

Kinetiko Energy Ltd

ABN: 45 141 647 529

Interim Financial report for the half-year ended
31 December 2021

Interim Financial report for the half-year ended 31 December 2021

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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

Directors' report

The directors of Kinetiko Energy Ltd ("Kinetiko") submit herewith the financial report for the half-year ended 31 December 2021. 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 \$2,231,808 (December 2020: loss of \$1,124,340).

Review of operations

Perth-based energy exploration company Kinetiko Energy Limited (ASX:KKO) ("Kinetiko") is pleased to report on corporate developments and operation activities at its Amersfoort project and adjacent Exploration Rights in South Africa (Figure 1) during the second half (Jul-Dec) of 2021. The activities are conducted through Afro Energy (Pty) Ltd ("Afro Energy") an incorporated joint owned by Kinetiko Energy Ltd of Australia (49% and Operator) and Badimo Gas (Pty) Ltd ("Badimo") of South Africa (51%).

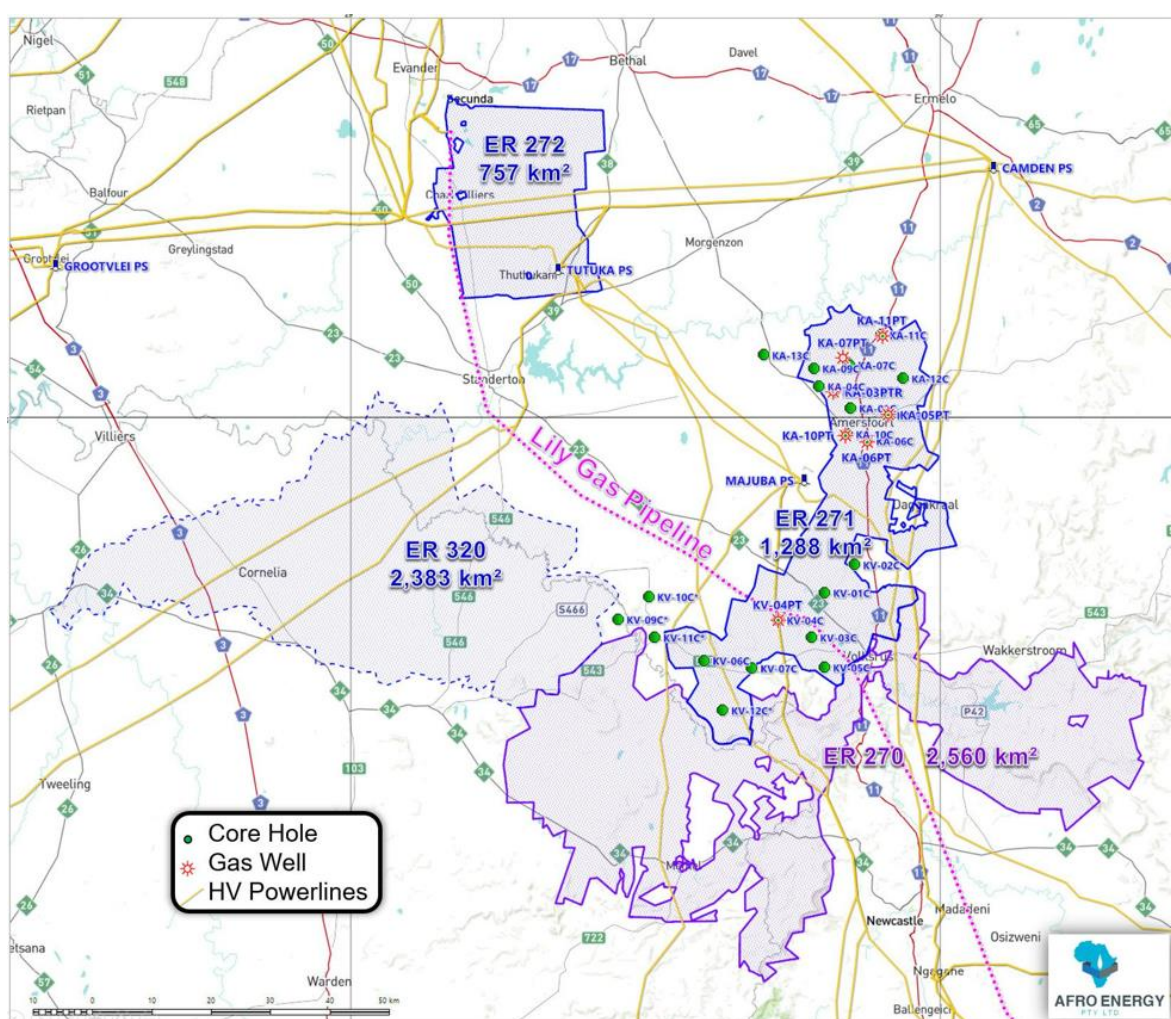


Figure 1 - Afro Energy Exploration Rights & Applications

Directors' report

HIGHLIGHTS

- **Health, Safety and Environment.**

No reportable accidents, injuries or environmental incidents have been recorded during the period.

- **Covid – 19**

Afro Energy continued exploration activities observing South Africa's latest Covid-19 restrictions and regulations. Onsite protocols are strictly enforced.

- **Funding**

The Company successfully completed a Capital Raising to sophisticated investors raising \$2.8m. Kinetiko is debt free and has cash of approximately \$1.013m, reflecting the cost of the recent exploration program.

- **Regulatory**

Afro Energy's revised application to The Petroleum Agency of South Africa (PASA) applying for the consolidation of exploration rights ER56, ER38 and ER271 into ER271 in terms of section 102 of the Mineral and Petroleum Resources Development Act (MPRDA) of 2002 was approved by the DMRE.

Afro Energy's application for the amendment of the Environmental Impact Assessment (EIA) Regulations to existing EMPRs for exploration rights ER38, ER271 and ER56 into a consolidated EMPR for ER271 was also approved.

- **Corporate**

- Badimo Gas (Pty) Ltd and Kinetiko Energy Ltd have executed a Share Restructure Agreement with the intention of Kinetiko acquiring Badimo's 51% equity interest in Afro Energy.
- Negotiations and planning toward a South African institutional investment in a Special Purpose Vehicle for a specific and framed scope of Afro Energy wells and production volume are advanced and should be completed early in 2022.
- Negotiations and planning toward an early gas offtake for a small (initially 1MW) infield power generating plant are advanced.

- **Operations**

Aeromagnetic Surveys:

- Afro Energy conducted aeromagnetic and radio surveys over three areas during November/December 2021. This data acquisition project was completed in the first week of December and the data and job reports have been processed.

Drilling Operations:

- The Company spudded three wells during Q4-2021 and continued with drilling operations up to the annual Christmas shut down period. These wellsites are all in the vicinity of the most recently proven production success on the Brakfontein farm near Amersfoort, Mpumalanga. This grouping of wells is known as the "Korhaan" drilling project and constitutes wells Korhaan-3, Korhaan-4 and Korhaan-5.

Directors' report

HEALTH, SAFETY AND ENVIRONMENT

No reportable accidents, injuries or environmental incidents have been recorded during the period. One medical event on the drilling site for a centipede sting, and one first aid case for a pinched finger during drilling operations - no lost time. Various snake species and wild bee nests were encountered in the operational area and handled under catch-and-release protocol. All of the above issues were addressed in daily safety meetings to mitigate the chance of recurrence and improve the level of safety as a behavioural attitude. Further toolbox talks were held every shift change to increase safety awareness.

COVID-19

Regular sanitising, full time mask wearing and social distancing, where possible, are observed. However, after a few cases of illness became evident, all onsite people, including the drilling contractor crews, were tested for COVID-19 and two cases were found to be positive. The infected individuals were secluded and replaced immediately. Subsequent testing showed a full complement of negative results for onsite personnel. All visitors to site require negative COVID-19 test results.

REGULATORY

Afro Energy submitted a revised application to PASA applying for the consolidation of exploration rights ER56, ER38 and ER271 into ER271 in terms of section 102 of the mineral and petroleum resources development act of 2002. The signing ceremony of the Deed of Amendment for the consolidation of ER271 was undertaken on 03 Dec 2021 at the PASA offices, with documents signed by the Afro Energy Chairman, Mr Don Ncube, and the PASA CEO, Ms Phindile Masangane.

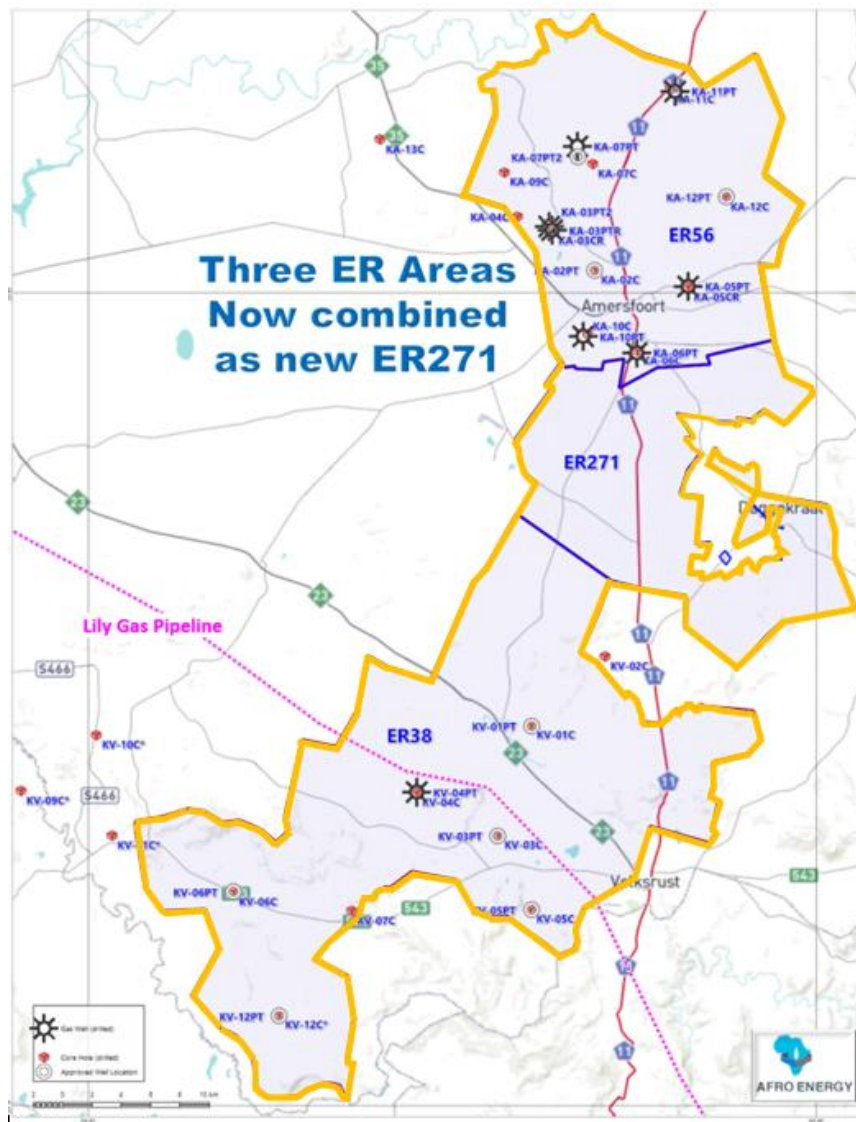


Figure 2 – The new consolidated ER271

Directors' report

Afro Energy's application for the amendment in terms of section 29 of the Environmental Impact Assessment (EIA) Regulations (guided by Regulation 54(2) of the EIA Regulations, 2014) to existing EMPRs for exploration rights ER38, ER271 and ER56 into a consolidated EMPR for ER271 was also approved (Figure 2).

SLR Consulting was appointed as competent environmental practitioners to draft the consolidated report.

The above applications were approved on 19 August 2021 by the DMRE and ratified by the signing of the deeds at PASA on 03 Dec 2021.

EXPLORATION RIGHT 12/3/320ER

PASA 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 in Block ER320. 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. Afro Energy 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. We await instruction from PASA in this regard.

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.

CORPORATE

PROPOSED ACQUISITION OF BADIMO BY KINETIKO

Badimo Gas (Pty) Ltd and Kinetiko Energy Ltd have executed a Share Restructure Agreement with the intention of Kinetiko acquiring Badimo's 51% equity interest in Afro Energy by issuing Kinetiko shares to Badimo and onboarding certain Badimo Board members to the Kinetiko Board. The companies continued to progress their agreed merger with progress being made towards obtaining all financial and regulatory approvals. The significant Section.11 approval process is advancing constructively and is currently in the hands of the relevant Minister (Hon Gwede Mantashe) for signature. The proposed acquisition significantly de-risks the development of the South African projects and brings together all the experience and expertise of the joint venture parties and will also provide a trigger for local, institutional investment in Afro Energy's projects. Once finalised, the proposed acquisition will streamline the exploration and development of nearly 7,000km² of Exploration Rights and applications for Exploration Rights.

The respective Boards and major shareholders of both Badimo and Kinetiko are supportive of the acquisition and have been working together to complete the satisfaction of the conditions to the merger where good progress and agreements in principle have been made and signed off.

INVESTMENT AND OFF-TAKE

- Negotiations and planning towards a South African institutional investment in a Special Purpose Vehicle for a specific and framed scope of Afro Energy wells and production volume are advanced, a major agreement has been drafted and should be concluded within Q1 2022.
- Negotiations and planning towards an early gas offtake for a small (initially 1MW minimum) infield power generating plant are advance and a Terms Sheet with Vutomi Energy was executed in late December 2021. Significant progress has been made towards completion of a formal binding gas production agreement and this should provide early proof of concept for future increased power generation.

Directors' report

FUNDING

Kinetiko Energy Limited successfully completed a AUD\$2.8m sophisticated capital raising in September 2021. Kinetiko is debt free and has cash of approximately \$1,013M at the end of the period, which reflects the cost of the recent exploration program (both aeromags and drilling activities).

In addition, negotiations continue to advance with a South African institutional investor to fund a pilot production field to an amount of approximately AUD\$7m.

These achievements and the ongoing merger of the Afro Energy joint venture have elicited a number of positive enquiries from potential funding institutions both inside South Africa and abroad to fund and participate in the Amersfoort project development and in particular the potential development of a pilot production field. Afro energy remains in discussions with a number of interested funding parties.

EXPLORATION

DRILLING OPERATIONS

Kinetiko spudded three wells during Q4-2021 and continued with drilling operations up to the annual Christmas shut down period. These wellsites are all in the vicinity of our most recently proven production success on the Brakfontein farm near Amersfoort, Mpumalanga. This grouping of wells is known as the “Korhaan” drilling project and constitutes wells Korhaan-3, Korhaan-4 and Korhaan-5 (see Figure 3). These wells are a combination of “appraisal” (proving the productivity of the sandstone components in the localised compartments) as well as “production” (they will be completed ready to bring in as producers in the near future). As at the end of the fourth quarter, the status of the wells is as follows:

Korhaan-3: Drilled to 102m and suspended pending re-start in January 2022

Korhaan-4: Drilled to Terminal Depth at 443m with surface casing run and cemented to 127m

Korhaan-5: Drilled to 150m with surface casing run and cemented to 147m

All three wells will be flow tested in Q1 2022.

Weather: The greatest risk to the operational timing has been the regional weather. The Korhaan drilling sites experienced inordinate storm counts this summer, surpassing decade-long records. Afro Energy's HSE Policy dictates that we down-mast the rigs in any case where lightning encroaches within 20km and so downtime due to thunderstorms cost us about 35% of the productive period from mid-November to mid-December.

Directors' report

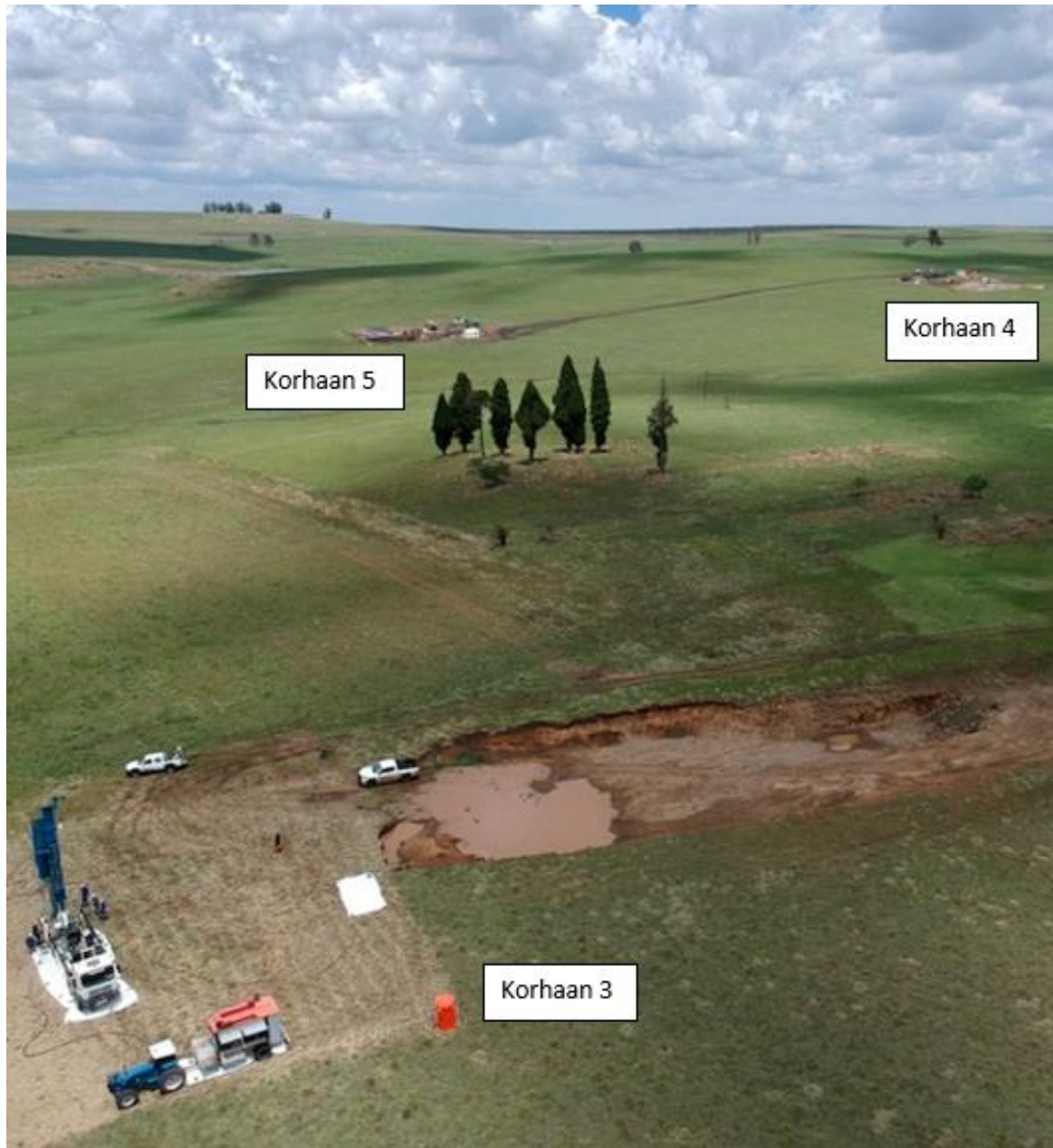


Figure 3 – Korhaan Project Wells

AEROMAGNETIC SURVEYS

Afro Energy conducted aeromagnetic and radio surveys over the three areas as shown below (Figure 4). This data acquisition project was completed in the first week of December 2021 and the data and job reports have been processed by the Company's consulting Geophysicist. This has identified a significant number of further potential compartments for drilling targets.

- Line spacing: 50m
- Tie line spacing: 500m
- Line orientation: 135°/315° - ER 270 North 0°/180°
- Tie line orientation: 45°/225° - ER 270 North 90°/270°
- Flying Height: 35m Mean Terrain Clearance above ground level.

Directors' report

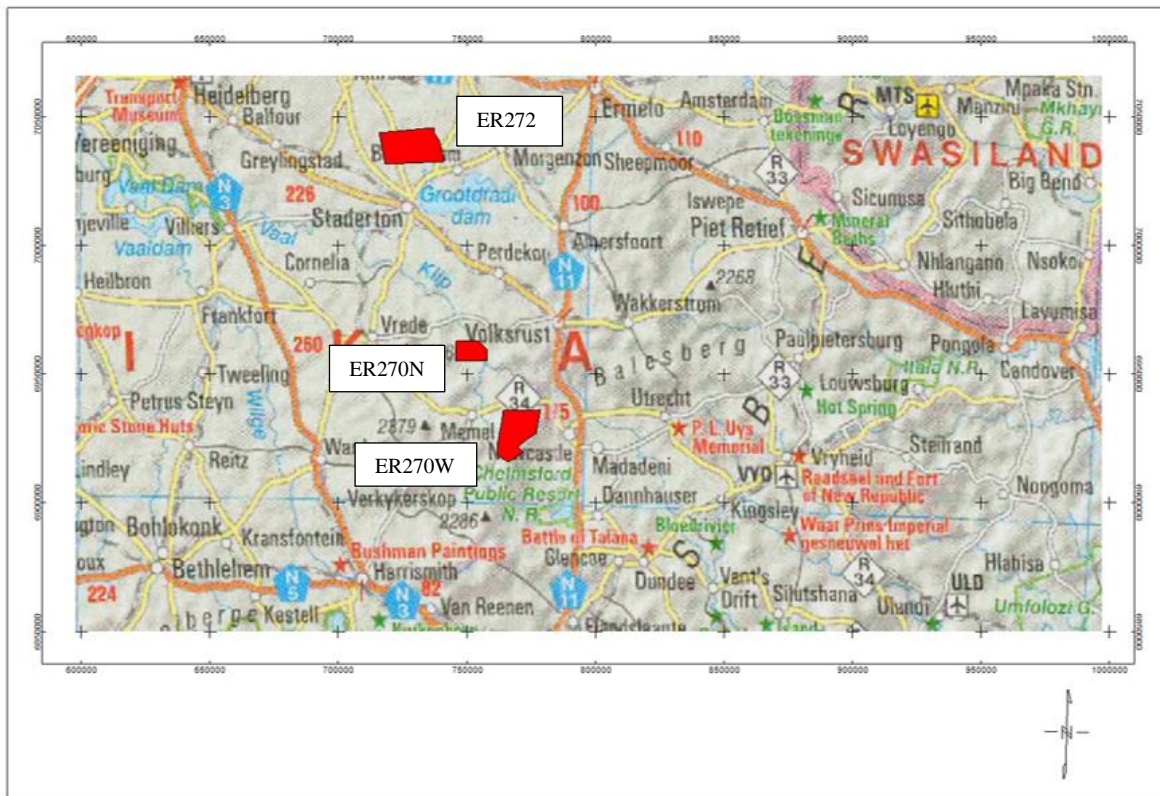


Figure 4 – Aeromag survey areas ER270W, ER270N & ER272

Interpretation of the results was based on:

- Magnetic intensity reduced to pole images.
- Magnetic signature dominated by dolerite dykes and sills, with some cultural interference (powerlines, railway lines, etc.).
- Identification of dolerite dykes.
- Priority areas identified within compartments bounded by dykes – dykes form barriers for migration of gas.
- Compartments of high magnetic intensity avoided as indication of high dolerite (sill) content and consequently reduced potential reservoir volume.

Resulting analysis indicates that a total of **42 new compartments**, measuring collectively over **264 km²**, have been discovered in the survey areas. This adds to the existing 37 compartments already identified by previous aeromagnetic surveys and provides the Company with 79 potentially viable sites for further investigation.

ER270N:	12 compartments totalling 43.86 km²
ER270S:	19 compartments totalling 85.25 km²
ER272:	11 compartments totalling 135.06 km²

Directors' report

PRODUCTION

GAS SALES AND PURCHASE AGREEMENT UNDER BULK SAMPLING PERMIT

Beyond the term sheet executed with Vutomi Energy (Pty) Ltd, Afro Energy is in negotiation with a number of other potential gas off-takers for small and intermittent gas production from future planned well clusters, where current potential off-takers are looking at mainly LNG and in-field power generation solutions.

PILOT PRODUCTION FIELD DEVELOPMENT

Afro Energy has modelled a 15 well pilot production field in the Amersfoort region which it has been seeking institutional funding to develop. Negotiations have now completed to advance with a South African institutional investor to fund a pilot production field to an amount of approximately AUD\$7m and participate in the development of a pilot production field. The Company already has EIAs in hand to continue drilling up to five more development wells in the Brakfontein area, and five more exploration wells in the Volksrust area; and work is continuing in order to obtain EIA approvals for further wellsites across greater areas of Exploration Rights.

TENURE STATUS

<u>Tenement reference</u>	<u>Nature of interest</u>
ER320 (TCP 106)	Application for conversion from TCP to exploration right approved by regulator. Application for EIA delayed due to regulatory and inter-Departmental issues. Awaiting feedback from PASA.
ER 270	Exploration Right granted on 03 September 2019.
ER 271	Consolidation to include ER56 and ER38 granted by DMR on 19 August 2021 and ratified by deed on 03 Dec 21.
ER 272	Exploration Right granted in 21 August 2019.

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 30 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.

Previously Reported Information Footnotes

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 2021 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial periods.

Dividends Paid or Recommended

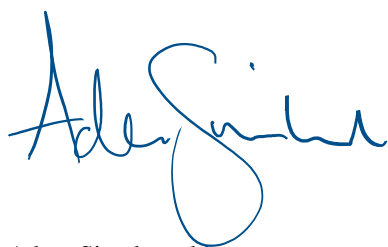
No dividends were paid during the period and no recommendation is made as to payments of future dividends.

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: 14 March 2022

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

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

A handwritten signature in black ink, appearing to read 'J Prue', is written over a light grey circular watermark that says 'For personal use only'.

Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 14 March 2022

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 2021, 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 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

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

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

Material uncertainty relating to going concern

We draw attention to Note 1 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 and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 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) Pty Ltd

The block contains the BDO logo (the letters 'BDO' in blue) and a handwritten signature in black ink that appears to read 'J Prue'.

Jarrad Prue
Director

Perth, 14 March 2022

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 2021 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: 14 March 2022

Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2021

	Note	Half-year ended 31 Dec 2021 \$	Half-year ended 31 Dec 2020 \$
Revenue			
Other income	2(a)	352	43,376
Foreign exchange gain		-	14,413
Total Revenue		<u>352</u>	<u>57,789</u>
Expenses			
Consultancy and professional costs	2(c)	(77,561)	(334,170)
Employee and contractor expenses		(285,049)	(275,812)
Occupancy expenses		(7,375)	(10,163)
Depreciation	2(b)	(7,125)	(5,393)
Project expenditure	6	(1,527,564)	(397,833)
Interest expense and finance charges		(163)	(10,180)
Loss in share of associate	6	(138,509)	(77,602)
Administration expenses		(146,494)	(70,820)
Travel expenses		(105)	(156)
Foreign exchange loss		(42,215)	-
Total expenses		<u>(2,232,160)</u>	<u>(1,182,129)</u>
Loss before income tax expense		<u>(2,231,808)</u>	<u>(1,124,340)</u>
Income tax benefit/(expense)		-	-
Loss after income tax expense for the period		<u>(2,231,808)</u>	<u>(1,124,340)</u>
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign balances		(457,779)	343,427
Other comprehensive income/(loss) for the period		<u>(457,779)</u>	<u>343,427</u>
Total comprehensive loss for the period net of tax		<u><u>(2,689,587)</u></u>	<u><u>(780,913)</u></u>
Loss per share attributable to equity holders of the company:			
Basic loss per share (cents)		(0.39)	(0.21)

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 2021

	Note	31 December 2021 \$	30 June 2021 \$
CURRENT ASSETS			
Cash and cash equivalents		1,012,701	190,857
Receivables	4	762,473	622,744
Other assets		227,758	11,090
TOTAL CURRENT ASSETS		2,002,932	824,691
NON CURRENT ASSETS			
Property, plant & equipment	5	106,896	1,954
Investment in associate	6	6,417,924	7,014,212
TOTAL NON CURRENT ASSETS		6,524,820	7,016,166
TOTAL ASSETS		8,527,752	7,840,857
CURRENT LIABILITIES			
Trade and other payables	7	734,730	298,914
TOTAL CURRENT LIABILITIES		734,730	298,914
TOTAL LIABILITIES		734,730	298,914
NET ASSETS		7,793,022	7,541,943
EQUITY			
Contributed equity	3	27,143,709	24,319,825
Reserves		298,937	639,934
Accumulated losses		(19,649,624)	(17,417,816)
TOTAL EQUITY		7,793,022	7,541,943

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 2021

For the period ended 31 December 2020	Attributable to equity holders			Total Equity
	Ordinary Shares	Reserves	Accumulated Losses	
	\$	\$	\$	\$
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
Total comprehensive loss for the period	-	343,427	(1,124,340)	(780,913)
Transactions with owners in their capacity as owners				
Issue of shares during the period	969,194	-	-	969,194
Issue of options during the period	-	14,967	-	14,967
Share issue costs	(35,260)	-	-	(35,260)
Total contributions by owners	933,934	14,967	-	948,901
At end of period	23,994,511	326,744	(16,837,257)	7,483,998
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 13	-	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

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 2021

	Half-year ended 31 Dec 2021 \$	Half-year ended 31 Dec 2020 \$
Cash flows from operating activities		
Payments to suppliers and employees	(759,689)	(806,446)
Interest received	352	124
Interest and other costs of finance paid	(163)	(10,180)
Payments for project expenditure	(1,088,873)	(390,099)
Net cash used in operating activities	(1,848,373)	(1,206,601)
Cash flows from investing activities		
Loans to associate	(45,143)	(84,913)
Payments for property, plant and equipment	(112,067)	(5,201)
Payments relating to the proposed acquisition	(113,240)	-
Net cash used in investing activities	(270,450)	(90,114)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	2,848,000	969,194
Proceeds from issue of options	-	14,967
Proceeds from exercise of options	287,365	-
Share issue costs	(194,698)	(35,260)
Net cash provided by financing activities	2,940,667	948,901
Net increase/(decrease) in cash and cash equivalents	821,844	(347,814)
Cash and cash equivalents at the beginning of the half-year	190,857	1,114,767
Cash and cash equivalents at the end of the half-year	1,012,701	766,953

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 2021

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 14 March 2022. 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 2021.

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 2021, 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 2021, 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 2021.

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 2021 the Company recorded a loss of \$2,231,808 (31 December 2020: \$1,124,340) and had net cash outflows from operating and investing activities of \$2,118,823 (31 December 2020: \$1,296,715). At 31 December 2021, the Company had a working capital surplus of \$1,268,202 (30 June 2021: \$709,462).

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 2021

2. Loss from continuing operations

	31.12.2021 \$	31.12.2020 \$
Loss from continuing operations before income tax includes the following items of income and expenses		
(a) <u>Other Income</u>		
Interest income	352	124
ATO cashflow boost	-	43,252
Other income from ordinary activities	352	43,376
(b) <u>Operating Expenses</u>		
Depreciation of plant and equipment	7,125	5,393
(c) <u>Significant Expenses</u>		
Consulting and professional costs		
- Accounting fees	25,016	71,393
- Auditing costs	19,295	19,551
- Legal fees	15,520	202,121
- Other professional fees	17,730	41,105
	77,561	334,170

3. Issued Capital

(a) Ordinary Shares

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

Period ended 31 December 2020

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

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

Notes to the interim financial statements for the half-year ended 31 December 2021

3. Issued Capital (continued)

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		<u>626,229,536</u>	<u>27,143,709</u>

¹ Of the total options exercised during the period, 6,228,831 options were held by Directors. Refer to Note 12(a).

(b) Options

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

Period ended 31 December 2020

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

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

Period ended 31 December 2021

Exercise price Expiry date	3c 31 December 2021	13c 7 July 2023
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>

¹Refer to Note 13

Notes to the interim financial statements for the half-year ended 31 December 2021

4. Receivables

	31.12.2021 \$	30.06.2021 \$
Current		
Other receivables – VAT refundable	103,838	10,865
Other receivables – GST refundable	17,916	16,628
Other receivables	83,287	39,967
Loan – Associated entity	557,432	555,284
	<u>762,473</u>	<u>622,744</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.

As per the Company's announcement on 7 May 2021, the loan to associate 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.

5. Property, Plant & Equipment

	31.12.2021 \$	30.06.2021 \$
Opening net book value	1,954	2,333
Additions	112,067	-
Depreciation charge	(7,125)	(379)
Closing net book value	<u>106,896</u>	<u>1,954</u>
Cost or fair value	148,956	36,889
Accumulated depreciation	<u>(42,060)</u>	<u>(34,935)</u>
	<u>106,896</u>	<u>1,954</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 2021, 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 \$1,527,564.

The carrying amount of equity-accounted investments in associates for the six months to 31 December 2021 is as follows:

	31.12.2021 \$	30.06.2021 \$
Opening balance	7,014,212	6,506,569
Profit/(loss) for the period	(138,509)	(148,973)
Foreign exchange revaluation	(457,779)	656,616
Closing balance	<u>6,417,924</u>	<u>7,014,212</u>

Notes to the interim financial statements for the half-year ended 31 December 2021

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 2021. The financial year end date is 30 June.

Summarised Financial Position

	Unaudited 31.12.2021 \$	Audited 30.06.2021 \$
Assets		
Cash and cash equivalents	9	45
Trade and other receivables	61,239	52,944
Non – Current Assets		
Capitalised exploration	4,805,623	3,820,413
Total Assets	<u>4,866,871</u>	<u>3,873,402</u>

Summarised Financial Position

	Unaudited 31.12.2021 \$	Audited 30.06.2021 \$
Current Liabilities		
Trade and other payables	96,305	105,228
Non-Current Liabilities		
Provisions	5,209	34,067
Loan from joint venture partners	6,969,585	5,806,746
Total Liabilities	<u>7,071,099</u>	<u>5,946,041</u>
Net Deficiency of Assets	<u>(2,204,228)</u>	<u>(2,072,639)</u>

Summarised Financial Performance

	Unaudited 31.12.2021 (6 months) \$	Audited 30.06.2021 (12 months) \$
Revenue	-	-
Other operating expenses	(161,009)	(88,795)
Finance Costs	(121,662)	(215,232)
Loss before income tax expense	<u>(282,671)</u>	<u>(304,027)</u>
Income tax expense	-	-
Loss after income tax expense	<u>(282,671)</u>	<u>(304,027)</u>
Company share of loss	<u>(138,509)</u>	<u>(148,973)</u>

Notes to the interim financial statements for the half-year ended 31 December 2021

7. Trade and Other Payables

	31.12.2021 \$	30.06.2021 \$
Trade payables and accruals	667,426	220,463
Trade payables and accruals – related parties	67,304	78,451
	<u>734,730</u>	<u>298,914</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 2021.

10. Contingencies and Commitments

During the half-year ended 31 December 2021, 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 ('Consolidation 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.

As at the date of this report, the parties were in the process of satisfying conditions precedent, including awaiting regulatory compliance.

There has been no other significant changes to the Company's contingent assets or liabilities since 30 June 2021.

11. Events Occurring After The Reporting Period

There are no matters or circumstances that have arisen since 31 December 2021 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 2021

12. Related Party Transactions

- a) During the half-year ended 31 December 2021, 6,228,831 options held by Directors were exercised in full to raise \$186,865.
- b) There have been no other significant changes to the Company's related party transactions since 30 June 2021.

13. Share Based Payments

- a) On 7 July 2021, 3,000,000 unlisted options were issued to the lead broker associated with the Company's share purchase plan in 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

- b) On 10 August 2021, the Company announced that Mr Nicholas de Blocq had been appointed as the new Chief Executive Officer (CEO), replacing Mr John Visage in the role.

Under the terms of Mr de Blocq's employment agreement, his remuneration package is as follows:

Remuneration:	\$240,000 p.a.
Remuneration review:	On or about 1 August 2022 and on each anniversary of that date thereafter.
Incentive options:	2,000,000 performance options which shall entitle the CEO to acquire 1 share for every performance option held following satisfaction of the performance criteria being the completion of 12 months of service under the terms of the Agreement. The terms of the performance options are exercisable at 10 cents per share on or before 31 July 2024.

The fair value of these options granted is estimated to be \$112,938 which was calculated using the Black-Scholes option valuation methodology and applying the following inputs:

Weighted average exercise price (cents)	10.00
Weighted average life of the options (years)	3.00
Weighted average underlying share price (cents)	10.00
Expected share price volatility	89.90%
Risk-free interest rate	0.13%
Expiry date	31 July 2024