Kinetiko Energy Ltd

ABN: 45 141 647 529

Interim Financial report for the half-year ended

31 December 2019

Interim Financial report for the half-year ended 31 December 2019

Page

Corporate Directory

DIRECTORS

Adam Sierakowski
(Non-Executive Chairman)

Dr. James Searle
(Joint Acting Managing Director)

Geoffrey Michael
(Joint Acting Managing Director)

COMPANY SECRETARY

Stephen Hewitt-Dutton

PRINCIPAL OFFICE

Unit 12 / 100 Railway Road
SUBIACO WA 6008

REGISTERED OFFICE

Unit 12 / 100 Railway 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 2019. 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
Geoffrey Michael

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 $832,395 (December 2018: loss of $954,274).

Review of operations

Perth-based energy exploration company Kinetiko Energy Limited (ASX: "**KKO**" or "**Kinetiko**") is pleased to report on corporate developments and its activities at the Amersfoort Project and adjacent tenements in South Africa (Figure 1) for the period July 2019 to December 2019. Activities at the Amersfoort Project are carried out through Afro Energy (Pty) Ltd ("**Afro Energy**"), owned by Kinetiko Energy Ltd (49%) and its South African shareholder Badimo Gas (Pty) Ltd ("**Badimo**") (51%).

<u>**AFRO ENERGY EXPLORATION RIGHTS & APPLICATIONS**</u>

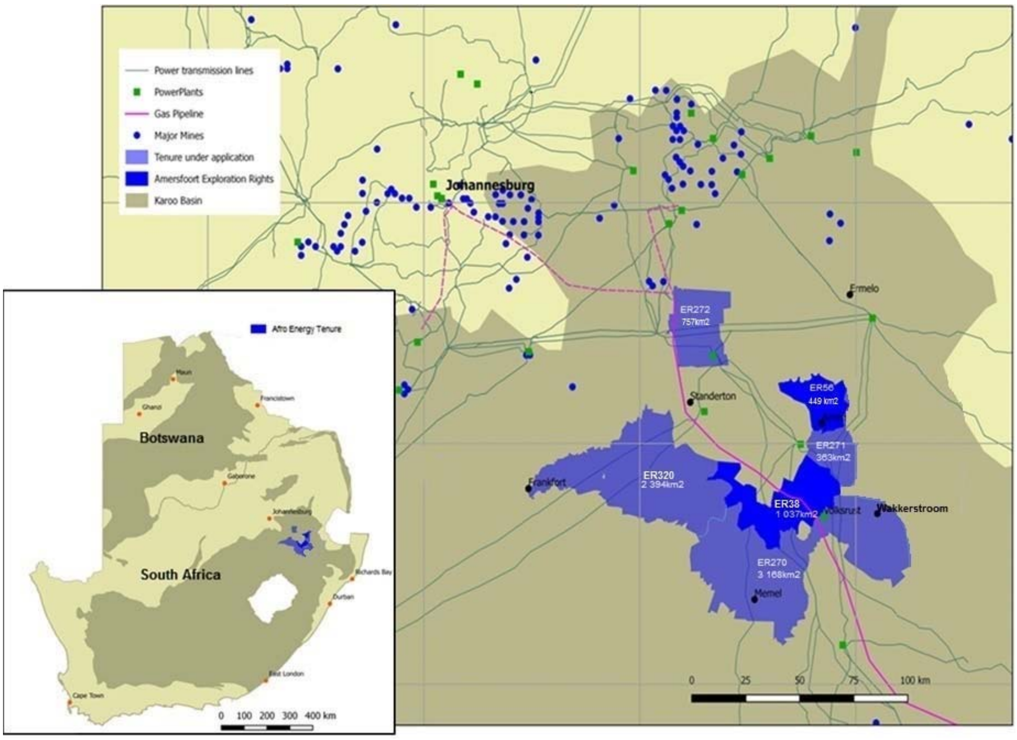


Figure 1

Directors' report

HIGHLIGHTS

- Afro Energy submitted and received approval from Petroleum Agency of South Africa ("PASA") and confirmation by the Department of Minerals and Energy ("DMR") for renewal of Amersfoort exploration rights ER38 and ER56.

- Afro Energy submitted and received approval by PASA and confirmation by the DMR of exploration rights ER270, ER271 and ER272.

- Kinetiko continues to receive positive responses from funding institutions both inside South Africa and abroad to fund and participate in the Amersfoort Project development.

- Kinetiko and Badimo have continued to work together on the completion of outstanding audited financial accounts for AE which will enable Kinetiko's financial reporting obligations to be brought up to date by mid January 2020.

- Kinetiko is focused on achieving the re-quotation of its securities after the renewal applications are approved and outstanding audits completed.

Directors' report

COMMERCIAL ACTIVITIES UPDATE

Kinetiko has continued to promote the potential of the Amersfoort Project to be developed as a stand-alone onshore gas producer where South Africa continues to be subject to constrained consistent and affordable energy. As a result of recent efforts to reach agreements in areas of impasse and improved cooperation, both Kinetiko and Badimo reached strategic alignment to enable continuation of the development of the Amersfoort Project by the submission of renewal applications and subsequent granting of the exploration rights ER38 and ER56. In addition, the work programs previously prepared by KKO were approved by Badimo and now the renewal applications for the exploration rights has been approval by the South African regulators, further exploration is scheduled to proceed as set out below.

Kinetiko and Badimo have also now finalised the completion of outstanding audited financial accounts for Afro Energy, which will assist Kinetiko in satisfying its financial reporting obligations.

These achievements and the conclusion of the impasse with Badimo have elicited a number of positive responses from potential funding institutions both inside South Africa and abroad to fund and participate in the Amersfoort Project development. The vast exploration acreage of the Amersfoort Project and its location adjacent to existing energy infrastructure such as the Majuba coal power station are pictured below. (Figure 2)

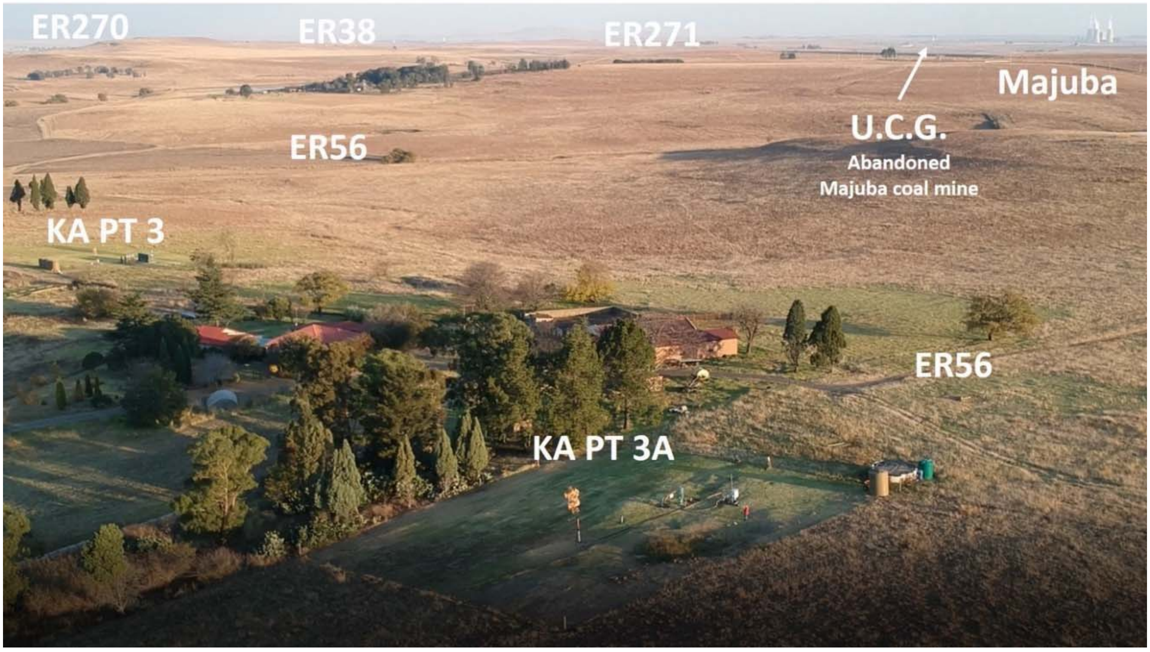


Figure 2

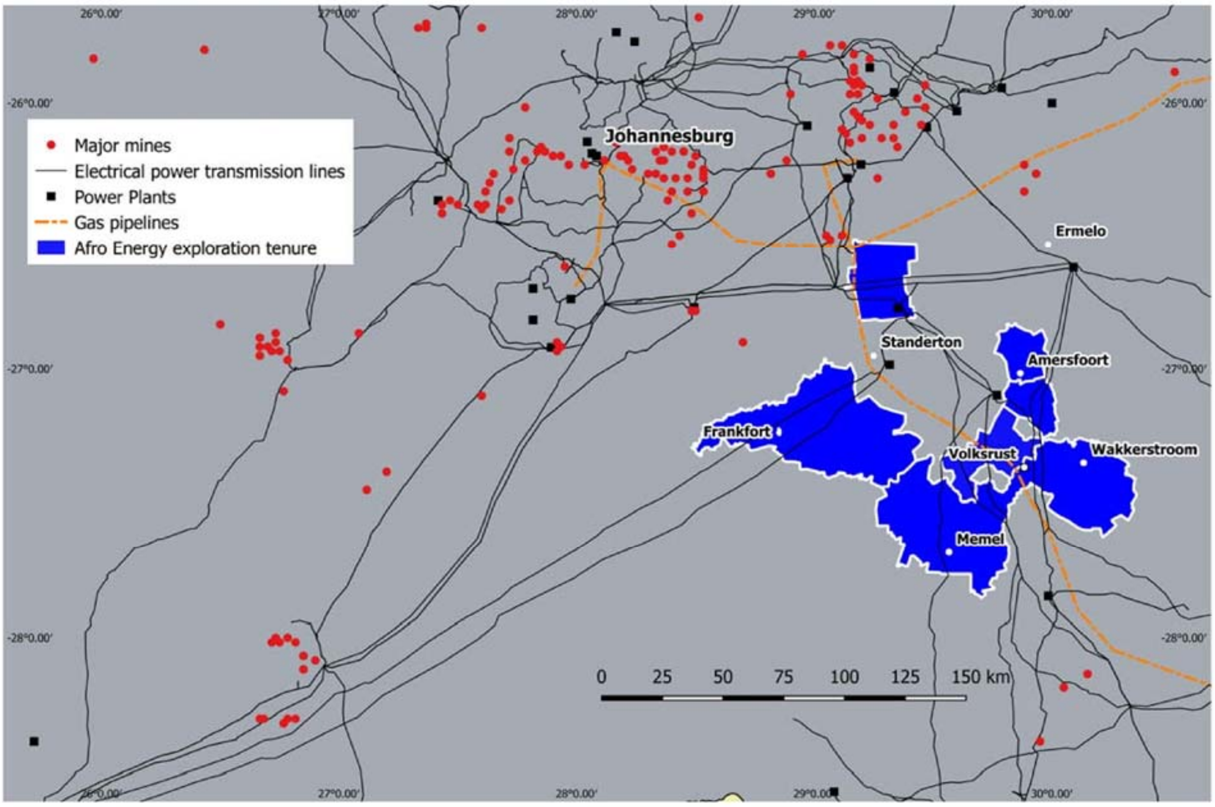
Directors' report

AMERSFOORT EXPLORATION RIGHTS ER38 AND ER56

Afro Energy submitted and PASA renewed on 17 January 2020 the key Amersfoort Exploration Rights ER56 and ER38, the most advanced tenements where the majority of approximately $10.3M in development funds on the Amersfoort project have been spent to date. It is also where comprehensive gas flow testing has been conducted and plans to develop a pilot gas production field are advanced. Afro has previously been granted a sample gas production right by PASA and has commenced the process to have the production rights renewed as the development of the Amersfoort project continues.

PASA has also granted 3 further exploration rights being ER's 270,271 &272 for prospective geological settings in land adjacent to and contiguous with the Amersfoort project represents a substantial increase to Afro's existing exploration portfolio to a total of 4,604kms^2 representing a 378% expansion. The tenements are favourably located approximately 150kms from South Africa's largest city Johannesburg and in the heart of the countries existing gas and power transmission infrastructure.

The work program approved by PASA in the renewal applications consist of a 1,334 line-kilometre high-resolution aeromagnetic survey on ER56 (60km^2) and a 10,229 line-kilometre high-resolution aeromagnetic survey on ER38



(460km^2) (Figure 3) over pre-defined areas within ER38 and ER56. The aeromagnetic survey in ER56 will supplement the 145 km^2 previously obtained in the area. In addition, and as an initial phase, drilling of one zone interval well under the existing approved EMP within ER56 and ER38 is scheduled. The positioning will be predicated on the results of the aeromagnetic survey and its interpretation. A further phase will then be scheduled for the drilling of 14 wells within ER38 and ER56, also under the currently approved EMP, positioning determined by the outcome of the aeromagnetic survey and the geological interpretation of the interval well drilling program.

Directors' report

Proposed high-resolution aeromagnetic survey

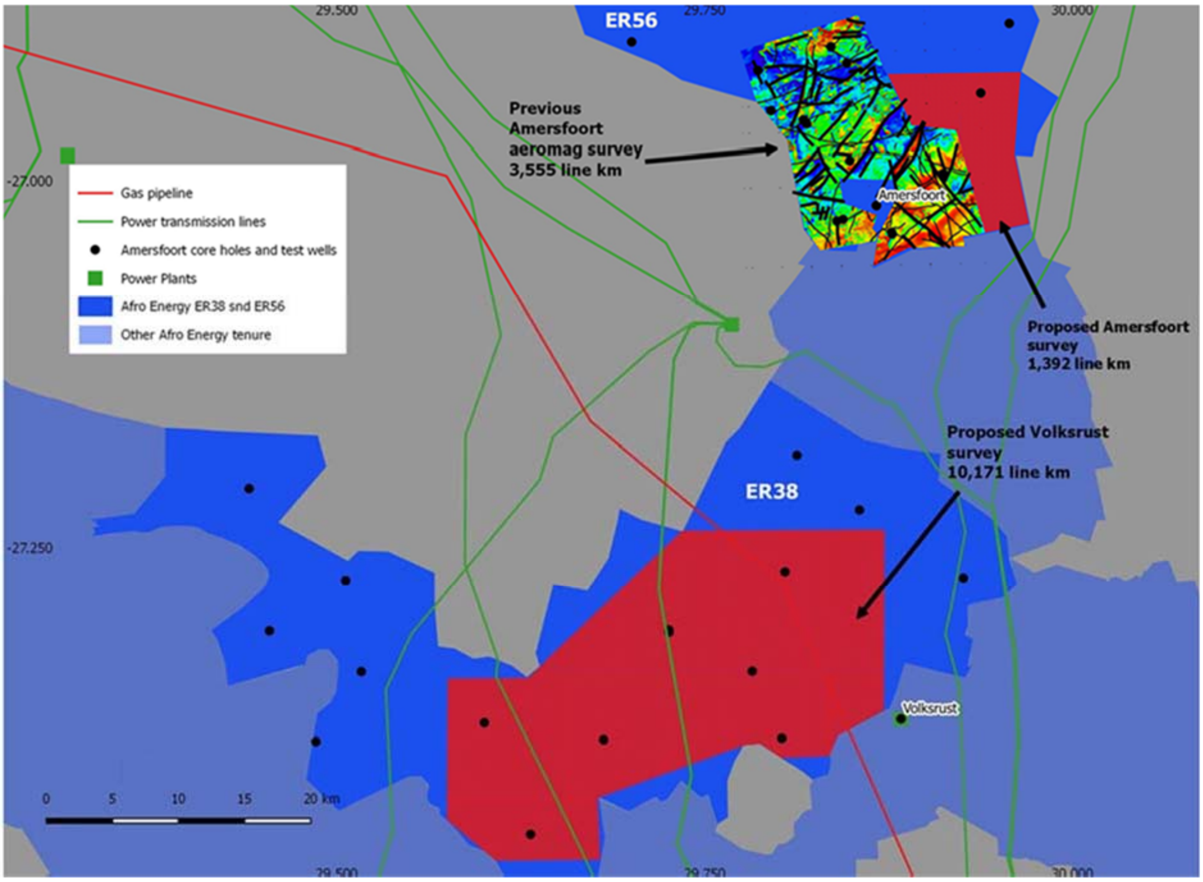


Figure 3

Directors' report

ER270, 271 & 272

Afro Energy submitted applications for exploration rights ER270, ER271 and ER272 to PASA. PASA has communicated to Afro Energy that it has positively assessing the applications and the execution of the Notarial Deeds in order to complete the granting process are pending execution by the Minister.

12/3/320ER

PASA has communicated to Afro Energy that it has positively assessed Afro Energy's application for Exploration Rights, in terms of Section 79 of the Mineral and Petroleum Resources Development Act, to explore for Petroleum and Gas. Afro Energy appointed an Environmental Assessment Practitioner, SLR Consulting, to prepare the application for Environmental Authorization in terms of Regulation 16 of the Environmental Impact Assessment Regulations of 2014. Work conducted by SLR Consulting has temporarily been interrupted until conflicting regulations between PASA, the Department of Mineral Resources (DMR), the Department of Environmental Affairs and the Department of Water and Sanitation have been resolved. AE has successfully applied for an extension of the date of submission for the EIA and EMPR to PASA to allow the relevant authorities to clarify the regulations and its related guidelines.

For the time being, the submission date of the EIA and EMPR has been rescheduled by PASA for a time in line with the resolution of the conflicting regulations between the Departments.

PROJECT FUNDING

Kinetiko is progressing the fundraising discussions with potential funding institutions both inside South Africa and abroad to fund and participate in the Amersfoort Project development. KKO has remained focused on managing its expenses and remains grateful to the patience and resolve of its management and support of its major shareholders.

Directors' report

TENURE STATUS

Clause	**Area of Interest**	**Tenement reference**	**Nature of interest**	**Interest December 2019**
Interest	Amersfoort Project – South Africa			
		30/5/2/3/38ER	3nd renewal period granted pending execution by the Minister.	49%
		30/5/2/3/56ER	2nd renewal period granted pending execution by the Minister.	49%
		ER320 (TCP 106)	Application for conversion from TCP to exploration right approved by regulator. EIA extension due to regulatory delays.	49%
		ER 270	Exploration Right granted pending execution by the Minister.	49%
		ER 271	Exploration Right granted pending execution by the Minister.	49%
		ER 272	Exploration Right granted pending execution by the Minister.	49%

Directors' report

About Kinetiko Energy

Kinetiko Energy is an Australian gas explorer focused on advanced gas and coal bed methane (CBM) opportunities in rapidly developing markets in Southern Africa. Its flagship Amersfoort project which is conducted through Afro Energy and its co shareholder Badimo Gas is being developed around the infrastructure rich and energy starved industrial region of South Africa. South Africa has extensive gassy coal basins, extensive energy infrastructure and a growing gas demand, making it an attractive area for investment.

For more information visit: www.kinetiko.com.au

Or contact Adam Sierakowski (Chairman) on 08 6211 5099

** On the 17/2/2016 Kinetiko reported in full to the ASX the Gustavson and Associates LLC the new resource for ER56 at the Amersfoort Project. This resource remain current.*

Except where indicated, technical comments above have been compiled by James Searle BSc (hons), PhD, a Member of the Australian Institute of Mining and Metallurgy, and a Director of Kinetiko Energy Ltd with over 30 years' experience in metallic and energy minerals exploration and development, including over 5 years' experience in petroleum exploration. Dr Searle consents to the inclusion of this technical information in the format and context in which it appears.

CORPORATE ACTIVITY

- During September & October 2019, the Company successfully issued further unsecured covertible notes with a face value of $180,000, as part of a capital raising exercise. These were converted to ordinary shares at $0.02 each in December 2019.

- In November 2019, the Company issued 36,518,022 unlisted options at 0.1 cent per option to raise $36,518 for additional working capital. The options are exercisable at 3 cents per share and expire 31 December 2021.

- During the half-year ended 31 December 2019, the Company received signed audited accounts of its investment in associate, Afro Energy for years ended 2016 – 2019, and resolved the Company's concerns surrounding the carrying value of its investment. Based on the audited accounts of Afro Energy and the financial position of that company, the Directors have reinstated the carrying value of its investment in Afro Energy at 1 July 2018 to $7,717,594. As a result, prior year financial statements were required to be restated to rectify and partly reduce the impairment.

Directors' report

Events Occurring After The Reporting Period

There are no matters or circumstances that have arisen since 31 December 2019 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial periods.

Dividends Paid or Recommended

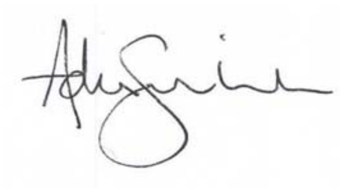
No dividends were paid during the period and no recommendation is made as to payments of future dividends.

Auditor's independence declaration

The auditor's independence declaration is included on page 13 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: 22 January 2020

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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 2019, I declare that, to the best of my knowledge and belief, there have been:

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 22 January 2020

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
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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 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended, notes comprising a statement 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 half-year financial report of the Company is not in accordance with the Corporations Act 2001 including:

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

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

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the 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.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 31 December 20XX 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. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO Audit (WA) Pty Ltd

BDO

Jarrad Prue

Director

Perth, 22 January 2020

Directors' declaration

The directors of the Company declare that:

1. The financial statements and notes set out on pages 17 to 27 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 2019 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: 22 January 2020

Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2019

	Note	Half-year ended 31 Dec 2019 $	Half-year ended 31 Dec 2018 $
Revenue			
Other income		2,447	4,942
Foreign exchange gain		5,138	-
Total Revenue		7,585	4,942
Expenses			
Consultancy and professional costs		(51,110)	(140,412)
Employee and contractor expenses		(251,317)	(250,219)
Foreign exchange loss		-	(2,620)
Occupancy expenses		(15,000)	(15,000)
Depreciation		(267)	(413)
Project expenditure		(106,535)	(241,875)
Interest expense and finance charges		(6,268)	(253,189)
Loss in share of associate	4	(138,095)	-
Administration expenses		(52,713)	(55,488)
Travel expenses		(12,675)	-
Impairment of loan to associate		(206,000)	-
Total expenses		(839,980)	(959,216)
Loss before income tax expense		(832,395)	(954,274)
Income tax benefit/(expense)		-	-
Loss after income tax expense for the period		(832,395)	(954,274)
Other comprehensive income/(loss)			
Other comprehensive income/(loss) for the period		-	-
Total comprehensive loss for the period net of tax		(832,395)	(954,274)
Loss per share attributable to equity holders of the company:			
Basic loss per share (cents)		(0.25)	(0.34)

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 2019

	Note	31 December 2019 $	30 June 2019 Restated $	1 July 2018 Restated $
CURRENT ASSETS				
Cash assets		11,569	77,334	7,303
Receivables		50,510	196,489	208,423
Other assets		701	138	5,582
TOTAL CURRENT ASSETS		62,780	273,961	221,308
NON CURRENT ASSETS				
Property, plant & equipment	3	2,596	2,863	3,680
Investment in associate	4	7,410,386	7,548,481	7,717,594
TOTAL NON CURRENT ASSETS		7,412,982	7,551,344	7,721,274
TOTAL ASSETS		7,475,762	7,825,305	7,942,582
CURRENT LIABILITIES				
Trade and other payables	5	940,785	822,988	1,433,391
Borrowings		-	-	285
Convertible notes	6	-	-	498,658
TOTAL CURRENT LIABILITIES		940,785	822,988	1,932,334
TOTAL LIABILITIES		940,785	822,988	1,932,334
NET ASSETS		**6,534,977**	**7,002,317**	**6,010,248**
EQUITY				
Contributed equity	2	20,410,112	20,081,575	17,387,378
Reserves		796,018	759,500	759,500
Accumulated losses		(14,671,153)	(13,838,758)	(12,136,630)
TOTAL EQUITY		**6,534,977**	**7,002,317**	**6,010,248**

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

See Note 1 for restatement as a result of change in correction of error in prior year.

Statement of Changes in Equity for the half-year ended 31 December 2019

For the period ended 31 December 2018 Restated	Attributable to equity holders Ordinary Shares $	Share Based Payment Reserve $	Accumulated Losses $	Total Equity $
At beginning of period	17,387,378	759,500	(19,854,224)	(1,707,346)
Reinstatement of investment – Note 1	-	-	7,717,594	7,717,594
Restated opening balance	17,387,378	759,500	(12,136,630)	6,010,248
(Loss) for the period	-	-	(954,274)	(954,274)
Total comprehensive loss for the period	-	-	(954,274)	(954,274)
Transactions with owners in their capacity as owners				
Issue of shares during the period	2,415,260	-	-	2,415,260
Share issue costs	(32,201)	-	-	(32,201)
Total contributions by owners	2,383,059	-	-	2,383,059
At end of period - Restated	19,770,437	759,500	(13,090,904)	7,439,033

For the period ended 31 December 2019	Attributable to equity holders Ordinary Shares $	Share Based Payment Reserve $	Accumulated Losses $	Total 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)
Total comprehensive loss for the period	-	-	(832,395)	(832,395)
Transactions with owners in their capacity as owners				
Issue of shares during the period	328,537	-	-	328,537
Issue of options during the period	-	36,518	-	36,518
Share issue costs	-	-	-	-
Total contributions by owners	328,537	36,518	-	365,055
At end of period	20,410,112	796,018	(14,671,153)	6,534,977

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

See Note 1 for restatement as a result of change in correction of error in prior year.

Statement of Cash flows
for the half-year ended 31 December 2019

	Note	Half-year ended 31 Dec 2019 $	Half-year ended 31 Dec 2018 $
Cash flows from operating activities			
Payments to suppliers and employees		(125,602)	(350,709)
Interest received		2,447	4,942
Interest and other costs of finance paid		(731)	(35,097)
Payments for project expenditure		(106,534)	(241,875)
Net cash used in operating activities		(230,420)	(622,739)
Cash flows from investing activities			
Loans to associate		(205,879)	-
Net cash used in investing activities		(205,879)	-
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	801,466
Proceeds from issue of options		36,518	-
Proceeds from security deposits		154,016	-
Proceeds from borrowings		-	95,000
Repayment of borrowings		-	(45,000)
Share issue costs		-	(32,201)
Proceeds from issue of convertible notes	6	180,000	133,000
Net cash provided by financing activities		370,534	952,265
Net increase/(decrease) in cash and cash equivalents		(65,765)	329,526
Cash and cash equivalents at the beginning of the half-year		77,334	7,303
Cash and cash equivalents at the end of the half-year		11,569	336,829

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 2019

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 22 January 2020. 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 2019.

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 2019, together with any public announcements made during the following half-year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Restatement of financial information – Investment in Afro Energy

During the year ended 30 June 2018, based on the lack of information available at the time and the uncertainty surrounding the recoverability value of the investment, the Company resolved that the entire carrying amount of the investment in Afro Energy (Pty) Ltd ('Afro Energy') be impaired.

During the half-year ended 31 December 2019, the Company received signed audited accounts of its investment in associate, Afro Energy for years ended 2016 - 2019 and resolved the Company's concerns surrounding the carrying value of its investment.

Based on the audited accounts of Afro Energy and the financial position of that company, the Directors have determined that the recoverable amount of its investments was $7,717,594 rather than zero as recorded in the 30 June 2019 Financial Statements and have therefore reinstated the carrying value of its investment in Afro Energy at 1 July 2018 to $7,717,594.

As a result, prior year financial statements were required to be restated to rectify this matter and correct the impairment recorded in respect of this investment. Refer to Note 4 for further details.

New accounting standards and interpretations

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

Adoption of new and amended accounting standards

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies as a result of the adoption of the following standard:

- AASB 16 *Leases*

The impact of the adoption of these standards and the new accounting policies are disclosed below. The impact of these standards, and the other new and amended standards adopted by the Company, has not had a material impact on the amounts presented in the Company's financial statements.

AASB 16 Leases - Impact of Adoption

AASB 16 replaces the existing guidance in AASB 117 Leases. For lessees, all leases other than short term leases and low value leases will be recognised on the balance sheet. The new standard is effective for annual reporting periods commencing on or after 1 January 2019. The standard will see all leases, held by a lessee, record obligations as a liability and a corresponding right of use asset, both current and non-current, for the term of the lease.

The adoption of AASB 16 from 1 July 2019 resulted in no material changes in accounting policies and adjustments to the amounts recognised in the financial statements.

Notes to the interim financial statements for the half-year ended 31 December 2019

1. Basis of Accounting and Statement of Compliance (continued)

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 2019 the Company recorded a loss of $832,395 (31 December 2018: $954,274) and had net cash outflows from operating and investing activities of $436,299 (31 December 2018: $622,739). At 31 December 2019, the Company had a working capital deficiency of $878,005 (30 June 2019: $549,027).

The Company has been suspended from the ASX since 4 October 2017.

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;
- The Company has a recent proven history of successfully raising capital;
- The majority of creditors have provided confirmation that they will extend payment terms until such time that the company has the ability to pay;
- Continued support from major shareholders to raise funds for working capital purposes;
- The Company is also in discussions with the Company's corporate advisors and largest shareholder in relation to raising additional funding.
- The Company has made application to ASX to resume trading in its securities which will assist with capital raising potential.

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 2019

2. Issued Capital

(a) Ordinary Shares

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

Period ended 31 December 2018

		Issue Price	**Fully Paid Ordinary Shares**	**$**
1 July 2018	Opening balance		254,612,064	17,387,378
	Conversion of convertible notes to shares[1]	$0.02	21,651,773	433,036
	Conversion of convertible notes to shares[1]	$0.02	21,809,229	436,184
	Issue of shares for debt consideration[2]	$0.02	37,228,701	744,574
	Issue of shares pursuant to placement facility	$0.02	40,073,288	801,466
	Share issue costs		-	(32,201)
31 December 2018	Closing balance		375,375,055	19,770,437

[1] Of the total shares issued upon conversion of the convertible notes, 8,169,105 and 4,945,793 shares respectively were issued to Trident Capital Pty Ltd, a company of which Adam Sierakowski is a director and shareholder.

[2] Following shareholder approval on 23 November 2018, the Company issued 24,430,305, 6,473,396 and 6,325,000 ordinary shares to entities associated with Adam Sierakowski, Geoffrey Michael and James Searle respectively, in satisfaction of amounts owed in relation to director fees owing.

Period ended 31 December 2019

		Issue Price	**Fully Paid Ordinary 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 2019

2. Issued Capital (continued)

(b) Options

Movements in options during the six months to 31 December 2018 were as follows:

Period ended 31 December 2018

Exercise price	**3c**
Expiry date	**4 November 2018**
Opening balance	53,085,280
Issued during the period	-
Expired during the period	(53,085,280)
Exercised during the period	-
Closing balance	-

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

Period ended 31 December 2019

Exercise price	**3c**
Expiry date	**31 December 2021**
Opening balance	-
Issued during the period	36,518,022
Expired during the period	-
Exercised during the period	-
Closing balance	36,518,022

3. Property, Plant & Equipment

	31.12.2019 $	**30.06.2019 $**
Opening net book value	2,863	3,680
Depreciation charge	(267)	(817)
Closing net book value	2,596	2,863
Cost or fair value	36,889	36,889
Accumulated depreciation	(34,293)	(34,026)
	2,596	2,863

4. 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 all of the assets used, the revenue generated and the expenses incurred by the joint venture. The company is also liable for 49% of any liabilities incurred by the joint venture. In addition, pursuant to the joint venture agreement, the company has 49% of the voting rights in relation to the joint venture.

Notes to the interim financial statements for the half-year ended 31 December 2019

4. Investment in Associate (continued)

During the year ended 30 June 2018, based on the lack of information available at the time and the uncertainty surrounding the recoverability value of the investment, the Company resolved that the entire carrying amount of the investment to be impaired. The amount impaired was $10,652,783 which consisted of loans to Afro Energy of $2,935,189 and investment component of $7,717,594.

During the period ended 31 December 2019, the Company received signed audited accounts of Afro Energy (Pty) Ltd for the years ended 2016 – 2019 and resolved its other concerns around the financial position of Afro Energy.

As a result, the financial statements for the year ended 30 June 2019 have been restated to reflect the recoverable amount of the Company's investment in Afro Energy (Pty) Ltd of $7,717,594. This amount is adjusted for the Company's 49% share of loss incurred for the year ended 30 June 2019 of $169,113.

The carrying amount of equity-accounted investments in associates for the six months to 31 December 2019 is as follows:

	31.12.2019 $	30.06.2019 (Restated) $
Opening balance	7,548,481	-
Restatement of investment	-	7,717,594
Contributions to investment	-	-
Profit/(loss) for the period	(138,095)	(169,113)
Closing balance	7,410,386	7,548,481

Note that the loan component of $2,935,189 as at 30 June 2018 has not been reinstated as the Directors are unable to show the short term recoverability of this amount. Similarly, further advances since 1 July 2018 have been expensed accordingly.

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 2019. The financial year end date is 28 February.

Summarised Financial Position

	Unaudited 31.12.2019 $	28.02.2019 $
Assets		
Cash and cash equivalents	187	190
Non – Current Assets		
Capitalised exploration	2,888,166	2,947,431
Total Assets	2,888,353	2,947,621
Liabilities		
Provisions	27,824	28,395
Loan from joint venture partners	4,322,054	4,142,054
Total Liabilities	4,349,878	4,170,449
Net Deficiency of Assets	**(1,461,525)**	**(1,222,828)**

Notes to the interim financial statements for the half-year ended 31 December 2019

4. Investment in Associate (continued)

Summarised Financial Performance

	Unaudited 31.12.2019 (6 months) $	28.02.2019 (12 months) $
Revenue	-	-
Other operating expenses	(73,576)	(60,432)
Finance Costs	(208,251)	(283,845)
(Loss) before income tax expense	**(281,827)**	**(344,277)**
Income tax expense	-	-
(Loss) after income tax expense	**(281,827)**	**(344,277)**
Company share of loss	**(138,095)**	**(168,695)**

5. Trade and Other Payables

	31.12.2019 $	30.06.2019 $
Trade payables[1]	621,048	483,429
Accrued expenses	272,490	272,490
Accrued employee entitlements	47,247	67,069
	940,785	822,988

[1] During the period ended 31 December 2019, $143,000 of payables as at 30 June 2019 were satisfied by the issue of shares, refer to Note 2.

6. Convertible Notes

Current	31.12.2019 $	30.06.2019 $
Opening balance	-	498,658
Face value of notes issued[1]	180,000	133,000
Accrued interest expense	5,537	19,470
Conversion of notes to ordinary shares	(185,537)	(651,128)
Closing balance	-	-

[1] In October 2019, the Company issued further unsecured convertible notes with a face value of $180,000, as part of a capital raising exercise. They were converted to ordinary shares in December 2019. The loans accrued interest at 12% pa, were for a 6 month term, and were convertible into shares at $0.02 each.

Notes to the interim financial statements for the half-year ended 31 December 2019

7. 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.

8. Commitments for Expenditure

There has been no significant changes to the Company’s commitment since 30 June 2019.

9. Contingencies

There has been no significant changes to the Company’s contingent liabilities since 30 June 2019.

10. Events Occurring After The Reporting Period

There are no matters or circumstances that have arisen since 31 December 2019 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial periods.

11. Related Party Transactions

a) During the half-year, convertible notes with a face value of $30,000 were issued to Adam Sierakowski, Chairman of the Company. Interest of $593 was accrued, and in December 2019 the total of $30,593 was converted into 1,529,637 shares at $0.02 each.

b) In December 2019, trade amounts payable of $143,000 to Trident Capital Pty Ltd, a company in which Adam Sierakowski is a Director and shareholder, were converted to 7,150,000 ordinary shares at $0.02 each.

c) There have been no other significant changes to the Company’s related party transactions since 30 June 2019.