

# **Kinetiko Energy Ltd**

ABN: 45 141 647 529

Interim Financial report for the half-year ended  
31 December 2020

# **Interim Financial report for the half-year ended 31 December 2020**

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# Corporate Directory

## **DIRECTORS**

Adam Sierakowski  
(Executive Chairman)

Geoffrey Michael  
(Joint Acting Managing Director)

Tom Fontaine  
(Non-Executive Director)

## **COMPANY SECRETARY**

Stephen Hewitt-Dutton

## **PRINCIPAL OFFICE**

283 Rokeby Road  
SUBIACO WA 6008

## **REGISTERED OFFICE**

283 Rokeby Road  
SUBIACO WA 6008

## **AUDITORS**

BDO Audit (WA) Pty Ltd  
38 Station Street  
SUBIACO WA 6008

## **SHARE REGISTRY**

Automic Registry Services  
Level 2, 267 St Georges Terrace  
PERTH WA 6000

## **STOCK EXCHANGE LISTING**

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

## Directors' report

The directors of Kinetiko Energy Ltd ("Kinetiko") submit herewith the financial report for the half-year ended 31 December 2020. 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

Dr. James Searle (resigned 24 February 2021)

Geoffrey Michael

Tom Fontaine (appointed 9 February 2021)

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 \$1,124,340 (December 2019: loss of \$832,395).

### Review of operations

Perth-based energy exploration company Kinetiko Energy Limited (ASX: "KKO" or "Kinetiko") is pleased to report on substantial developments and its activities at the Amersfoort Project and adjacent tenements in South Africa (Figure 1) during the half year ending 31 December 2020. Activities at the Amersfoort Project are carried out through an incorporated joint venture entity, Afro Energy (Pty) Ltd ("Afro Energy"), owned by Kinetiko (49%) and its South African partner Badimo Gas (Pty) Ltd ("Badimo") (51%).

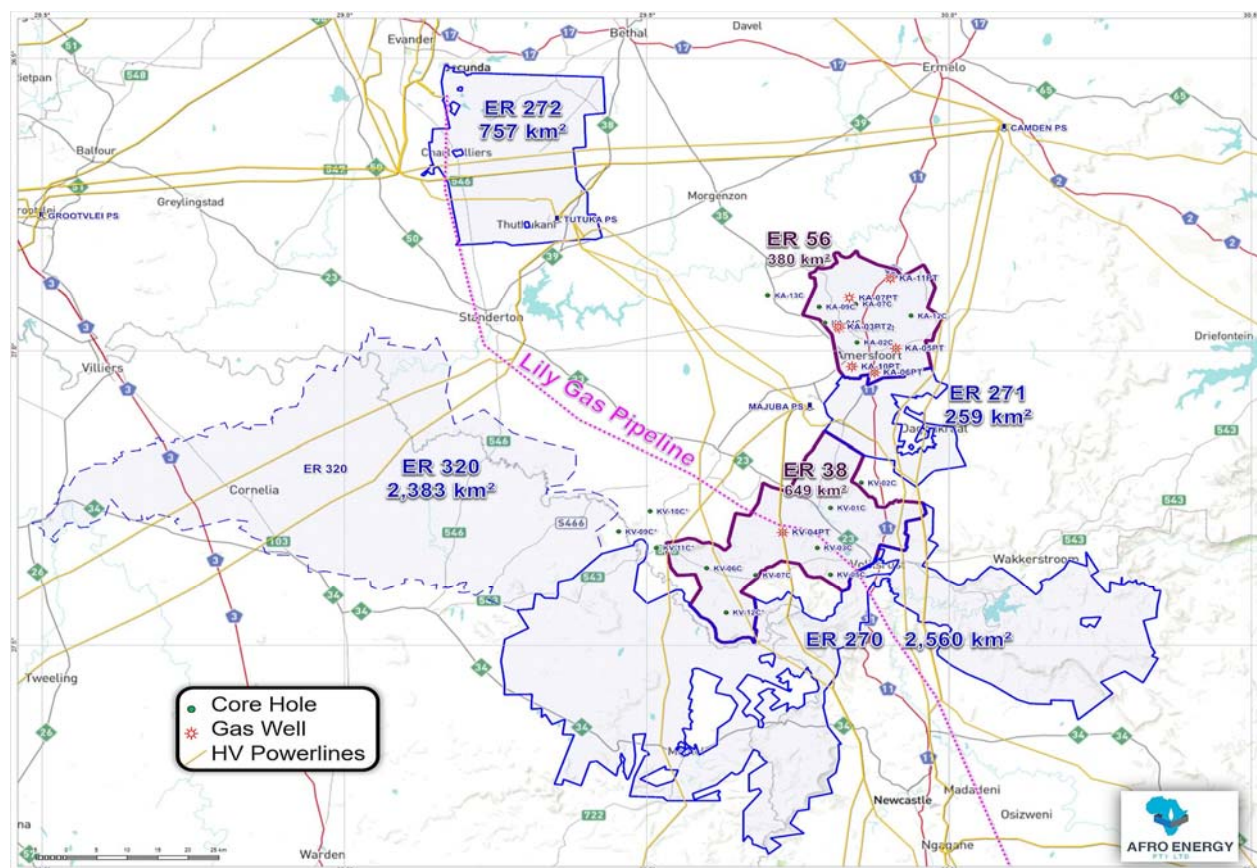


Figure 1 - Afro Energy Exploration Rights & Application

# Directors' report

## **HIGHLIGHTS**

- **Completion of interim funding by early conversion of options raising \$1.26 million to accelerate planned exploration and development.**
- **Gas production rights granted to enable pilot commercial field operations to start Q2/21.**
- **Third high-resolution aeromagnetic and radiometric survey on the Amersfoort Project completed successfully.**
  - Interpretation of surveys completed on ER 38, ER 56 and ER 271 identified a numerous gas compartments on each of the exploration rights with some of the largest up to 22km<sup>2</sup> in size.
  - Aircraft completed flying three separate surveys which links together the three contiguous exploration rights for a combined 965km<sup>2</sup> of gas prone Karoo sediments and intruding dolerite bodies.
  - The Amersfoort Project identified 30 potential gas compartments, representing only 15% of the total exploration potential.
- **Work commenced on a well workover program in preparation of pilot gas-to-CNG production.**
  - Specialists in design and provision of process control and pumping systems Endress & Hauser AG and Franklin Electric Co completed repairs and upgrades to downhole pumping and surface metering and control equipment.
  - The well workover program, is now scheduled for completion by the end of March 2021 with the potential for first pilot gas to CNG production estimated to commence in Q2/2021.
  - The Company is in advanced discussions with established gas traders as potential off takers for the gas produced.
- **Negotiations continue with strategic investors**
  - The Company continues to advance discussions from funding institutions both inside South Africa and abroad to fund and participate in the next phase of Amersfoort Project development, being a planned 20 well production field.

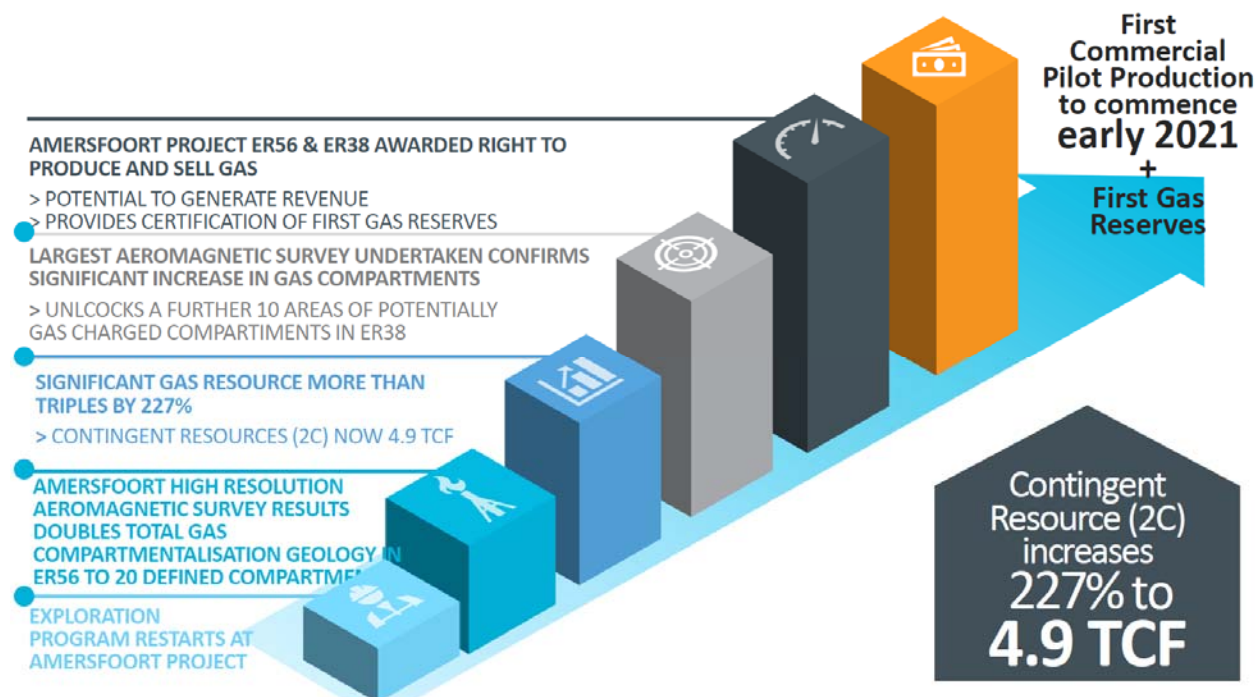
## **STRONG SHAREHOLDER SUPPORT TO PROVIDE SHORT-TERM FUNDING**

Following the commencement of a fund-raising process during the December 2020 quarter, a majority of the Company's unlisted \$0.03 options have been exercised well before their expiry date of 31 December 2021. A total of \$1.26 million has been raised following the conversion of options representing ~81% of all options exercised in that class.

Funds raised will be used toward accelerating planned exploration and project development in 2021 at the Company's Amersfoort Project.

# Directors' report

## SIGNIFICANT ACHIEVEMENTS THROUGHOUT 2020



## PILOT GAS-TO-CNG PRODUCTION

Following the granting of bulk gas production and removal permit by the Minister of Mineral Resources and Energy of up to 500 million standard cubic feet (MMscf) of gas per annum for a two-year period from its exploration rights ER56 and ER38 (ASX Announcement 21 October 2020).

Afro Energy contracted Endress & Hauser AG and Franklin Electric Co to repair and upgrade its existing downhole and surface equipment to ensure safe and continuous production during a gas delivery period. Endress Hauser further allowed the use of its equipment used during a previous equipment test to optimise the surface separation of water and gas (ASX Announcement 12 September 2018). The workover of well KA-03PT has been completed and commissioning of the worked over well is scheduled for finalisation by the end of March 2021. Following completion of the well workover flow rate testing will proceed with the expectation that pilot gas production can commence in the second quarter of 2021 (Figure 2).

The pilot production program will enable Kinetiko to generate first revenues from gas production and seek the certification of first gas reserves.



## Directors' report



**Figure 2 - Pilot production well KA-03PT flaring gas at Amersfoort Project**

The Company is currently in advanced negotiations with potential gas off taker(s) of small and intermittent gas production where they would purchase gas at an on-site transfer point, compress the gas to the required pressure utilising their own compression equipment and transfer same to their CNG trailers for transportation to existing gas-based industries In the Johannesburg region.

Following on the previously successful exploration program on ER56, the pilot gas production and commercialisation under the current approval will place Afro Energy in a favourable position to apply for a production rights over ER56, ER38 and ER 271 as soon as possible after the commencement of the pilot gas production.

### **HIGH RESOLUTION AEROMAGNETIC SURVEYS**

Completed interpretation of the survey data from the Amersfoort Project ER 38 ER 56 and ER 271 identified 30 areas of potential gas charged geological compartmentalisation. The compartments identified included the largest ever surveyed being up to 22km<sup>2</sup> in size.

Afro Energy contracted Xcalibur Airborne Geophysics (Pty) Ltd to conduct the high resolution aeromagnetic and radiometric surveys over pre-defined areas of high priority within the three exploration rights. The aircraft successfully flew the surveys despite CV-19 limitations and completed the data acquisition and processing providing unprecedented geological detail to guide future drilling programs.

This contiguous nature of the geological assessments provided by the aeromagnetic and radiometric surveys completed over ER38, ER56 and ER 271 has increased the Company's confidence that similar geological feature will extend over the entirety of the 7,000km<sup>2</sup> of explorations rights granted or applied for (Figure 3).

The aeromagnetic and radiometric surveys completed to date and number of compartments identified in the Amersfoort project represents only 15% of the Company's total exploration potential.

## Directors' report

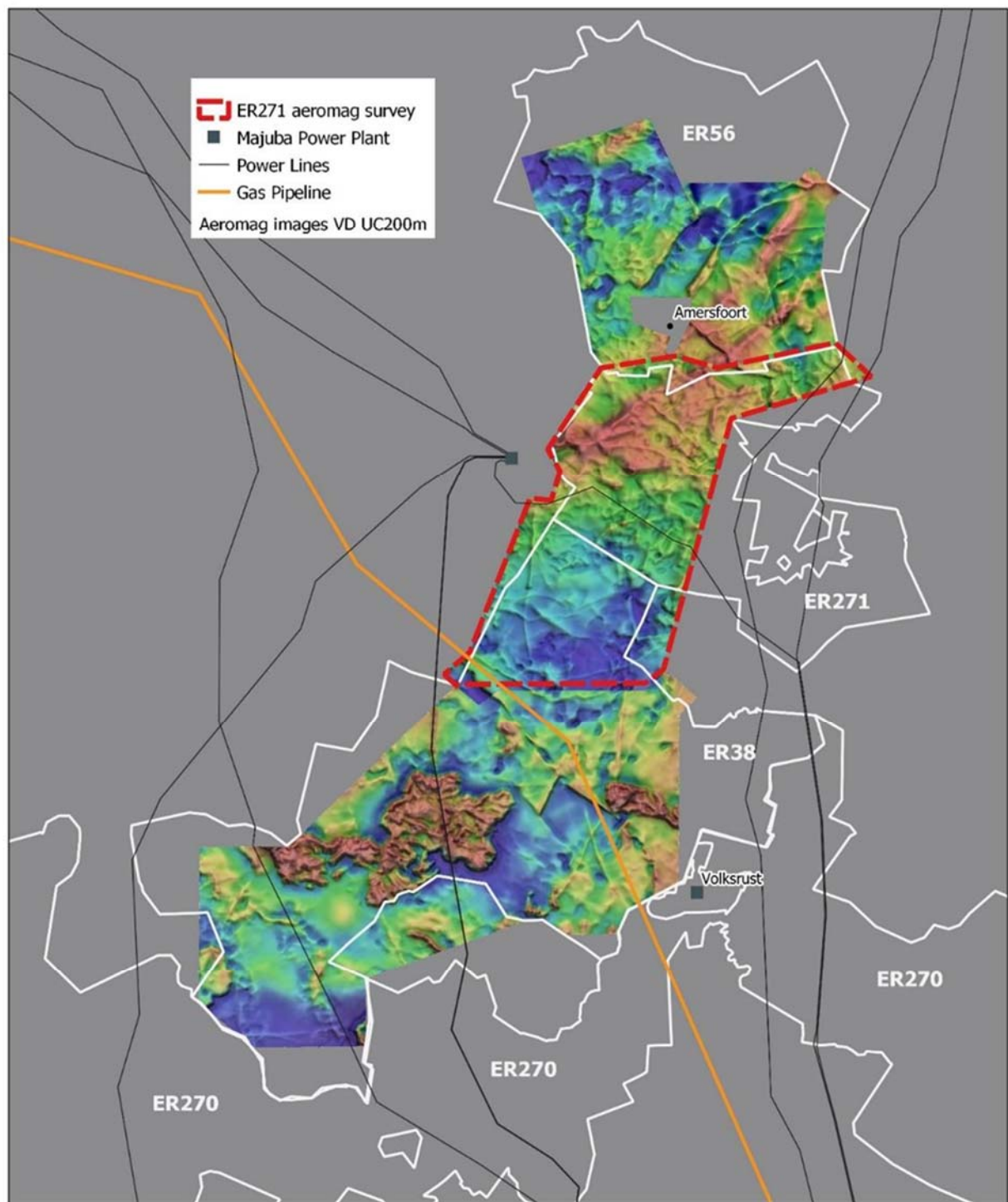


Figure 3 - Amersfoort Project exploration licences and 2020 aeromagnetic survey areas



# Directors' report

## AMERSFOORT PROJECT DEVELOPMENT FUNDING

Kinetiko has continued to promote the potential of the Amersfoort project to be developed at scale as a stand-alone onshore gas producer close to markets in South Africa that continue to be subject to constrained and affordable energy.

These achievements and the ongoing development of the Afro Energy joint venture have elicited a number of positive responses from potential funding institutions both inside South Africa and abroad to fund and participate in the next stage of the Amersfoort Project development and in particular the potential development of a 20 well pilot production field. The vast exploration acreage of the Amersfoort Project and its location adjacent to existing energy infrastructure such as the Majuba coal power station are indicated below.

## TENURE STATUS

|  | Area of Interest                  | Tenement reference | Nature of interest  | Interest December 2020 |
|--|-----------------------------------|--------------------|---|------------------------|
|  | Amersfoort Project – South Africa |                    |   |                        |
|  |                                   | 30/5/2/3/38ER      | 3 <sup>rd</sup> renewal period granted by DMR in Aug 19.  | 49%                    |
|  |                                   | 30/5/2/3/56ER      | 2 <sup>nd</sup> renewal period granted by DMR in Aug 19.  | 49%                    |
|  |                                   | ER320 (TCP 106)    | Application for conversion from TCP to exploration right approved by regulator. DMR expected grant of application for extension for EIA delayed due to regulatory delays. | 49%                    |
|  |                                   | ER 270             | Exploration Right granted in Aug 19.  | 49%                    |
|  |                                   | ER 271             | Exploration Right granted in Aug 19.  | 49%                    |
|  |                                   | ER 272             | Exploration Right granted in Aug 19.  | 49%                    |

## **Competent Persons Statement**

Unless otherwise specified information in this report relating to exploration and related technical comments have been compiled by Dr. James Searle, a Member of the Australian Institute of Mining and Metallurgy, and a non -executive Director of Kinetiko Energy Ltd with over 30 years' experience in metallic and energy minerals exploration and development, including over 9 years' experience in hydrocarbon exploration. Dr. Searle consents to the inclusion of this information in form and context in which it appears.

The Company is not aware of any new information or data that materially affects the information included in the announcement 29 July 2020 and all the material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed.

## Directors' report

### Events Occurring After The Reporting Period

In January 2021, the Company issued 17,338,427 shares upon the exercise of unlisted options for a total sum of \$520,153 of which \$232,153 was received prior to the half year ended 31 December 2020.

On 9 February 2021, Tom Fontaine was appointed as a Non-Executive Director of the Company.

On 24 February 2021, Dr. James Searle resigned as a Non-Executive Director of the Company.

There are no other matters or circumstances that have arisen since 31 December 2020 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial periods.

### Dividends Paid or Recommended

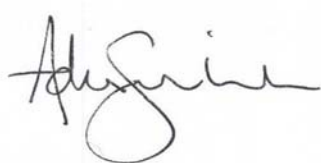
No dividends were paid during the period and no recommendation is made as to payments of future dividends.

### Auditor's independence declaration

The auditor's independence declaration is included on page 11 of the half-year financial report.

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

On behalf of the Directors



Adam Sierakowski  
Chairman

Date: 15 March 2021

## DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF KINETIKO ENERGY LTD

As lead auditor for the review of Kinetiko Energy Ltd for the half-year ended 31 December 2020, 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 2021

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Kinetiko Energy Ltd

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Kinetiko Energy Ltd (the Company), which comprises the statement of financial position as at 31 December 2020, 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:

- A. Giving a true and fair view of the company's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- B. 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 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 Company's ability to continue as a going concern and therefore the Company 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 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 Company's financial position as at 31 December 2020 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 Audit (WA) Ltd**

BDO  
J Prue

**Jarrad Prue**

**Director**

Perth, 15 March 2021




## Directors' declaration

The directors of the Company declare that:

1. The financial statements and notes set out on pages 15 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 2020 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 2021

# Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2020

|  | Note | Half-year ended<br>31 Dec 2020<br>\$ | Half-year ended<br>31 Dec 2019<br>\$ |
|--|------|--------------------------------------|--------------------------------------|
| <b>Revenue</b>   |      |                                      |                                      |
| Other income   | 2(a) | 43,376                               | 2,447                                |
| Foreign exchange gain  |      | 14,413                               | 5,138                                |
| <b>Total Revenue</b>   |      | <u>57,789</u>                        | <u>7,585</u>                         |
| <b>Expenses</b>  |      |                                      |                                      |
| Consultancy and professional costs                                   | 2(c) | (334,170)                            | (51,110)                             |
| Employee and contractor expenses                                     |      | (275,812)                            | (251,317)                            |
| Occupancy expenses   |      | (10,163)                             | (15,000)                             |
| Depreciation   | 2(b) | (5,393)                              | (267)                                |
| Project expenditure  | 6    | (397,833)                            | (106,535)                            |
| Interest expense and finance charges                                 |      | (10,180)                             | (6,268)                              |
| Loss in share of associate   | 6    | (77,602)                             | (138,095)                            |
| Administration expenses  |      | (70,820)                             | (52,713)                             |
| Travel expenses  |      | (156)                                | (12,675)                             |
| Impairment of loan to associate                                      | 2(c) | -                                    | (206,000)                            |
| <b>Total expenses</b>  |      | <u>(1,182,129)</u>                   | <u>(839,980)</u>                     |
| <b>Loss before income tax expense</b>                                |      | <u>(1,124,340)</u>                   | <u>(832,395)</u>                     |
| Income tax benefit/(expense)   |      | -                                    | -                                    |
| <b>Loss after income tax expense for the period</b>                  |      | <u>(1,124,340)</u>                   | <u>(832,395)</u>                     |
| <b>Other comprehensive income/(loss)</b>                             |      |                                      |                                      |
| <b>Other comprehensive income/(loss) for the period</b>              |      | -                                    | -                                    |
| <b>Total comprehensive loss for the period net of tax</b>            |      | <u><u>(1,124,340)</u></u>            | <u><u>(832,395)</u></u>              |
| <b>Loss per share attributable to equity holders of the company:</b> |      |                                      |                                      |
| Basic loss per share (cents)   |      | (0.21)                               | (0.25)                               |

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 2020

|                                  | Note | 31 December<br>2020<br>\$ | 30 June 2020<br>\$ |
|----------------------------------|------|---------------------------|--------------------|
| <b>CURRENT ASSETS</b>            |      |                           |                    |
| Cash and cash equivalents        |      | 766,953                   | 1,114,767          |
| Receivables                      | 4    | 361,901                   | 249,793            |
| Other assets                     |      | 805                       | 701                |
| <b>TOTAL CURRENT ASSETS</b>      |      | <b>1,129,659</b>          | <b>1,365,261</b>   |
| <b>NON CURRENT ASSETS</b>        |      |                           |                    |
| Property, plant & equipment      | 5    | 2,142                     | 2,333              |
| Investment in associate          | 6    | 6,772,394                 | 6,506,569          |
| <b>TOTAL NON CURRENT ASSETS</b>  |      | <b>6,774,536</b>          | <b>6,508,902</b>   |
| <b>TOTAL ASSETS</b>              |      | <b>7,904,195</b>          | <b>7,874,163</b>   |
| <b>CURRENT LIABILITIES</b>       |      |                           |                    |
| Trade and other payables         | 7    | 420,197                   | 558,153            |
| <b>TOTAL CURRENT LIABILITIES</b> |      | <b>420,197</b>            | <b>558,153</b>     |
| <b>TOTAL LIABILITIES</b>         |      | <b>420,197</b>            | <b>558,153</b>     |
| <b>NET ASSETS</b>                |      | <b>7,483,998</b>          | <b>7,316,010</b>   |
| <b>EQUITY</b>                    |      |                           |                    |
| Contributed equity               | 3    | 23,994,511                | 23,060,577         |
| Reserves                         |      | 326,744                   | (31,650)           |
| Accumulated losses               |      | (16,837,257)              | (15,712,917)       |
| <b>TOTAL EQUITY</b>              |      | <b>7,483,998</b>          | <b>7,316,010</b>   |

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 2020

|   | Attributable to equity holders |                |                       |                 |
|---|--------------------------------|----------------|-----------------------|-----------------|
| For the period ended<br>31 December 2019                    | Ordinary<br>Shares             | Reserves<br>\$ | Accumulated<br>Losses | Total<br>Equity |
|   | \$                             |                | \$                    | \$              |
| At beginning of period - Restated                           | 20,081,575                     | 759,500        | (13,838,758)          | 7,002,317       |
| (Loss) for the period                                       | -                              | -              | (832,395)             | (832,395)       |
| <b>Total comprehensive loss for the period</b>              | -                              | -              | -                     | (832,395)       |
| <b>Transactions with owners in their capacity as owners</b> |                                |                |                       |                 |
| Issue of shares during the period                           | 328,537                        | -              | -                     | 328,537         |
| Issue of options during the period                          | -                              | 36,518         | -                     | 36,518          |
| Share issue costs   | -                              | -              | -                     | -               |
| <b>Total contributions by owners</b>                        | 328,537                        | 36,518         | -                     | 365,055         |
| At end of period  | 20,410,112                     | 796,018        | (14,671,153)          | 6,534,977       |
|   |                                |                |                       |                 |
|   | Attributable to equity holders |                |                       |                 |
| For the period ended<br>31 December 2020                    | Ordinary<br>Shares             | Reserves<br>\$ | Accumulated<br>Losses | Total<br>Equity |
|   | \$                             |                | \$                    | \$              |
| At beginning of period                                      | 23,060,577                     | (31,650)       | (15,712,917)          | 7,316,010       |
| (Loss) for the period                                       | -                              | -              | (1,124,340)           | (1,124,340)     |
| Movement in foreign currency translation reserve            | -                              | 343,427        | -                     | 343,427         |
| <b>Total comprehensive loss for the period</b>              | -                              | 343,427        | (1,124,340)           | (780,913)       |
| <b>Transactions with owners in their capacity as owners</b> |                                |                |                       |                 |
| Issue of shares during the period                           | 969,194                        | -              | -                     | 969,194         |
| Issue of options during the period – refer Note 12(a)       | -                              | 14,967         | -                     | 14,967          |
| Share issue costs   | (35,260)                       |                | -                     | (35,260)        |
| <b>Total contributions by owners</b>                        | 933,934                        | 14,967         | -                     | 948,901         |
| At end of period  | 23,994,511                     | 326,744        | (16,837,257)          | 7,483,998       |

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 2020

|  | Note  | Half-year ended<br>31 Dec 2020<br>\$ | Half-year ended<br>31 Dec 2019<br>\$ |
|--|-------|--------------------------------------|--------------------------------------|
| <b>Cash flows from operating activities</b>                        |       |                                      |                                      |
| Payments to suppliers and employees                                |       | (806,446)                            | (125,602)                            |
| Interest received  |       | 124                                  | 2,447                                |
| Interest and other costs of finance paid                           |       | (10,180)                             | (731)                                |
| Payments for project expenditure                                   |       | (390,099)                            | (106,534)                            |
| Net cash used in operating activities                              |       | (1,206,601)                          | (230,420)                            |
| <b>Cash flows from investing activities</b>                        |       |                                      |                                      |
| Loans to associate   |       | (84,913)                             | (205,879)                            |
| Payments for property, plant and equipment                         |       | (5,201)                              | -                                    |
| Net cash used in investing activities                              |       | (90,114)                             | (205,879)                            |
| <b>Cash flows from financing activities</b>                        |       |                                      |                                      |
| Proceeds from issue of ordinary shares                             |       | 969,194                              | -                                    |
| Proceeds from issue of options                                     | 12(a) | 14,967                               | 36,518                               |
| Proceeds from security deposits                                    |       | -                                    | 154,016                              |
| Share issue costs  |       | (35,260)                             | -                                    |
| Proceeds from issue of convertible notes                           |       | -                                    | 180,000                              |
| Net cash provided by financing activities                          |       | 948,901                              | 370,534                              |
| <b>Net decrease in cash and cash equivalents</b>                   |       | (347,814)                            | (65,765)                             |
| <b>Cash and cash equivalents at the beginning of the half-year</b> |       | 1,114,767                            | 77,334                               |
| <b>Cash and cash equivalents at the end of the half-year</b>       |       | 766,953                              | 11,569                               |

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 2020

## 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 2021. 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 2020.

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 2020, 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 2020, 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 2020.

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*

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.

For the half year ended 31 December 2020 the Company recorded a loss of \$1,124,340 (31 December 2019: \$832,395) and had net cash outflows from operating and investing activities of \$1,296,715 (31 December 2019: \$436,299). At 31 December 2020, the Company had a working capital surplus of \$709,462 (30 June 2020: \$807,108).

The ability of the Company to continue as a going concern is dependent on securing additional funding through the issue of shares to fund its operational activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis that the Company is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Company believe they can raise additional funding through debt or equity which is actively pursued; and
- The Company has a recent proven history of successfully raising capital.

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 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 Company not continue as a going concern.

# Notes to the interim financial statements for the half-year ended 31 December 2020

## 2. Loss from continuing operations

|   | 31.12.2020<br>\$     | 31.12.2019<br>\$ |
|---|----------------------|------------------|
| Loss from continuing operations before income tax includes the following items of income and expenses |                      |                  |
| (a) <u>Other Income</u>   |                      |                  |
| Interest income   | 124                  | 2,447            |
| ATO cashflow boost  | 43,252               | -                |
| Other income from ordinary activities   | 43,376               | 2,447            |
| (b) <u>Operating Expenses</u>   |                      |                  |
| Depreciation of plant and equipment   | 5,393                | 267              |
| (c) <u>Significant Expenses</u>   |                      |                  |
| Consulting and professional costs   |                      |                  |
| - Accounting fees   | 71,393               | 25,355           |
| - Auditing costs  | 19,551               | 21,760           |
| - Legal fees  | 202,121 <sup>1</sup> | 3,995            |
| - Other professional fees   | 41,105               | -                |
|   | 334,170              | 51,110           |
| Impairment of loan to associate   | -                    | 206,000          |

<sup>1</sup> During the half-year ended 31 December 2020, the Company settled an on-going legal matter with BBP Law regarding outstanding legal fees in respect of services rendered to the Company.

## 3. Issued Capital

### (a) Ordinary Shares

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

#### Period ended 31 December 2019

|                  |   | Issue<br>Price | Fully Paid<br>Ordinary<br>Shares | \$         |
|------------------|---|----------------|----------------------------------|------------|
| 1 July 2019      | Opening balance                           |                | 391,665,600                      | 20,081,575 |
|                  | Issue of shares for debt consideration    | \$0.02         | 7,150,000                        | 143,000    |
|                  | Conversion of convertible notes to shares | \$0.02         | 9,276,839                        | 185,537    |
| 31 December 2019 | Closing balance                           |                | 408,092,439                      | 20,410,112 |

# Notes to the interim financial statements for the half-year ended 31 December 2020

## 3. Issued Capital (continued)

### Period ended 31 December 2020

|                  |  | Issue<br>Price | Fully Paid<br>Ordinary<br>Shares | \$                |
|------------------|--|----------------|----------------------------------|-------------------|
| 1 July 2020      | Opening balance                        |                | 543,264,256                      | 23,060,577        |
|                  | Issue of shares on exercise of options | \$0.03         | 32,306,449 <sup>1</sup>          | 969,194           |
|                  | Share issue costs                      |                | -                                | (35,260)          |
| 31 December 2020 | Closing balance                        |                | <u>575,570,705</u>               | <u>23,994,511</u> |

<sup>1</sup> Includes 7,738,427 options exercised in December 2020 with shares issued in January 2021.

### (b) Options

Movements in options during the six months to 31 December 2019 were as follows:

### Period ended 31 December 2019

| Exercise price<br>Expiry date | 3c<br>31 December 2021 |
|-------------------------------|------------------------|
| Opening balance               | -                      |
| Issued during the period      | 36,518,022             |
| Expired during the period     | -                      |
| Exercised during the period   | -                      |
| Closing balance               | <u>36,518,022</u>      |

Movements in options during the six months to 31 December 2020 were as follows:

### Period ended 31 December 2020

| Exercise price<br>Expiry date | 3c<br>31 December 2021  |
|-------------------------------|-------------------------|
| Opening balance               | 36,518,022              |
| Issued during the period      | 14,967,258 <sup>1</sup> |
| Expired during the period     | -                       |
| Exercised during the period   | (32,306,449)            |
| Closing balance               | <u>19,178,831</u>       |

<sup>1</sup> Options issued during the period relates to the re-issuing of options to Directors with respect to the repayment of loans and conversion of fees to shares in 2016. Refer to Note 12(a) for further details on the issue.

# Notes to the interim financial statements for the half-year ended 31 December 2020

## 4. Receivables

|  | 31.12.2020<br>\$ | 30.06.2020<br>\$ |
|--|------------------|------------------|
| <b>Current</b>                         |                  |                  |
| Trade debtors                          | 37,316           | -                |
| Other receivables – VAT refundable     | 30,649           | 37,457           |
| Other receivables – GST refundable     | 17,744           | 30,098           |
| Other debtors                          | 27,988           | 18,947           |
| Loan – Associated entity               | 410,866          | 325,953          |
| Less: Provision for impairment of loan | (162,662)        | (162,662)        |
|  | <u>361,901</u>   | <u>249,793</u>   |

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.

## 5. Property, Plant & Equipment

|                          | 31.12.2020<br>\$ | 30.06.2020<br>\$ |
|--------------------------|------------------|------------------|
| Opening net book value   | 2,333            | 2,863            |
| Additions                | 5,202            | -                |
| Depreciation charge      | (5,393)          | (530)            |
| Closing net book value   | <u>2,142</u>     | <u>2,333</u>     |
| Cost or fair value       | 42,091           | 36,889           |
| Accumulated depreciation | <u>(39,949)</u>  | <u>(34,556)</u>  |
|                          | <u>2,142</u>     | <u>2,333</u>     |

## 6. 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 2020, 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 \$397,833.

The carrying amount of equity-accounted investments in associates for the six months to 31 December 2020 is as follows:

|                              | 31.12.2020<br>\$ | 30.06.2020<br>\$ |
|------------------------------|------------------|------------------|
| Opening balance              | 6,506,569        | 8,030,663        |
| Profit/(loss) for the period | (77,602)         | (214,244)        |
| Foreign exchange revaluation | 343,427          | (1,309,850)      |
| Closing balance              | <u>6,772,394</u> | <u>6,506,569</u> |

# Notes to the interim financial statements for the half-year ended 31 December 2020

## 6. Investment in Associate (continued)

### 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 2020. The financial year end date is 30 June.

#### Summarised Financial Position

|                             | Unaudited<br>31.12.2020<br>\$ | Audited<br>30.06.2020<br>\$ |
|-----------------------------|-------------------------------|-----------------------------|
| <b>Assets</b>               |                               |                             |
| Cash and cash equivalents   | 85                            | 53                          |
| Trade and other receivables | 37,036                        | 25,457                      |
| <b>Non – Current Assets</b> |                               |                             |
| Capitalised exploration     | 3,477,791                     | 2,991,072                   |
| <b>Total Assets</b>         | <u>3,514,912</u>              | <u>3,016,582</u>            |

#### Summarised Financial Position

|                                  | Unaudited<br>31.12.2020<br>\$ | Audited<br>30.06.2020<br>\$ |
|----------------------------------|-------------------------------|-----------------------------|
| <b>Current Liabilities</b>       |                               |                             |
| Trade and other payables         | 99,257                        | 93,549                      |
| <b>Non-Current Liabilities</b>   |                               |                             |
| Provisions                       | 48,537                        | 46,081                      |
| Loan from joint venture partners | 5,202,440                     | 4,462,445                   |
| <b>Total Liabilities</b>         | <u>5,350,234</u>              | <u>4,602,075</u>            |
| <b>Net Deficiency of Assets</b>  | <u>(1,835,322)</u>            | <u>(1,585,493)</u>          |

#### Summarised Financial Performance

|   | Unaudited<br>31.12.2020<br>(6 months)<br>\$ | Audited<br>30.06.2020<br>(12 months)<br>\$ |
|---|---|--|
| Revenue                                 | -   | -  |
| Other operating expenses                | (53,635)                                    | (458,011)                                  |
| Finance Costs                           | (104,736)                                   | (279,222)                                  |
| <b>(Loss) before income tax expense</b> | <u>(158,371)</u>                            | <u>(737,233)</u>                           |
| Income tax expense                      | -   | -  |
| <b>(Loss) after income tax expense</b>  | <u>(158,371)</u>                            | <u>(737,233)</u>                           |
| <b>Company share of loss</b>            | <u>(77,602)</u>                             | <u>(361,244)</u>                           |



# Notes to the interim financial statements for the half-year ended 31 December 2020

## 7. Trade and Other Payables

|                               | 31.12.2020     | 30.06.2020     |
|-------------------------------|----------------|----------------|
|                               | \$             | \$             |
| Trade and other payables      | 329,246        | 477,099        |
| Accrued expenses              | 25,000         | 25,000         |
| Accrued employee entitlements | 65,951         | 56,054         |
|                               | <u>420,197</u> | <u>558,153</u> |

## 8. 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.

## 9. Commitments for Expenditure

There has been no significant changes to the Company's commitment since 30 June 2020.

## 10. Contingencies

There has been no significant changes to the Company's contingent liabilities since 30 June 2020.

## 11. Events Occurring After The Reporting Period

In January 2021, the Company issued 17,338,427 shares upon the exercise of unlisted options for a total sum of \$520,153 of which \$232,153 was received prior to the half-year ended 31 December 2020.

On 9 February 2021, Tom Fontaine was appointed as a Non-Executive Director of the Company.

On 24 February 2021, Dr. James Searle resigned as a Non-Executive Director of the Company.

There are no other matters or circumstances that have arisen since 31 December 2020 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial periods.

# Notes to the interim financial statements for the half-year ended 31 December 2020

## 12. Related Party Transactions

- a) During the half-year ended 31 December 2020, the Company obtained shareholder approval at a General Meeting to issue 14,967,258 unlisted options at \$0.001 per option to the Directors of the Company which are exercisable at \$0.03 per share and expire 31 December 2021.

The options were issued to Director related entities in relation to the re-issuing of unlisted options that were previously held by the Directors and which subsequently expired during the period the Company was suspended from trading on the ASX. The original options were acquired by the Directors in 2016 and were issued as attaching options to shares issued for the repayment of loans and conversion of fees to shares.

The options issued to Director related entities were on the same terms and conditions as to the options that were issued to external shareholders in November 2019.

- b) During the half-year ended 31 December 2020, 5,738,427 options held by Directors were exercised. As at 31 December 2020, 9,228,831 options remained unexercised.
- c) There have been no other significant changes to the Company's related party transactions since 30 June 2020.