | | **(2,165,220)** | **(2,567,038)** |
| Basic and diluted loss per share (cents) attributable to the ordinary equity holders of the Company | 6 | (0.23) | (0.44) |

*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 2022

| | Note | 31-Dec-22 A$ | 30-Jun-22 A$ |
|---|---|---|---|
| **ASSETS** | | | |
| *Current assets* | | | |
| Cash and cash equivalents | | 12,630,422 | 13,718,461 |
| Trade and other receivables | | 106,550 | 245,195 |
| Other current assets | | 45,641 | 75,850 |
| **Total current assets** | | **12,782,613** | **14,039,506** |
| *Non-current assets* | | | |
| Exploration and evaluation expenditure | 5 | 58,467,945 | 28,228,960 |
| Leasehold acquisition costs for Carbon Credits | | 726,630 | - |
| Property, plant and equipment | | 220,358 | 284,344 |
| Other financial assets | | 120,771 | 120,771 |
| Right of use – asset | | 383,498 | 457,724 |
| **Total non-current assets** | | **59,919,202** | **29,091,799** |
| **Total assets** | | **72,701,815** | **43,131,305** |
| **LIABILITIES** | | | |
| *Current liabilities* | | | |
| Trade and other payables | 4 | 7,567,248 | 4,051,782 |
| Provisions | | 81,545 | 73,524 |
| Right of use – liability | | 136,237 | 127,034 |
| **Total current liabilities** | | **7,785,030** | **4,252,340** |
| ***Non-current liabilities*** | | | |
| Right of use – liability | | 294,098 | 365,062 |
| **Total non-current liabilities** | | **294,098** | **365,062** |
| **Total liabilities** | | **8,079,128** | **4,617,402** |
| **Net assets** | | **64,622,687** | **38,513,903** |
| **EQUITY** | | | |
| Share capital | 7 | 85,004,048 | 58,926,088 |
| Reserves | | 5,258,067 | 3,144,107 |
| Accumulated losses | | (26,493,684) | (24,592,086) |
| **Total equity attributable to owners of Invictus Energy Ltd** | | **63,768,431** | **37,478,109** |
| Non- controlling interest | | 854,256 | 1,035,794 |
| **Total equity** | | **64,622,687** | **38,513,903** |

*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 2022

| | Share capital | Foreign currency translation reserve | Share-based payment reserve | Total reserves | Accumulated loss | Total attributable to equity holders of the group | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| | A$ | A$ | A$ | A$ | A$ | A$ | A$ | A$ |
| **Balance at 1 July 2021** | **38,354,367** | **(181,637)** | **674,095** | **492,458** | **(21,926,187)** | **16,920,638** | **1,037,889** | **17,958,527** |
| Loss for the period | - | - | - | - | (2,586,203) | (2,586,203) | (39,160) | (2,625,363) |
| Foreign currency translation | - | 46,695 | - | 46,695 | - | 46,695 | 11,630 | 58,325 |
| **Total comprehensive loss for the period** | **-** | **46,695** | **-** | **46,695** | **(2,586,203)** | **(2,539,508)** | **(27,530)** | **(2,567,038)** |
| Issue of shares – options exercised | 40,000 | - | - | - | - | 40,000 | - | 40,000 |
| Share based payments – options vested | (976,767) | - | 2,496,125 | 2,496,125 | - | 1,519,358 | - | 1,519,358 |
| Share based payments – options expired | - | - | (674,094) | (674,094) | 674,094 | - | - | - |
| **Total distributions to owners of Company recognised directly through equity** | **(936,767)** | **-** | **1,822,031** | **1,822,031** | **674,094** | **1,559,358** | **-** | **1,559,358** |
| **Balance at 31 December 2021** | **37,417,600** | **(134,942)** | **2,496,126** | **2,361,184** | **(23,838,296)** | **15,940,488** | **1,010,359** | **16,950,847** |
| | | | | | | | | |
| **Balance at 1 July 2022** | **58,926,088** | **379,439** | **2,764,668** | **3,144,107** | **(24,592,086)** | **37,478,109** | **1,035,794** | **38,513,903** |
| Loss for the period | - | - | - | - | (1,901,598) | (1,901,598) | (161,025) | (2,062,623) |
| Foreign currency translation | - | (82,084) | - | (82,084) | - | (82,084) | (20,513) | (102,597) |
| **Total comprehensive loss for the period** | **-** | **(82,084)** | **-** | **(82,084)** | **(1,901,598)** | **(1,983,682)** | **(181,538)** | **(2,165,220)** |
| Issue of shares | 25,654,641 | - | - | - | - | 25,654,641 | - | 25,654,641 |
| Issue of shares – options exercised | 3,809,335 | - | - | - | - | 3,809,335 | - | 3,809,335 |
| Issue of shares – share based payments | 403,000 | - | - | - | - | 403,000 | - | 403,000 |
| Share issuance costs | (1,592,972) | - | - | - | - | (1,592,972) | - | (1,592,972) |
| Share issuance costs – options issued | (2,196,044) | - | 2,196,044 | 2,196,044 | - | - | - | - |
| **Total distributions to owners of Company recognised directly through equity** | **26,077,960** | **-** | **2,196,044** | **2,196,044** | **-** | **28,274,004** | **-** | **28,274,004** |
| **Balance at 31 December 2022** | **85,004,048** | **297,355** | **4,960,712** | **5,258,067** | **(26,493,684)** | **63,768,431** | **854,256** | **64,622,687** |

*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 2022



| | 31-Dec-22<br>A$ | 31-Dec-21<br>A$ |
|---|---|---|
| *Cash flows from operating activities* | | |
| Interest received | 36,446 | 4,098 |
| Payments to suppliers and employees | (1,826,432) | (1,068,255) |
| **Net cash used in operating activities** | **(1,789,986)** | **(1,064,157)** |
| | | |
| *Cash flows from investing activities* | | |
| Exploration payments | (26,524,798) | (6,770,980) |
| Property, plant and equipment purchased | - | (310,362) |
| Leasehold acquisition costs for Carbon Credits | (726,630) | - |
| Return of restricted cash | - | 96,143 |
| Increase in restricted cash | (57,545) | (120,771) |
| **Net cash used in investing activities** | **(27,308,973)** | **(7,105,970)** |
| | | |
| *Cash flows from financing activities* | | |
| Proceeds from issue of shares | 25,654,641 | |
| Proceeds from issue of shares – options exercised | 3,809,335 | 40,000 |
| Share issue costs | (1,592,972) | - |
| **Net cash from financing activities** | **27,871,004** | **40,000** |
| | | |
| **Total cash movement for the period** | **(1,227,955)** | **(8,130,127)** |
| Cash and Cash Equivalents at 1 July | 13,718,461 | 9,135,271 |
| Exchange rate adjustment | 139,916 | 15,550 |
| **Total cash at end of the period** | **12,630,422** | **1,020,694** |

*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 2022 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 2022 and any public announcements made by Invictus Energy Ltd 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

For the half-year ended 31 December 2022, the Group has reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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.

For the half year ended 31 December 2022 the Group incurred a loss after tax of $2,062,623 (2021: $2,625,363) and had total net cash outflows from operating and investing activities of $29,098,959 (2021: $8,170,127).

The Directors have prepared an estimated cash flow forecast for the period to 30 June 2024 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, and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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:

- The Directors are of the opinion that the Group's exploration and development assets will attract further capital investment when required; and
- The Directors expect the Group to be successful in securing additional fund through debt or equity issues, when and if required.

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 2022.

## 2. Corporate costs

| | 31-Dec-22 A$ | 31-Dec-21 A$ |
|---|---|---|
| Corporate costs | 257,278 | 114,323 |
| Corporate costs – foreign subsidiaries | 795,091 | 245,777 |
| | **1,052,369** | **360,100** |

## 3. 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.

## 4. Trade and other payables

| | 31-Dec-22 A$ | 30-Jun-22 A$ |
|---|---|---|
| Trade payables | 2,739,857 | 2,259,037 |
| Accrued expenses | 4,827,391 | 1,792,745 |
| | **7,567,248** | **4,051,782** |

## 5. Exploration and evaluation expenditure

As at 31 December 2022, the carrying value of the capitalised exploration and evaluation properties of the consolidated entity was $58,467,945 (June 2022: $28,228,960); the carrying amount of the project is per the reconciliation of movement in exploration and evaluation property below.

| | 31-Dec-22<br>A$ | 30-Jun-22<br>A$ |
|---|---|---|
| ***Cabora Bassa Project*** | | |
| Project carrying value – opening | 28,228,960 | 8,821,190 |
| Costs incurred during the period | 30,205,952 | 18,855,709 |
| Effect of translation to presentation currency | 33,033 | 552,061 |
| Project carrying value – closing | **58,467,945** | **28,228,960** |

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.

## 6. Earnings per share

The calculation of basic and diluted earnings (loss) per share at 31 December 2022 was calculated as follows:

| | 31-Dec-22<br>A$ | 31-Dec-21<br>A$ |
|---|---|---|
| ***Loss attributable to ordinary shareholders for the period*** | (1,901,598) | (2,586,203) |
| | | |
| ***Number of ordinary shares*** | | |
| Issued ordinary shares at the beginning of the period | 746,732,948 | 585,077,387 |
| Effect of shares issued during the period | 141,286,869 | - |
| **Number of ordinary shares at 31 December** | **888,019,817** | **585,077,387** |
| | | |
| Weighted average number of ordinary shares outstanding during the period used in calculation of basic and diluted loss per share | **832,991,012** | **585,077,387** |
| | | |
| ***Loss per share*** | | |
| Basic and diluted loss per share attributable to the ordinary equity holders of the Company (cents per share) | **(0.23)** | **(0.44)** |

*Diluted loss per share*

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

## 7. Contributed equity

| | 31-Dec-22 A$ | 30-Jun-22 A$ |
|---|---|---|
| Shares on issue | 94,751,346 | 64,884,371 |
| Issuance costs | (9,747,298) | (5,958,283) |
| | **85,004,048** | **58,926,088** |

| ***Reconciliation of movement in share capital*** | **Number of shares** | **A$** |
|---|---|---|
| **Balance at 1 July 2021** | **585,077,387** | **38,354,367** |
| Shares issued – options exercised[1] | - | 40,000 |
| Share issuance costs[2] | - | (976,767) |
| **Balance at 31 December 2021** | **585,077,387** | **37,417,600** |

| ***Reconciliation of movement in share capital*** | **Number of shares** | **A$** |
|---|---|---|
| **Balance at 1 July 2022** | **746,732,948** | **58,926,088** |
| Shares issued[3] | 111,974,222 | 25,654,641 |
| Shares issued – options exercised[1] | 28,012,647 | 3,809,335 |
| Share issuance costs | - | (1,592,972) |
| Share issuance costs – options issued[4] | - | (2,196,044) |
| Share based payments[5] | 1,300,000 | 403,000 |
| **Balance at 31 December 2022** | **888,019,817** | **85,004,048** |

[1] Ordinary shares were issued subsequent to 31 December 2021, upon the exercise of options.

[2] On 8 July 2021, 9,090,909 unlisted options, valued at $976,767, were granted to the Company's Lead Manager. The options have an exercise price of $0.17 and an expiry date of 30 March 2024. The options were awarded as part consideration of services provided by the Lead Manger to the Company and were approved by shareholders at a general meeting on 8 July 2021.

$976,767 has been recognised as share issuance costs, within the Consolidated Statement of Financial Position for the prior period.

[3] On 31 August 2022 the Company completed a $25 million capital raise by way of private placement ("Placement") to sophisticated and institutional investors. The Placement was highly oversubscribed and received firm commitments from new and existing institutional investors across North America, the UK, Asia and Australia. Under the Placement, Invictus issued 111,974,222 new fully paid ordinary shares at an issue price of $0.23 per new share, with Placement participants also receiving a one-for-one unlisted option for every share issued, exercisable at $0.40 with a five-year term.

[4] On 24 November 2022, 13,586,956 unlisted options, valued at $2,196,044, were granted to the Company's Lead Manager. The options have an exercise price of $0.46 and an expiry date of 1 February 2026. The options were awarded as part consideration of services provided by the Lead Manger to the Company and were approved by shareholders at a general meeting on 24 November 2022. The options were valued using the Black-Scholes European Pricing Model, with the following inputs used:

- Grant date: 24 November 2022
- Expiry date: 1 February 2026
- Risk free rate: 3.21%
- Stock volatility: 121.38%
- Share price at grant date: $0.25
- Exercise price: $0.46

$2,196,044 has been recognised as share issuance costs, within the Consolidated Statement of Financial Position.

[5] During the reporting period, 1,300,000 ordinary shares were issued to employees of the Company. Refer to Note 9 for details.

## 8. Related party transactions

During the reporting the following Performance Rights were issued to Key Management Personnel:

| | Class A | Value $ | Class B | Value $ |
|---|---|---|---|---|
| Scott Macmillan | 5,000,000 | 85,618 | 5,000,000 | 30,148 |
| Stuart Lake | 3,500,000 | 59,932 | 3,500,000 | 21,104 |
| Joe Mutizwa | 3,500,000 | 59,932 | 3,500,000 | 21,104 |
| Gabriel Chiappini | 3,500,000 | 59,932 | 3,500,000 | 21,104 |
| | **15,500,000** | **265,414** | **15,500,000** | **93,460** |

Refer to note 9 for terms and conditions of the Performance Rights.

## 9. Share based payments

Ordinary shares
On 24 August 2022, 1,300,000 ordinary shares were granted to employees for recognition of the service to the Company. $403,000 has been recognised as Share based payments, within the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2022.

Unlisted options
*2022*
Please refer to Note 7 for details of unlisted options issued to the Company's Lead Manager, recognised as share issuance costs for the current reporting period.

Performance rights
On 9 August 2022, 15,500,000 Class A Performance Rights were issued to Directors. The Performance Rights will convert to ordinary shares upon the following milestones being achieved:

- the drilling of an exploration or appraisal well in the Cabora Bassa Project that results in the maiden booking of Contingent Resources or Reserves (as those terms are defined in the Guidelines for Application of the Petroleum Resources Management System (2011 Edition) on or before 31 December 2024.
- the Company achieving a 20 day volume weighted average price of at least $0.50 on or before 31 December 2024.

Also, on 9 August 2022, 15,500,000 Class B Performance Rights were issued to Directors. The Performance Rights will convert to ordinary shares upon the following milestones being achieved:

- an independent estimate of Contingent Resources or Reserves (as those terms are defined in the Guidelines for Application of the Petroleum Resources Management System (2011 Edition) of greater than or equal to two hundred million barrels of oil equivalent (200 mmboe) on a 100% gross project basis; and
- the Company achieving a 20 day volume weighted average price of at least $0.75 on or before 31 December 2026.

Set out below are the assumptions used in assessing the indicative fair value of the Performance Rights:

| Assumptions | Performance Rights Class A | Performance Rights Class B |
|---|---|---|
| Valuation Date | 22-Jul-22 | 22-Jul-22 |
| Spot Price ($) | $0.20 | $0.20 |
| Exercise Price ($) | Nil | Nil |
| Issue Date | 22-Jul-22 | 22-Jul-22 |
| Expiry Date | 31-Dec-24 | 31-Dec-26 |
| Expected future volatility (%) | 88% | 86% |
| Risk free rate (%) | 2.92% | 3.36% |
| Dividend yield (%) | 0% | 0% |
| Vesting Date | 31-Dec-24 | 31-Dec-26 |
| Provision for Employee Exit (%) | 16% | 16% |
| Performance Hurdle | 20 Day VWAP of $0.50 or higher | 20 Day VWAP of $1.00 or higher |
| Probability of success (%) | 20% | 10% |
| Valuation | $265,414 | $93,460 |

## 10. Contingencies

No contingent liabilities exist at the December 2022 half year ended (June 2022: Nil)

## 11. Commitments

Renewal application

Geo Associates (Pvt) Ltd is the holder of Special Grant 4571 (SG4571) and is required to pay a renewal fee of US$20,000 during the 30 June 2023 financial year.

Demobilisation

As at 31 December 2022, there is $5,904,059 committed to the demobilisation of the drill rig and ancillary equipment.

## 12. Dividends

No dividends were paid by the Group during the half year ended 31 December 2022 (2021: nil).

**13. Events occurring after the reporting period**

On 3 January 2023, Invictus announced that log analysis had indicated multiple potential gas bearing reservoir units, despite no initial fluid sample being able to be obtained due to technical and operational issues.

On 23 January 2023, Invictus announced that following completion of operations of the Mukuyu-1 ST1 well, a total of 13 potential hydrocarbon bearing zones were interpreted in the Pebbly Arkose and Upper Angwa formations.

On 30 January 2023, Invictus announced the appointment of John Bentley as Non-Executive Chairman of the Company, effective 01 February 2023. John has more than 40 years' experience in international natural resource development, with a specific focus on Africa's upstream oil and gas industry since 1993, when he was appointed CEO exploration and production at South African oil company Engen Ltd.

On 1 February 2023, Invictus announced the appointment of Robin Sutherland as Non-Executive Director of the Company, effective 1 February 2023. Robin has extensive experience in the African E&P sector, having worked on the continent for more than 35 years.

On 24 February 2023, Invictus announced an appraisal program would commence with Mukuyu-2 spud targeted for early Q3, 2023.

Other than the above, 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 attached financial statements and notes thereto 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 2022 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
15 March 2023