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Kinetiko Energy Ltd

ABN: 45 141 647 529

Interim Financial report for the half-year ended
31 December 2022

Interim Financial report for the half-year ended 31 December 2022

	Page
Corporate directory	3
Directors' report	4
Auditor's independence declaration	10
Independent review report	11
Directors' declaration	13
Statement of profit or loss and other comprehensive income	14
Statement of financial position	15
Statement of changes in equity	16
Statement of cash flows	17
Notes to the interim financial statements	18

Corporate Directory

DIRECTORS

Adam Sierakowski
(Executive Chairman)

Geoffrey Michael
(Non-Executive Director)

Tom Fontaine
(Non-Executive Director)

COMPANY SECRETARY

Simon Whybrow

PRINCIPAL OFFICE

283 Rokeby Road
SUBIACO WA 6008

REGISTERED OFFICE

283 Rokeby Road
SUBIACO WA 6008

AUDITORS

BDO Audit (WA) Pty Ltd
Level 9
Mia Yellagonga Tower 2
5 Spring Street
PERTH WA 6000

SHARE REGISTRY

Automic Registry Services
Level 5, 191 St Georges Terrace
PERTH WA 6000

STOCK EXCHANGE LISTING

Australian Securities Exchange
Home Exchange: Perth, Western Australia
Code: KKO

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Directors' report

The directors of Kinetiko Energy Ltd (ASX:KKO) ("Kinetiko" or "the Company") submit herewith the financial report for the half-year ended 31 December 2022. In order to comply with the provisions of the *Corporations Act 2001*, the directors report is as follows:

Directors

The names of the directors of the company during or since the end of the half-year are:

Adam Sierakowski
Geoffrey Michael
Tom Fontaine

Directors have been in office since the start of the period to the date of this report unless otherwise stated.

Operating results

The operating loss of the company for the six months amounted to \$1,581,798 (December 2021: loss of \$2,231,808).

Review of operations

HIGHLIGHTS

- **Health, Safety and Environment**
No accidents, injuries or environmental incidents have been reported during the period.
- **South African Strategic Investor Funding**
KKO received firm funding for approximately \$8m (before costs) from strategic South African investors during the period.
- **Drilling Operations**
After successfully completing corehole 271-23C within 5km of Majuba power station, the Company reported significant gas results with gas desorption testing achieving 13m³/t and wireline logging establishing a 131.5m sandstone pay zone.

The Company began exploration of block ER270 near the town of Newcastle with corehole 270-06C spudded in early November 2022, and the company announced on 30 November that 270-06C has intersected strong gassy zones targeted in the carbonaceous geology, which continued the Company's 100% strike rate finding gas from drilling exploration. The 270-06C corewell was successfully completed in early December 2022 with logs showing 147m of gas cut in the sediments.

- **Corporate**
Kinetiko is proceeding with the completion of the merger between Badimo Gas (Pty) Ltd and Kinetiko Energy Ltd.

At the beginning of 2023 the Company starts in a strong financial position with over \$7m in cash and no debt.

INTRODUCTION

Energy exploration company Kinetiko Energy Limited is pleased to report on corporate developments and operational activities at its Mpumalanga projects and adjacent exploration rights in South Africa during the half-year to end 2022. The activities are conducted through Afro Energy, which at completion of the merger, will be a 100% subsidiary of the Company.

Directors' report

SOUTH AFRICAN INVESTMENT

- **KKO secured A\$8m from South African Strategic Investors**

KKO received firm funding for approximately \$8m (before costs) from strategic South African investors during the period. The largest investor was Phefo Power (Pty) Ltd ("Phefo"), a South African energy investment institution whose stakeholders comprise leading South African oil and gas executives and represented the largest investment by a South African institution in the Company, and further increased Kinetiko's Black Economic Empowerment (BEE) credentials.
- **New Shares Details**

89,379,997 ordinary shares in the Company were issued under a placement at a price of \$0.09 pursuant to the Company's available 15% placement capacity under ASX Listing Rule 7.1. Ordinary fully paid shares in the Company issued (New Shares) will rank equally with the Company's existing shares on issue.
- **Advancing Exploration**

The funds secured have placed the Company in a strong cash position with over \$7m in cash at the commencement of 2023 and will be used for accelerated exploration and gas resources growth.

EXPLORATION UPDATE

- **Core Well 271-23C**

Core hole 271-23C was completed on 21 October 2022. This borehole was drilled to test the productivity potential of the surrounding gassy geology as a possible supply source to the co-fired turbines within the power station complex.

Kinetiko cored the entire stratigraphical profile from the surface, through the dolerite and lower gassy sediments, to a terminal depth (TD) of 479m. During the drilling significant gassy zones targeted in the carbonaceous geology were detected which enabled the Company to perform a number of onsite gas emission and longer-term desorption analysis tests and undertake wireline logging.

Initial results from 271-23C were extremely encouraging and on 30 November the Company announced gas results with gas desorption testing achieving 11m³/t and wireline logging establishing a 131.5m sandstone pay zone. The desorption had increased by year end to 13m³/t. This was considered by the Company to be a strategic exploration success with the strong gas results supporting the likelihood for a gas production field to be established adjacent to the potential gas off-take infrastructure in the vicinity of the Majuba power station.
- **Core Well 270-06C**

This corehole represented the Company's initial exploration of Block ER270, and was drilled in the vicinity of the industrial city of Newcastle in the KZN province. **(Figure 1)** The drilling began early November and concluded in early December 2022. Terminal depth (TD) was called after hitting tillite at 545m.

The company announced on 30 November that 270-06C has intersected strong gassy zones targeted in the carbonaceous geology with gas desorption results anticipated in early 2023 **(Figures 2 and 3)**.

Directors' report



Figure 1: Core well 270-06C site showing the typical flat land covering most of our Rights areas



Figure 2: Core sample from 412m showing visible gas emissions using soapy water



Figure 3: 3m core sample from 475m showing gassy sandstone formations

Directors' report

- **Korhaan Project GTP**

The Korhaan project exploration focused on gas-laden sandstones, coal and other carbonaceous structures over an interval of 130m to 450m. In all three most recent wells, from a total of five producers, gas was produced from the upper zones immediately under the cased dolerite and continued to produce gas almost all the way down to TD in each case. An average of over 100m of gassy sand pay-zone per well was encountered across the cluster.

Added to the existing wells Korhaan-1 and Korhaan-2, aka “The Beast” and “Son of the Beast” (which have not shown gas depletion for a decade) gas produced from this five-spot well cluster is anticipated to over-supply the GTP project and provide the advantage of managing the production to better support reservoir longevity.

Kinetiko continued discussions during the quarter with numerous experienced Gas-To-Power (“GTP”) partners and suppliers to find the best outcome for an infield genset solution coupled to permits and technical experience. The program entails using existing wells at Amersfoort to produce gas to an in-field, containerised generator linked to the existing electricity grid running through the farmlands (**Figure 4**). The first phase commissioning and testing will be undertaken targeting 1MW of output. Further phases are planned for the upgrading of the conductors and transformers to enable scalable modular increased output to 5MW. For the management of expectation in terms of timing, the Company has commenced its application for a Production Right (**PR**) which is required prior to flowing commercial gas.

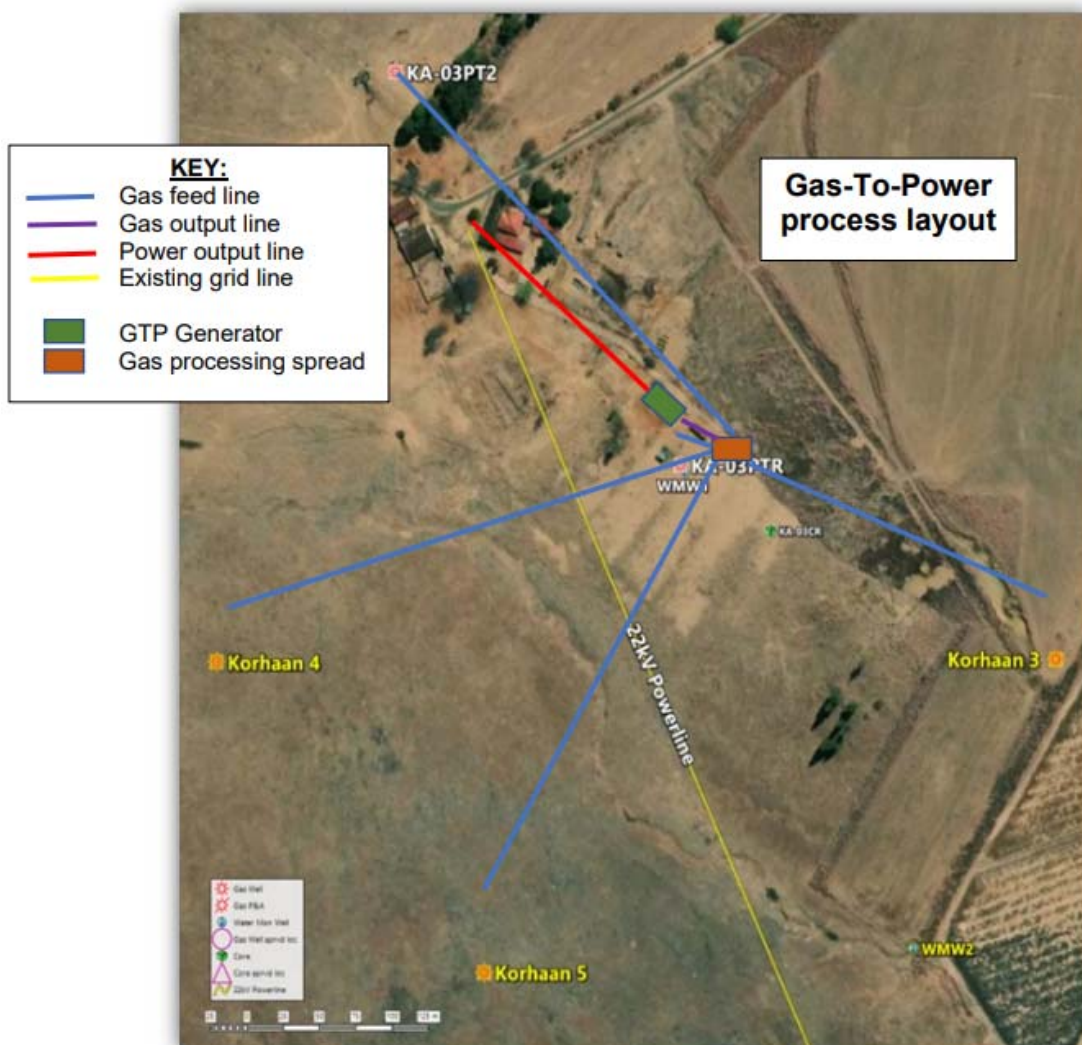


Figure 4: Planned layout for the Amersfoort GTP project

Directors' report

GAS PRODUCTION

- **Gas Reserves Certification**

The Company has engaged independent gas certification group Sproule to provide an independent evaluation of the gas reserves and/or resources of Exploration Right 271. The area of ER 271 is 1,287 km² with the total exploration rights (and applications) of the Company being 6,998 km². Sproule's engagement to undertake an assessment for certification of maiden gas reserves was progressed to its final stages within November 2022 but due to a re-configuration of the plan for GTP production at Amersfoort with associated number of wells and size of generator unit, the report was suspended pending updated information from the Company and is anticipated to be issued during Q1-23. It should be noted that this maiden reserve report is focused entirely on the small area being planned for production to the pilot GTP project and will be regularly updated with a geological and economic achievements for every subsequent exploration and production project the Company undertakes going forward.

CORPORATE

- **Merger Approvals Obtained**

Shareholder approval was obtained at the Company's Annual General Meeting paving the way for the completion of the merger between Badimo Gas (Pty) Ltd and Kinetiko Energy Ltd which enables Kinetiko to acquire Badimo's 51% equity interest in Afro Energy by issuing Kinetiko shares to Badimo and resulting in Kinetiko holding a 100% interest in the South African projects.

TENURE INTEREST AS AT 31 DECEMBER 2022:

<u>Tenement reference</u>	<u>Nature of interest</u>
ER320 (TCP 106)	Application for conversion from Technical Cooperation Permit to Exploration Right has had to be re-started, after recent advice from PASA. Application is expected to be started by re-performing the Scoping Document, beginning in Q1 2023.
ER 270	Exploration Right granted on 03 September 2019. Renewal Application is being processed and approval expected in mid-Q1-23.
ER 271	Approval granted by Dept of Mineral Resources (DMR) on 19 August 2021 for consolidation with ER38 and ER56. Renewal Application is being processed and approval expected in mid-Q1-23. Production Right application processes have been started.
ER 272	Exploration Right granted on 21 August 2019. Renewal Application is being processed and approval expected in mid-Q1-23.

Competent Persons and Compliance Statements

Unless otherwise specified information in this report relating to operations, exploration and related technical comments have been compiled by CEO, Mr. Nick de Blocq, who has over 34 years' experience in energy minerals exploration and production, including various executive roles. Mr. de Blocq consents to the inclusion of this information in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affect the information included in the relevant market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Directors' report

Events Occurring After The Reporting Period

There are no matters or circumstances that have arisen since 31 December 2022 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial periods.

Dividends Paid or Recommended

No dividends were paid during the period and no recommendation is made as to payments of future dividends.

Auditor's independence declaration

The auditor's independence declaration is included on page 10 of the half-year financial report.

Signed in accordance with a resolution of directors made pursuant to s.306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Adam Sierakowski
Chairman

Date: 15 March 2023

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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF KINETIKO ENERGY LIMITED

As lead auditor for the review of Kinetiko Energy Limited 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.



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 Kinetiko Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Kinetiko Energy Limited (the Company), which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 Company does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Company'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.

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.

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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 Company's financial position as at 31 December 2022 and its 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 Australia Ltd

BDO

A handwritten signature in black ink that reads 'J Prue'.

Jarrad Prue

Director

Perth, WA

15 March 2023

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Directors' declaration

The directors of the Company declare that:

1. The financial statements and notes set out on pages 14 to 25 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the company's financial position as at 31 December 2022 and of its performance, as represented by the results of its operations and its cash flow, for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company 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 Board of Directors.



Adam Sierakowski
Chairman

Date: 15 March 2023

Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2022

	Note	Half-year ended 31 Dec 2022 \$	Half-year ended 31 Dec 2021 \$
Revenue			
Other income	2(a)	3,984	352
Total revenue		<u>3,984</u>	<u>352</u>
Expenses			
Consultancy and professional costs	2(c)	(150,643)	(77,561)
Employee and contractor expenses		(283,833)	(285,049)
Occupancy expenses		(10,445)	(7,375)
Depreciation	2(b)	(20,166)	(7,125)
Project expenditure	7	(772,041)	(1,527,564)
Interest expense and finance charges		(1,662)	(163)
Loss in share of associate	7	(31,262)	(138,509)
Administration expenses		(200,567)	(146,494)
Travel expenses		(26,684)	(105)
Foreign exchange loss		(13,721)	(42,215)
Other expenses	2(c)	(74,758)	-
Total expenses		<u>(1,585,782)</u>	<u>(2,232,160)</u>
Loss before income tax expense		<u>(1,581,798)</u>	<u>(2,231,808)</u>
Income tax benefit/(expense)		-	-
Loss after income tax expense for the period		<u>(1,581,798)</u>	<u>(2,231,808)</u>
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign balances		(173,302)	(457,779)
Other comprehensive loss for the period		<u>(173,302)</u>	<u>(457,779)</u>
Total comprehensive loss for the period net of tax		<u>(1,755,100)</u>	<u>(2,689,587)</u>
Loss per share attributable to equity holders of the company:			
Basic loss per share (cents)		(0.22)	(0.39)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 31 December 2022

	Note	31 December 2022 \$	30 June 2022 \$
CURRENT ASSETS			
Cash and cash equivalents		7,377,852	1,347,785
Receivables	4	253,483	117,522
Other assets	5	56,616	15,458
TOTAL CURRENT ASSETS		7,687,951	1,480,765
NON CURRENT ASSETS			
Receivables	4	650,905	660,738
Other assets	5	860,148	900,001
Property, plant & equipment	6	161,627	170,095
Investment in associate	7	6,445,613	6,648,687
TOTAL NON CURRENT ASSETS		8,118,293	8,379,521
TOTAL ASSETS		15,806,244	9,860,286
CURRENT LIABILITIES			
Trade and other payables	8	597,236	470,620
Borrowings		-	250,000
TOTAL CURRENT LIABILITIES		597,236	720,620
TOTAL LIABILITIES		597,236	720,620
NET ASSETS		15,209,008	9,139,666
EQUITY			
Contributed equity	3	39,567,543	31,743,101
Reserves		459,928	633,230
Accumulated losses		(24,818,463)	(23,236,665)
TOTAL EQUITY		15,209,008	9,139,666

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the half-year ended 31 December 2022

For the period ended 31 December 2021	Attributable to equity holders			Total Equity
	Ordinary Shares	Reserves	Accumulated Losses	
	\$	\$	\$	
At beginning of period	24,319,825	639,934	(17,417,816)	7,541,943
(Loss) for the period	-	-	(2,231,808)	(2,231,808)
Movement in foreign currency translation reserve	-	(457,779)	-	(457,779)
Total comprehensive loss for the period	-	(457,779)	(2,231,808)	(2,689,587)
Transactions with owners in their capacity as owners				
Issue of shares during the period	3,135,365	-	-	3,135,365
Issue of options during the period – refer Note 14	-	116,782	-	116,782
Share issue costs	(311,481)	-	-	(311,481)
Total contributions by owners	2,823,884	116,782	-	2,940,666
At end of period	27,143,709	298,937	(19,649,624)	7,793,022
For the period ended 31 December 2022	Attributable to equity holders			Total Equity
	Ordinary Shares	Reserves	Accumulated Losses	
	\$	\$	\$	
At beginning of period	31,743,101	633,230	(23,236,665)	9,139,666
(Loss) for the period	-	-	(1,581,798)	(1,581,798)
Movement in foreign currency translation reserve	-	(173,302)	-	(173,302)
Total comprehensive loss for the period	-	(173,302)	(1,581,798)	(1,755,100)
Transactions with owners in their capacity as owners				
Issue of shares during the period	8,349,000	-	-	8,349,000
Share issue costs	(524,558)	-	-	(524,558)
Total contributions by owners	7,824,442	-	-	7,824,442
At end of period	39,567,543	459,928	(24,818,463)	15,209,008

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash flows for the half-year ended 31 December 2022

	Half-year ended 31 Dec 2022 \$	Half-year ended 31 Dec 2021 \$
Cash flows from operating activities		
Payments to suppliers and employees	(827,342)	(759,689)
Interest received	3,984	352
Interest and other costs of finance paid	(1,662)	(163)
Payments for project expenditure	(782,436)	(1,088,873)
Payments relating to proposed acquisition	(118,543)	(113,240)
Net cash used in operating activities	<u>(1,725,999)</u>	<u>(1,961,613)</u>
Cash flows from investing activities		
Loans to associate	(19,703)	(45,143)
Payments for property, plant and equipment	(78,671)	(112,067)
Net cash used in investing activities	<u>(98,374)</u>	<u>(157,210)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	8,194,200	2,848,000
Proceeds from exercise of options	-	287,365
Repayment of borrowings	(250,000)	-
Share issue costs	(89,760)	(194,698)
Net cash provided by financing activities	<u>7,854,440</u>	<u>2,940,667</u>
Net increase in cash and cash equivalents	6,030,067	821,844
Cash and cash equivalents at the beginning of the half-year	<u>1,347,785</u>	<u>190,857</u>
Cash and cash equivalents at the end of the half-year	<u><u>7,377,852</u></u>	<u><u>1,012,701</u></u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the interim financial statements for the half-year ended 31 December 2022

1. Basis of Accounting and Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards including AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements. The interim financial statements were approved by the Board of Directors on 15 March 2023. The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report for the year ended 30 June 2022.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Kinetiko Energy Ltd. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2022, together with any public announcements made during the following half-year in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

New accounting standards and interpretations

In the half-year ended 31 December 2022, 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 2022.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and therefore, no material change is necessary to the Company's accounting policies.

Going Concern

For the half year ended 31 December 2022 the Company recorded a loss of \$1,581,798 (31 December 2021: \$2,231,808) and had net cash outflows from operating and investing activities of \$1,824,373 (31 December 2021: \$2,118,823). At 31 December 2022, the Company had a working capital surplus of \$7,090,715 (30 June 2022: \$760,145).

Despite the net cash outflows, the Company has a net working capital surplus of \$7,090,715 as at 31 December 2022. Therefore, this report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

Notes to the interim financial statements for the half-year ended 31 December 2022

2. Loss from continuing operations

	31.12.2022	31.12.2021
	\$	\$
Loss from continuing operations before income tax includes the following items of income and expenses		
(a) <u>Other Income</u>		
Interest income	3,984	352
Other income from ordinary activities	3,984	352
(b) <u>Operating Expenses</u>		
Depreciation of plant and equipment	20,166	7,125
(c) <u>Significant Expenses</u>		
Consulting and professional costs		
- Accounting fees	27,258	25,016
- Auditing costs	27,823	19,295
- Legal fees	24,982	15,520
- Other professional fees	70,580	17,730
	150,643	77,561
Other expenses ¹	74,758	-

¹ Costs incurred in relation to the Company's proposed acquisition of Badimo's 51% interest in Afro Energy (Pty) Ltd.

3. Issued Capital

(a) Ordinary Shares

Movements in share capital during the six months periods were as follows:

Period ended 31 December 2021

		Issue Price	Fully Paid Ordinary Shares	\$
1 July 2021	Opening balance		588,170,705	24,319,825
	Issue of shares pursuant to placement facility	\$0.10	28,480,000	2,848,000
	Issue of shares on exercise of options	\$0.03	9,578,831 ¹	287,365
	Share issue costs		-	(311,481)
31 December 2021	Closing balance		626,229,536	27,143,709

¹ Of the total options exercised during the period, 6,228,831 options were held by Directors.

Notes to the interim financial statements for the half-year ended 31 December 2022

3. Issued Capital (continued)

Period ended 31 December 2022

		Issue Price	Fully Paid Ordinary Shares	\$
1 July 2022	Opening balance		684,073,969	31,743,101
	Issue of shortfall shares from rights issue	\$0.075	2,000,000	150,000
	Issue of shares pursuant to placement (Tranche 1)	\$0.09	37,457,777	3,371,200
	Issue of shares for corporate advisory services	\$0.09	1,720,000	154,800
	Issue of shares pursuant to placement (Tranche 2)	\$0.09	19,120,000	1,720,800
	Issue of shares pursuant to share subscription agreement	\$0.09	32,802,220	2,952,200
	Share issue costs		-	(524,558)
31 December 2022	Closing balance		<u>777,173,966</u>	<u>39,567,543</u>

(b) Options

Movements in options during the six months to 31 December 2021 were as follows:

Period ended 31 December 2021

Exercise price	3c 31 December 2021	13c 7 July 2023
Expiry date		
Opening balance	9,578,831	-
Issued during the period	-	3,000,000 ¹
Expired during the period	-	-
Exercised during the period	(9,578,831)	-
Closing balance	<u>-</u>	<u>3,000,000</u>

¹ Refer to Note 14

Movements in options during the six months to 31 December 2022 were as follows:

Period ended 31 December 2022

Exercise price	13c 7 July 2023	10c 31 July 2024
Expiry date		
Opening balance	3,000,000	-
Issued during the period	-	2,000,000 ¹
Expired during the period	-	-
Exercised during the period	-	-
Closing balance	<u>3,000,000</u>	<u>2,000,000</u>

¹ Refer to Note 13(b)

Notes to the interim financial statements for the half-year ended 31 December 2022

4. Receivables

	31.12.2022	30.06.2022
	\$	\$
<u>Current</u>		
Other receivables – VAT refundable	15,756	12,502
Other receivables – GST refundable	28,432	23,192
Other receivables	209,295	81,828
	<u>253,483</u>	<u>117,522</u>
<u>Non-Current</u>		
Loan – Associated entity ¹	650,905	660,738
	<u>650,905</u>	<u>660,738</u>

¹ The loan to associate is repayable from Afro Energy (Pty) Ltd, an incorporated entity formed in South Africa, of which Kinetiko owns a 49% interest. The loan is unsecured, interest free and not subject to any fixed terms of repayment. As per the Company's announcement on 7 May 2021, the loan will be repaid to the Company via the reduction of consideration shares that will be issued to acquire the remaining 51% interest in Afro Energy (Pty) Ltd.

None of the other receivables are past due or impaired.

5. Other Assets

	31.12.2022	30.06.2022
	\$	\$
<u>Current</u>		
Prepayments	54,012	12,854
Deposits paid	2,604	2,604
	<u>56,616</u>	<u>15,458</u>
<u>Non-Current</u>		
Loan – Other related party ¹	860,148	900,001
	<u>860,148</u>	<u>900,001</u>

¹ The loan was made in March 2022 on behalf of Mr Donald Mzolisa Jones Ncube, a director of Badimo Gas (Pty) Ltd. In May 2022, Badimo approved the issue of 30 million shares by the Company to acquire the Industrial Development Corporation (IDC) claim of approximately ZAR 200 million that the IDC holds against Mr Ncube. This share issue shall be offset against shares issued to Mr Ncube at the conclusion of the restructure process with Badimo.

As at 31 December 2022, the loan has been revalued based on prevailing foreign exchange rates.

6. Property, Plant & Equipment

	31.12.2022	30.06.2022
	\$	\$
Opening net book value	170,095	1,954
Additions	11,698	190,081
Depreciation charge	(20,166)	(21,940)
Closing net book value	<u>161,627</u>	<u>170,095</u>
Cost or fair value	238,668	226,970
Accumulated depreciation	<u>(77,041)</u>	<u>(56,875)</u>
	<u>161,627</u>	<u>170,095</u>

Notes to the interim financial statements for the half-year ended 31 December 2022

7. Investment in Associate

Kinetiko Energy Limited holds a 49% interest in Afro Energy (Pty) Ltd, a joint venture structured as a strategic partnership between the Company and Badimo Gas (Pty) Ltd. The primary purpose of the joint venture is to maximise the long term value of the assets of the joint venture and to secure additional funding from outside sources.

Under the joint venture agreement, the Company has a 49% direct interest in the net assets and share of profit and losses. In addition, pursuant to the joint venture agreement, the Company has 49% of the voting rights in relation to the joint venture.

During the half-year ended 31 December 2022, in addition to the Company's investment in associate, the Company continued to increase project expenditure in relation to the tenements held by Afro Energy (Pty) Ltd. The total project expenditure that was expensed through the Statement of Profit or Loss and Other Comprehensive Income for the period was \$772,041.

The carrying amount of equity-accounted investments in associates for the six months to 31 December 2022 is as follows:

	31.12.2022	30.06.2022
	\$	\$
Opening balance	6,648,687	7,014,212
Contributions to investment	1,490	25,292
Profit/(loss) for the period	(31,262)	(154,393)
Foreign exchange revaluation	(173,302)	(236,424)
Closing balance	<u>6,445,613</u>	<u>6,648,687</u>

Summarised Financial Information for Afro Energy (Pty) Ltd

Set out below is the summarised financial information for Afro Energy (Pty) Ltd as at 31 December 2022. The financial year end date is 30 June.

Summarised Financial Position

	Unaudited	Audited
	31.12.2022	30.06.2022
	\$	\$
Assets		
Cash and cash equivalents	1,743	978
Trade and other receivables	89,196	64,551
Non – Current Assets		
Capitalised exploration	5,823,281	5,636,478
Provisions	-	5,299
Total Assets	<u>5,914,220</u>	<u>5,707,306</u>

Notes to the interim financial statements for the half-year ended 31 December 2022

7. Investment in Associate (continued)

Summarised Financial Position

	Unaudited 31.12.2022 \$	Audited 30.06.2022 \$
Current Liabilities		
Trade and other payables	99,803	101,523
Non-Current Liabilities		
Loan from joint venture partners	8,358,724	7,919,233
Total Liabilities	<u>8,458,527</u>	<u>8,020,756</u>
Net Deficiency of Assets	<u>(2,544,307)</u>	<u>(2,313,450)</u>

Summarised Financial Performance

	Unaudited 31.12.2022 (6 months) \$	Audited 30.06.2022 (12 months) \$
Revenue	-	-
Other operating expenses	(63,800)	(193,887)
Finance Costs	-	(121,202)
Loss before income tax expense	<u>(63,800)</u>	<u>(315,089)</u>
Income tax expense	-	-
Loss after income tax expense	<u>(63,800)</u>	<u>(315,089)</u>
Company share of loss	<u>(31,262)</u>	<u>(154,393)</u>

The difference between our percentage of net deficiency of assets in Afro Energy (Pty) Ltd and the value of the investment in associate in the Statement of Financial Position is the deemed exploration asset.

South African Investment

During the financial year ended 30 June 2022, Afro Energy (Pty) Ltd (Afro Energy) entered into a joint development agreement (JDA) with the Industrial Development Corporation of South Africa (IDC). The JDA involves the development of gas fields to produce gas for industrial, commercial, transportation or power generation applications. The IDC contribution is ZAR 70 million for a 45% interest in the incorporated joint venture.

The parties have agreed to pool their interests in a joint development entity incorporated in South Africa, Afro Gas (Pty) Ltd (Afro Gas), which will maintain the interest share of 55% Afro Energy and 45% IDC.

As part of the JDA, Afro Energy will retain control of Afro Gas until such time that the IDC has satisfied the required contributions associated with their 45% interest. As at reporting date, no required contributions have been made by the IDC.

Notes to the interim financial statements for the half-year ended 31 December 2022

8. Trade and Other Payables

	31.12.2022	30.06.2022
	\$	\$
Trade payables and accruals	527,935	416,053
Trade payables and accruals – related parties	69,301	54,567
	<u>597,236</u>	<u>470,620</u>

9. Segment Information

The Company currently does not have production and is only involved in exploration. As a consequence, activities in the operating segments are identified by management based on the manner in which resources are allocated, the nature of the resources provided and the identity of service line manager and country of expenditure. Discrete financial information about each of these areas is reported to the executive management team on a monthly basis.

Based on the above, management has determined that the company has one operating segment being gas exploration in South Africa undertaken in its own right or through its interest in 49% owned associated, Afro Energy (Pty) Ltd. As the Company is focused on gas exploration, the Board monitors the company based on actual versus budgeted exploration expenditure incurred by area of interest. These areas of interest meet aggregating criteria and are aggregated into one reporting sector. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

10. Commitments for Expenditure

There has been no significant changes to the Company's commitments since 30 June 2022.

11. Contingencies

During the year ended 30 June 2022, the Company executed binding legal agreements with Badimo Gas (Pty) Ltd ('Badimo') to acquire its 51% interest in Afro Energy (Pty) Ltd ('Afro Energy') ('the Acquisition'). Upon completion of the Acquisition, the Company will hold 100% interest in Afro Energy, and its exploration rights and sample gas production permit in South Africa.

Based on the terms of the agreement, the Company will issue approximately 598 million shares ('Consideration Shares'), which will be subject to escrow provisions, to Badimo as consideration for the Acquisition less amounts owed to the company by Badimo in respect of exploration costs incurred by Afro Energy and contributed by the Company. The loan amounts owing to the Company will be satisfied through the reduction of the total Consideration Shares being issued.

On 30 November 2022, the Company obtained shareholder approval for the Acquisition at its Annual General Meeting.

As at the date of this report, as part of the final matters to complete the merger, the Company is in the process of facilitating a \$6.5 million capital raising in respect of the Badimo consideration shares.

As a result of the Waiver Application not being approved by the ASX, the Company has commenced reproducing the notice to reconvene a meeting of its Shareholders to refresh the Restructure approvals. This will require the Company to issue a subsequent notice of meeting with an updated Independent Experts Report which it expects to dispatch shortly.

There has been no other significant changes to the Company's contingent assets or liabilities since 30 June 2022.

Notes to the interim financial statements for the half-year ended 31 December 2022

12. Events Occurring After The Reporting Period

There are no matters or circumstances that have arisen since 31 December 2022 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial periods.

13. Related Party Transactions

- a) In July 2022, the Company fully repaid a short term loan of \$250,000 advanced by Mr Adam Sierakowski.
- b) On 1 August 2022, the Company issued 2,000,000 performance options to Mr Nicholas de Blocq Van Scheltinga (CEO) upon completion of 12 months of service and having satisfied the condition of the performance rights under the employment agreement. An amount of \$112,938 had been expensed in the year ended 30 June 2022 in relation to these options.
- c) There have been no other significant changes to the Company's related party transactions since 30 June 2022.

14. Share Based Payments

Half-year ended 31 December 2022

On 21 November 2022, 1,720,000 ordinary shares at \$0.09 per share were issued to a corporate advisor, AC2 Solutions Pty Ltd, as consideration for corporate advisory services provided to the Company in relation to the placement announced on 10 October 2022.

The total fair value of the shares issued to the corporate advisor of \$154,800 was charged to share issue costs.

Half-year ended 31 December 2021

On 7 July 2021, 3,000,000 unlisted options were issued to the lead broker associated with the Company's share purchase plan as consideration for services provided to the Company.

During the half-year ended 31 December 2021, \$116,782 was recognised as a share based payment and charged to share issue costs.

The fair value of these options granted was calculated by using the Black-Scholes option valuation methodology and applying the following inputs:

Weighted average exercise price (cents)	13.00
Weighted average life of the options (years)	2.00
Weighted average underlying share price (cents)	9.60
Expected share price volatility	91.70%
Risk-free interest rate	0.06%
Expiry date	7 July 2023