

**KINETIKO ENERGY LTD**

**ABN 45 141 647 529**

**Financial Report  
for the Year Ended  
30 June 2024**

## C O N T E N T S

|                                                                         |         |
|-------------------------------------------------------------------------|---------|
| Corporate Directory                                                     | 2       |
| Chairman's Address                                                      | 3 - 7   |
| Directors' Report                                                       | 8 - 28  |
| Consolidated Entity Disclosure Statement                                | 29      |
| Auditor's Independence Declaration                                      | 30      |
| Independent Audit Report                                                | 31 - 35 |
| Directors' Declaration                                                  | 36      |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 37 - 38 |
| Consolidated Statement of Financial Position                            | 39      |
| Consolidated Statement of Changes in Equity                             | 40      |
| Consolidated Statement of Cash Flows                                    | 41      |
| Notes to the Financial Statements                                       | 42 - 71 |

## Corporate Directory

### Directors

Adam Sierakowski  
Dirk Robert Bulder  
Donald Mzolisa Jones Ncube  
Robert Scharnell

### Company Secretary

Simon Whybrow

### Public Officer

Adam Sierakowski

### Principal Activity

Coal Bed Methane Exploration

### Principal Place of Business

283 Rokeby Road  
SUBIACO WA 6008

### Registered Office

283 Rokeby Road  
SUBIACO WA 6008

### Auditors

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

### Stock Exchange Listing

Australian Securities Exchange  
Home Exchange: Perth  
Code: KKO

### Share Registry

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

## Chairman's Address

*"It has been a transformative year for Kinetiko Energy as we have continued to advance our vision of delivering energy security to South Africa through the commercialisation of shallow conventional gas projects in the Mpumalanga Province. Our successful drilling and gas flow testing results resulted in the Company increasing its contingent gas resource 2C to 6TCF and obtaining a maiden gas reserve 2p of 6.4BCF. This also enabled strong strategic partnerships with the Industrial Development Corporation of South Africa to be developed and with regional exploration success in every well drilled positions Kinetiko to be a key player in South Africa's energy transition."*

### **Introduction**

Kinetiko Energy Ltd (ASX: KKO) is actively developing shallow conventional gas projects in South Africa's Mpumalanga Province as part of its energy transition strategy. The Company has been focusing on drilling and coring campaigns in its key blocks, ER272 and ER270, achieving significant milestones.

In block ER272, Kinetiko successfully completed a six-borehole coring campaign, consistently striking gas in all drilled wells. The block showed an average gas cut of about 90% in the logged sub-igneous stratigraphy, with an average of 128 metres of pay per hole.

In block ER270, core hole 270-08C near Memel, marked Kinetiko's deepest well at 745 metres, which revealed substantial gas-bearing intervals. Subsequent drills at core holes 270-12C and 270-11C also showed promising gas-bearing geology, supporting the potential for multi-field development and further boosting confidence in the consistency of gas reserves across their acreage.

### **Operational Progress**

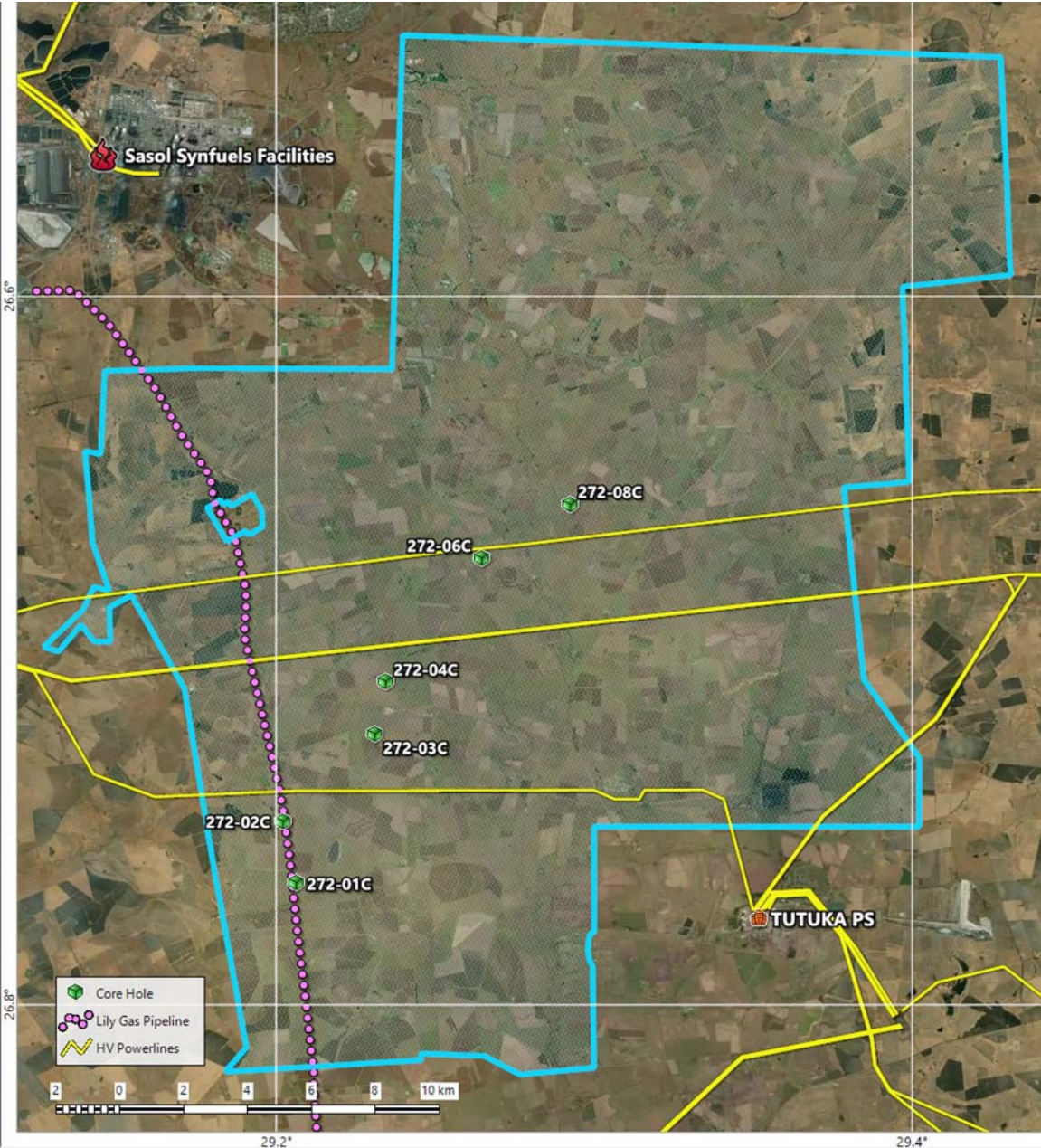
Throughout the year, Kinetiko successfully drilled and logged 7 core holes across our exploration blocks. This included notable achievements in Blocks ER272 and ER270, where we encountered significant gas-bearing zones with strong shows across various wells. Importantly, we achieved a 100% success rate in identifying gas strikes during drilling, reinforcing the vast potential of our acreage.

After drilling four core holes in block ER272 prior to mid-2023, we concluded a highly successful, six-core hole campaign in our northernmost block by drilling 272-03C and 272-04C in Q3-2023.

We then re-started work in block ER270, our southernmost block in September 2023 when we spudded core hole 270-02C south of the town of Volksrust. Of the four previous boreholes which had been drilled in this block, three were to satisfy the initial Exploration Right obligation, and the following six were to conclude the required work scope under our Petroleum Agency of South Africa (**PASA**) approvals.

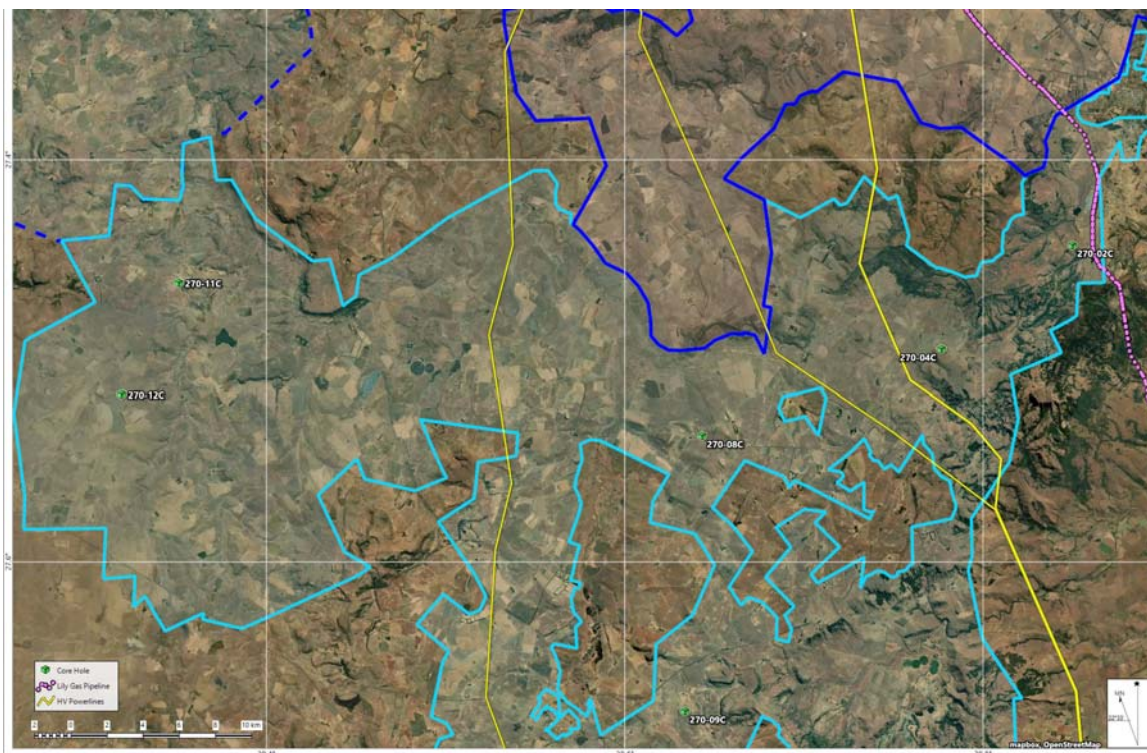
The maps below of Blocks ER270 and ER272, respectively, show the coring sites for the last annum on each block:

Chairman's Address (continued)





## Chairman's Address (continued)



Kinetiko achieved a major milestone with the certification of its maiden gas reserves of 6.4 BCF, as detailed in the Sproule Report dated 14 August 2023. These reserves, assessed over a pilot gas production field of less than 7 km<sup>2</sup>, are underpinned by positive economics from an IDC joint venture. The maiden reserves, based on an initial 6.8 km<sup>2</sup> 30-well cluster, represent less than 0.2% of Afro Energy's granted rights and application areas, indicating significant potential for future gas reserve increases. The report also highlighted a 20%+ increase in the 2C Contingent Gas Resource, bringing it to over 6.0 TCF, with expectations for further upgrades upon the granting of the adjacent exploration right (ER 383).

Additionally, a Prospective Resource 2U of 5.8 TCF was calculated, which could be converted to contingent resources with further exploration.

In May 2024, Kinetiko, in partnership with our Gas-To-Power proof of concept partner, FFS Refiners, successfully demonstrated power production from a gas well at Amersfoort using a 1.2MW gas generator.

This pioneering demonstration validated the commercial viability of the Company's high-quality natural gas. During flow periods, the calibrated gas quality meter measured close to 99% methane and 1% nitrogen. Kinetiko plans to leverage this success by developing a producing LNG facility from this specific field. Kinetiko and FFS as part of proof of concept demonstration hosted a field visit event for over fifty representatives from the investment, technical, regulatory, and gas user industries. The attendees observed the gas generator setup and witnessed flaring from four production wells in the Korhaan cluster which resulted in significant commercial and corporate interest in gas production development opportunities.

The demonstration supports plans for a thirty-well LNG production cluster. This pilot field will satisfy the context of the Company's maiden reserve certification, whilst providing a first step towards highlighting the potential of Kinetiko's 6 TCF (2C) gas resource to power South Africa's economy.

### Chairman's Address (continued)

Image below: 1.2mw gas generator powering on KKO gas flow from one pilot production well



### Energy Security and ESG Initiatives

Kinetiko is acutely aware of the critical role energy security plays in South Africa's future. Our gas projects are set to significantly reduce reliance on coal and imported energy sources, contributing to a cleaner, more reliable energy mix. Our flagship Mpumalanga Gas Project is primed to deliver substantial volumes of gas to help alleviate South Africa's energy challenges.

We are committed to operating with the highest standards of environmental, social, and governance (ESG) practices. Our drilling operations are conducted with minimal environmental impact, and we prioritise local employment, having engaged South African contractors and suppliers across all of our operations over many years. No accidents, injuries, health or environmental incidents were reported during the financial year, with safety meetings conducted before each shift at the well site. By year end June 2024, the Company recorded 17,220 person-hours (measured at the worksite only) without any reportable safety incidents. We continue to make progress on our environmental impact assessments (EIAs), ensuring all of our activities align with stringent regulatory and community standards.

### Corporate Activities

The year saw significant corporate restructuring as Kinetiko completed the acquisition of Afro Energy by buying out the other half of that company owner 51% by Badimo Gas (Pty) Ltd (Badimo), giving us full ownership of the exploration rights to the Mpumalanga Gas Project. This consolidation is critical to streamlining our efforts to become a leading energy supplier in South Africa. We also secured important capital raisings, including A\$6.5m through a subscription agreement with significant South African institutions for the acquisition and restructuring of Afro Energy and a well-supported A\$5m rights issue, allowing us to accelerate our exploration and production efforts.

Following the Afro Energy acquisition, two Badimo Gas nominees, Donald Ncube and Robert Bulder, joined Kinetiko's Board, along with Robert Scharnell, an experienced international oil and gas executive. These appointments coincided with the departure of longstanding directors Geoff Michael and Tom Fontaine, signaling Kinetiko's strategic emphasis on advancing energy transition solutions for South Africa and exploiting gas projects in the region.

### Chairman's Address (continued)

#### Looking Ahead

Kinetiko remains on track to deliver gas-to-power solutions that will play an essential role in South Africa's energy future. The next twelve months will be critical for Kinetiko as we transition from exploration to development of production-focused activities. The commencement of the five-well production test program in Q4 2024 will provide essential data to refine our production models, secure stable gas flow rates for commercial production and increase the potential to substantial increase gas reserves certification.

Kinetiko is advancing its Production Right application for block ER271 by working with environmental experts to develop a Environmental Impact Assessment (EIA). The Company also has an ongoing application for ER383, covering 2,383 km<sup>2</sup> across the Freestate and Mpumalanga provinces, which is expected to enhance its gas resources once granted. Regulatory approval granting ER383 is anticipated by mid-2025.

These initiatives enable Kinetiko to be well-positioned to deliver its first LNG production cluster within the next 18 months, along with significant upgrades to gas reserves and the development of strategic partnerships to bring multiple gas productions clusters on line for many years to come.

Thank you for your continued support as we work towards unlocking the potential of our significant gas resources to power the future of South Africa.



**Adam Sierakowski**  
Executive Chairman



## Directors' Report

The directors of Kinetiko Energy Ltd ("the Company") and its controlled entities ("the Group") submit herewith the financial report of the Company for the financial year ended 30 June 2024. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows:

### Directors

The names of the directors in office during the financial year and until the date of this report are:

Adam Sierakowski  
Geoffrey Michael (resigned 24 November 2023)  
Thomas Fontaine (ceased 24 November 2023)  
Donald Mzolisa Jones Ncube (appointed 21 September 2023)  
Dirk Robert Bulder (appointed 21 September 2023)  
Robert Scharnell (appointed 24 November 2023)

### Information on Directors

#### Adam Sierakowski, Executive Chairman

Mr Sierakowski is a lawyer and founding director of the legal firm Palisade Corporate (formerly Price Sierakowski). He has more than 21 years of experience in legal practice, much of which he has spent as a corporate lawyer, consulting and advising on a range of transactions to a variety of large private and listed public entities. He has advised and guided many companies undertaking IPO, RTO, fundraising and M&A activities in Australia and overseas.

As the co-founder of Trident Capital, Mr Sierakowski has also advised a variety of public and private clients on the structuring of their transactions and has been engaged in co-ordinating fundraising both domestically and overseas. He has vast experience in restructuring and mergers and acquisitions and has played a key role in the recapitalisation of many ASX-listed companies.

Mr Sierakowski is a member of the Australian Institute of Company Directors and the Association of Mining Exploration Companies.

Special responsibilities:

- None

Directorships held in other ASX-listed companies in the past 3 years:

- Coziron Resources Ltd, Executive Director, appointed 21 October 2010, resigned 2 November 2020.
- Dragontail Systems Limited, Non-Executive Director, appointed 14 September 2016, de-listed 8 September 2021.
- Rision Limited, Non-Executive Director, appointed 8 June 2018, de-listed 20 April 2020.
- Connected IO Limited, Non-Executive Director, appointed 3 December 2018.

## Directors' Report (continued)

### *Information on Directors (continued)*

#### **Geoffrey Michael (BA UWA), Non-Executive Director**

Mr Michael has been an Executive Director of various companies, investment syndicates and enterprise start-ups across a range of asset classes for more than 20 years. His experience ranges from property development and investment to resources, mining services, civil engineering and contracting, to information technology and hospitality. These activities have been carried out in Australia, Europe, Asia and Southern Africa.

Special responsibilities:

- None

Directorships held in other ASX-listed companies in the past 3 years:

- None

#### **Thomas Fontaine (B.Sc.Eng UAlberta), Non-Executive Director**

Mr Fontaine is a professional engineer with over 25 years' technical and commercial experience in the development and commercialisation of conventional and unconventional petroleum assets, including start-up, running and building resource companies.

In the mid-2000s, he co-founded Pure Energy Limited whose primary endeavour was to secure prospective coal bed methane acreage in Queensland and develop a resource. Pure Energy successfully drilled over 40 wells to prove over 1 trillion cubic feet of gas, which enabled the company to be sold to British Gas for over AUD\$1 billion in 2009.

Mr Fontaine is currently a major shareholder and on the board of several early stage resource companies with assets based in Australia, Cuba, Africa and North America.

Special responsibilities:

- None

Directorships held in other ASX-listed companies in the past 3 years:

- Hawkley Oil and Gas Limited (delisted on 9 June 2020), appointed 21 June 2019, resigned 19 August 2021.

#### **Dirk Robert Bulder, Non-Executive Director**

Rob Bulder qualified as a Chartered Accountant in 1987 and has over 30 years of commercial experience.

Mr Bulder has held numerous senior management and executive board positions in the manufacturing, financial services, IT, airline and gas industries, overseeing multi-billion Rand budgets. These positions included that of Group Financial Director of Paragon Business Communications Ltd, a company listed on the Johannesburg Stock Exchange, as well as the position of (acting) Executive Vice-President of South African Airways SOE and CEO of South African Airways Technical Division (Pty) Ltd, a multi-billion Rand division of SAA Ltd and that of the Vice President of Business Development for SAA Ltd.

Mr Bulder has been the Finance Director of Badimo for more than a decade.

Special responsibilities:

- Oversee South African Governance requirements

Directorships held in other ASX-listed companies in the past 3 years:

- None

## Directors' Report (continued)

### *Information on Directors (continued)*

#### **Donald Mzolisa Jones Ncube, Non-Executive Director**

Mr Ncube graduated with a master's degree in Manpower Studies at the University of Manchester in December 1984.

Mr Ncube is recognised and respected as one of the reputable pioneers of Black Economic Empowerment. He is the founder and former Chairman and Chief Executive Officer of Real Africa Holdings (Pty) Ltd, a listed company on the Johannesburg Securities Exchange, that unbundled and distributed assets worth 3 billion Rand to shareholders in 2003.

Mr Ncube carved his professional career in the mining industry. He worked for the Anglo-American Corporation for 22 consecutive years and was the first South African black to sit on the Board of Anglo-American Corporation. Mr Ncube has a performance track record as Chairman of successful corporations such as Sun International, Oceana Fishing Group, South African Airways and Atomic Energy Corporation.

Mr Ncube is currently the Chairman of Badimo and Afro Energy.

Special responsibilities:

- None

Directorships held in other ASX-listed companies in the past 3 years:

- None

#### **Robert Scharnell, Non-Executive Director**

Mr Scharnell is an experienced international business executive with over 30 years of demonstrated achievement at Chevron Corporation in establishing and implementing business strategy. He has conducted business in over 20 countries and under complex situations, for large values including negotiating multi-lingual agreements, sales/purchase transactions, and settling claims and disputes on the scale of over \$1 billion in value.

Mr Scharnell's breadth of experience extends beyond the core energy business, with a career highlight in managing the creation and implementation of an award winning economic development and social impact project in Africa. This project transformed Chevron's approach to improving lives within the communities in which it operates.

Special responsibilities:

- None

Directorships held in other ASX-listed companies in the past 3 years:

- None

### **Company Secretary**

#### **Simon Whybrow (ACPA, FGIA, FCG)**

Mr Whybrow is a Certified Practising Accountant and Chartered Secretary and has over 25 years corporate and commercial experience within both ASX-listed and unlisted companies. Mr Whybrow was Chief Financial Officer, Chief Operating Officer and Company Secretary for ASX-listed security company Threat Protect Australia Ltd (ASX: TPS) from 2016 to 2020. Prior to that he was involved in several listed and unlisted, public and private, mining companies including chief financial officer and company secretary for RMA Energy Limited 2007 to 2010.

## Directors' Report (continued)

### **Principal Activities**

The principal activity of the Group during the financial year was coal bed methane exploration.

### **Operating Results**

The loss for the year ended 30 June 2024 after providing for income tax amounted to \$5,232,581 (2023: \$4,335,534).

The directors of Kinetiko Energy Ltd ("the Company") and its controlled entities ("the Group") submit herewith the operations report of the Company for the financial year ended 30 June 2024.

### **Review of Operations**

During the year the Company undertook the following activities:

#### **Exploration and Drilling**

- Drilled seven core holes across Blocks ER272 and ER270, achieving a 100% success rate in identifying gas-bearing zones across our acreage, which demonstrates the robust resource-play nature of our project. The continuity and predictability of the geology across the blocks have further strengthened the confidence in our multi-field development potential.
- Drilled core well 270-08C near Memel, a significant achievement as it reached a depth of 745 metres, making it the deepest well to date. The well intersected 137.5 metres of gas pay in gassy sandstones and coal seams, solidifying the area's potential for future development.
- Drilled core wells 270-12C and 270-11C the latter half of the reporting period, with strong gas shows with significant intersections of 87.5 metres and 90 metres of gas-bearing geology respectively, further confirming the geological consistency across the exploration area.
- Achieved 100% success rate of gas strikes in Block ER270, providing invaluable data to inform the geological cross-sections and enabling a more accurate prediction of future gas reservoir locations and the potential for multi-field development near ER383.
- Developed plans for continued exploration, with permeability tests and flow rate studies in Blocks ER270 and ER272 set to unlock further gas potential, and additional production test wells to be drilled targeting untapped gas reservoirs.
- Received an independent gas reserves and resources report from Sproule B.V. dated 14 August 2023. Maiden gas reserves of 6.4 BCF assessed over a singular pilot gas production field of under 7km<sup>2</sup> underpinned by an existing limited scope IDC joint venture produced positive economics.

#### **New Applications**

- **PR271:** The production right application saw the Company collaborating with environmental experts to develop a Production Right for parts of block ER271, starting with a basic application and followed by an Environmental Impact Assessment having undertaken specialist field visits.
- **ER383:** The Company's pre existing application ER320, now designated ER383, covering 2,383 km<sup>2</sup> has been sought to granted with the environmental impact assessment to support the process being completed and submitted. ER383 will expand the Company's exploration acreage by over 60% with the expectation the geology is contiguous to that explored in adjacent ER270 and will add substantially to existing gas resources and reserves.

## Directors' Report (continued)

### Review of Operations (continued)

#### **Production Development**

- Successfully launched the Gas-to-Power demonstration project in May 2024 at Amersfoort, utilising gas from the Korhaan field to power a 1.2MW gas generator. This project, conducted in collaboration with FFS Refiners, served as a vital proof of concept for power generation and demonstrating the viability of the Company's 6 TCF (2C) gas resource to significantly scale.
- The Gas-to-Power demonstration also showcased the high-quality methane content of the gas, which reached 99% purity. The success of this pilot project now paves the way for full-scale production testing and extended well testing as part of the IDC joint venture to develop a 30 well production cluster.
- Commenced preparations for a nine-month production test program involving five production wells targeting multiple gas reservoirs. The program aims to secure stable gas flow rates and dewatering data to extrapolate gas production depletion curves.

#### **ESG**

- No reported environmental or health incidents, with over 17,220 person-hours recorded at the well sites without any safety incidents.
- Conducted pre-shift safety meetings to ensure compliance with HSE standards.
- Engaged in community-focused initiatives, ensuring local employment and economic benefits.
- Employed local South African suppliers and contractors where feasible, reinforcing our dedication to corporate social responsibility and local economic development.
- Engaged consultants WSP to build the Environmental Impact Assessment (EIA) in support of the Production Right being granted for ER271. This process along with community engagement is expected to continue into 2025.

#### **Corporate Restructure**

- Completed a corporate restructuring, acquiring the remaining 51% of Afro Energy, making Kinetiko the sole owner of the Mpumalanga Gas Project.
- Appointed three new directors with significant industry experience to the board, who bring with them expertise in oil and gas and South African energy policy.

#### **Funding**

- Concluded successful capital-raising efforts, including a A\$6.5 million subscription agreement with South African institutions and a rights issue that raised approximately A\$5 million. These funds have enabled Kinetiko to pursue an aggressive exploration strategy, including the drilling of five appraisal wells in 2024, while also providing sufficient working capital to sustain ongoing operations.
- As of 30 June 2024, Kinetiko has no debt and \$7.21m in available funds, including \$4.07m in cash and \$1.73m advanced for a joint venture with the Industrial Development Corporation of South Africa (IDC), which also contributed \$1.41m.

#### **Regulatory Compliance**

- Ensured Afro Energy remained compliant with all regulatory obligations, having completed its minimum program for the original Exploration Rights and satisfying the necessary coring work scope for Exploration Right renewals.
- Continued to work closely with regulatory bodies to ensure that all required Production Rights are secured in time for the planned first commercial production by 2026.



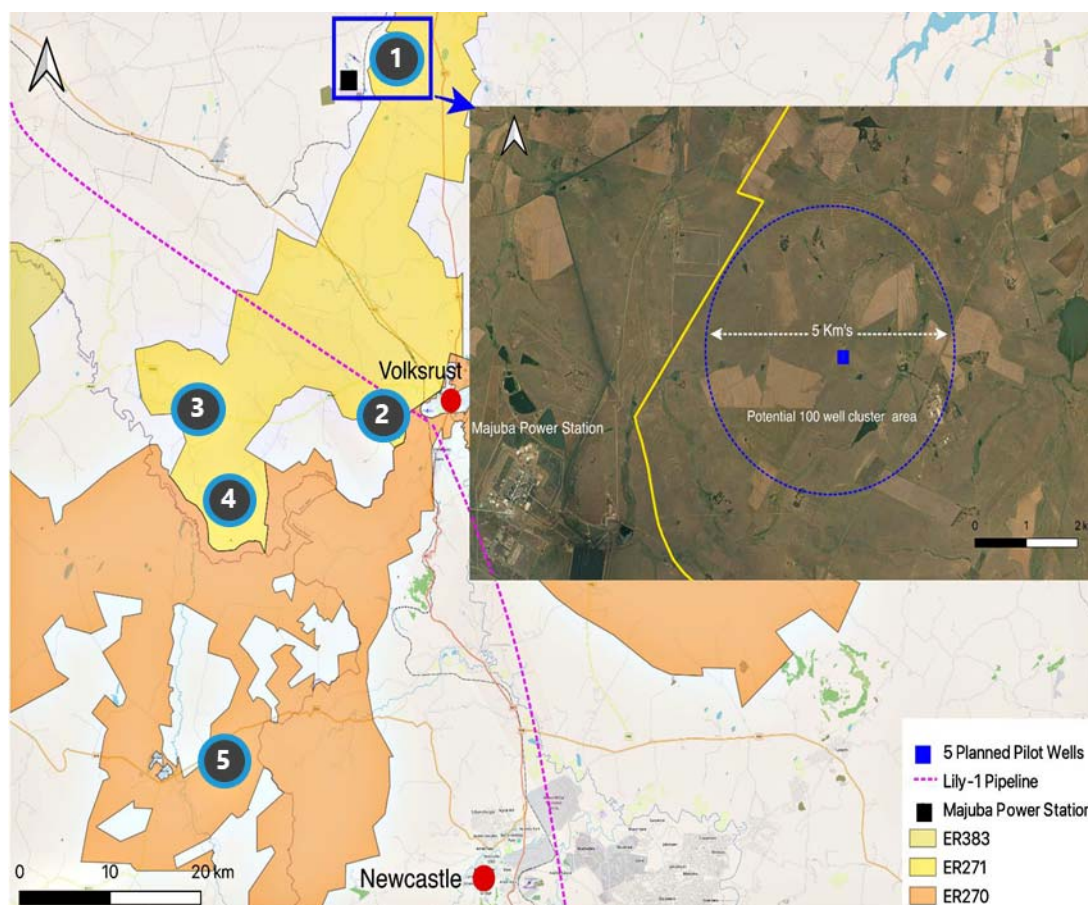
## Directors' Report (continued)

### Review of Operations (continued)

#### Events Occurring After the Reporting Period

- Completed core hole 270-12C, intersecting 87.5 metres of gas-bearing zones, confirming significant gas shows and boosting confidence in consistent geology and multi-field development potential near ER383.
- Completed core hole 270-11C in late July, intersecting 90 metres of gas-bearing zones, with log analysis confirming significant gas shows. The proximity of 270-11C to ER383 boosts confidence in the gas basin's extension across the entire tenement, suggesting a likely increase in future resource calculations.
- Concluded the 2022-2024 exploration program in ER270 with all regulatory requirements fulfilled.
- Commenced site preparation for the first of five production test wells, with the drilling rig expected on-site in approximately mid-September.
- Drilled the top-hole (conductor) sections of the first production test well, and the required water-monitoring wells at each site.
- The nine month program will see five wells completed in sequence, targeting multiple gas reservoirs to optimise gas reserves certification, strategically located near energy infrastructure and off-takers. A number of these wells will be flowed long-term via extended well testing with the objective of seeking stable flow rates and using the pressure micro-data to extrapolate depletion curves.

Map of the 5 well production test program



## Directors' Report (continued)

### Review of Operations (continued)

#### **Competent Persons Statement**

*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 33 years' experience in energy minerals exploration and production, including various executive roles. Mr de Blocq consents to the inclusion of this information in the form and context in which it appears.*

*The Group 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.*

#### **Material Business Risks**

The Group makes every effort to identify materials risks and to manage these effectively. This section does not attempt to provide an exhaustive list of risks faced by the Group or by investors in the Company, nor are they in order of significance. Actual events may be different to those described.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which the Board can effectively manage them is limited.

#### **a) Tenure and access risk**

##### **Applications**

While the Group does not anticipate there to be any issues with the grant of its Exploration and Production Right applications, there can be no assurance that the applications (or any future applications) will be granted. While the Group considers the risk to be very low, there can also be no assurance that when the relevant Exploration and Production Rights are granted, they will be granted in their entirety. In mitigation, however, we have received both written, verbal and implied support for our plans and projects from both the Regulator (a State entity and gatekeeper for permitting) and the Department of Minerals and Energy, the authority for the permit awarding. There is a risk of NGO activity that could delay, but not preclude, the startup of activities in either an Exploration Right or Production Right area.

##### **Renewal**

Exploration Rights are subject to periodic renewal. The renewal of the term of granted Rights is subject to the discretion of the relevant authority, Petroleum Agency of South Africa. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas over a portion of the Rights. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Group. Although we have already entered a first renewal period, we have had no indication of any change in conditions.

##### **Access**

A number of the Rights overlap certain third-party interests that may limit the Group's ability to conduct exploration and mining activities, including private land and servitudes for railways, roads, grid lines and pipelines.

Where the Project overlaps private land, exploration and mining activity, the Company may require authorisation or consent from the owners of that land. The Group is required to enter into land access agreements to undertake its proposed exploration program on the Rights. However, the Group's current proposed exploration program is not impacted by the known sites of registered heritage significance. In any case where environmental issues (including heritage significance) are found to be in conflict with our field activities, our large geographical spread allows us to show flexibility to avoid said conflict.

## Directors' Report (continued)

### **Material Business Risks (continued)**

#### **b) Exploration Risk**

Potential investors should understand that exploration and development are high-risk undertakings. There can be no assurance that exploration of the Project, or any other Rights that may be acquired in the future, will result in the discovery of an economic gas reserve. Even if apparently viable appraisal targets are identified, there is no guarantee that it can be economically exploited. To date, however, we have struck gas in 100% of the 46 boreholes we have drilled across our three existing tenements under Exploration Rights.

The success of the Group will also depend upon the Group having access to sufficient development capital and access to gas exploration and production third party contractors to undertake exploration activities, being able to maintain title to its projects and obtaining all required approvals for its activities. In the event that exploration programmes prove to be unsuccessful this could lead to a diminution in the value of the Exploration Rights, a reduction in the cash reserves of the Group and possible relinquishment of its projects.

#### **c) Climate Change**

The operations and activities of the Group are subject to changes to local or international compliance regulations related to climate change mitigation efforts, specific taxation or penalties for carbon emissions or environmental damage and other possible restraints on industry that may further impact the Group. While the Group will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Group will not be impacted by these occurrences.

Climate change may also cause certain physical and environmental risks that cannot be predicted by the Group, including events such as increased severity of weather patterns, incidence of extreme weather events and longer-term physical risks such as shifting climate patterns. All these risks associated with climate change may significantly change the industry in which the Group operates. The Group's approach is to focus on the mitigating consequence of gas as a greening effect on the environmental landscape, as it is destined to replace coal and other polluting liquid fuels like heavy fuel oil and diesel for thermal industry usage and power generation.

#### **d) Reliance on Key Personnel**

The Group's future depends, in part, on its ability to attract and retain key personnel. It may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure. Its future also depends on the continued contributions of its key management and technical personnel, the loss of whose services would be difficult to replace. In addition, the inability to continue to attract appropriately qualified personnel could have a material adverse effect on the Group's business.

#### **e) Environmental**

The operations and proposed activities of the Group are subject to Australian and South African laws and regulations concerning the environment. As with most exploration projects, the Group's activities are expected to have an impact on the environment, particularly if advanced exploration or development proceeds. It is the Group's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

The disposal of mining and process waste and mine water discharge are under constant legislative scrutiny and regulation. There is a risk that environmental laws and regulations become more onerous making the Group's operations more expensive, however, these standards and specifications follow an international benchmark and are not expected to change. Approvals are required for land clearing and for ground disturbing activities. Delays in obtaining such approvals can result in the delay to anticipated exploration programmes.

## Directors' Report (continued)

### **Material Business Risks (continued)**

#### **f) Black Economic Empowerment**

According to relevant legislation contained in the Mineral and Petroleum Resources Development Act 28 of 2002 (MPRDA) the BEE component of any company wishing to apply for Production Rights for mineral mining or petroleum extraction need to have no less than a 26% participation at the level of the Rights Holder for permit application processing to proceed. The Group is currently oversubscribed for their BEE participation due to Level 1 BEE investors from South Africa on the register. Should the drafted Upstream Petroleum Resource and Development Bill become an Act, this becomes limited to 10% participation with an allowance for further reduction to 5%.

#### **g) Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Group, as well as on its ability to fund its operations.

#### **h) Additional requirements for capital**

The Group's capital requirements depend on numerous factors. The Group may require further financing and any additional equity financing will dilute shareholdings and debt financing, if available, may involve restrictions on financing and operating activities. If the Group is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations. There is however no guarantee that the Group will be able to secure any additional funding or be able to secure funding on terms favourable to the Group.

### **Significant Changes in State of Affairs**

Significant changes in the state of affairs of the Group during the financial year were as follows:

- In September 2023, the Company completed the acquisition of the 51% interest in Afro Energy (Pty) Ltd (Afro Energy) from its joint venture partner, Badimo Gas (Pty) Ltd (Badimo), through the issue of 495,482,590 fully paid ordinary shares issued in the Company (Consideration Shares) to underlying Badimo shareholders (Acquisition). Afro Energy is the South African incorporated entity holding the exploration rights in South Africa prospective for natural gas.

The Company now holds 100% of the issued capital of Afro Energy following completion of the Acquisition and, in turn, 100% of the exploration rights to the flagship Mpumalanga Gas Project.

- The Company entered into a subscription agreement with Talent 10 Holdings (Pty) Ltd (T10) to raise A\$6,500,000 through the issue of 72,222,222 fully paid ordinary Kinetiko shares at an issue price of \$0.09 each (Capital Raising). The Capital Raising was the first step in a series of corporate transactions required for the Company to complete its acquisition and restructure of Afro Energy.
- On 24 November 2023, following the Company's 2023 Annual General Meeting, Mr Thomas Fontaine stepped down as a Non-Executive Director and Mr Geoffrey Michael resigned as a Non-Executive Director. Furthermore, Mr Robert Scharnell was appointed as a Non-Executive Director.
- In January 2024, 24,750,000 Director and Management options were issued pursuant to shareholders' approval granted at the Company's 2023 Annual General Meeting on 24 November 2023.
- In May 2024, the Company issued a total of 84,266,769 ordinary shares at \$0.06 per share to professional and sophisticated investors via a non-renounceable rights issue to raise approximately \$5.056 million (before costs) for working capital.

## Directors' Report (continued)

### Matters subsequent to the end of the financial year

No other matters or circumstance has arisen since 30 June 2024 that has affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

### Likely developments and expected results of operations

As Kinetiko Energy Ltd is listed on the Australian Stock Exchange, it is subject to the continuous disclosure requirements of the ASX Listing Rules which require immediate disclosure to the market of information that is likely to have a material effect on the price or value of Kinetiko Energy Ltd securities.

### Dividends Paid or Recommended

No dividends were paid during the financial year (2023: nil) and no recommendation is made as to payments of future dividends.

### Meetings of Directors

During the financial year, 10 meetings of Directors were held. Attendances by each director were as follows:

|                                        | Number eligible to attend | Number Attended |
|----------------------------------------|---------------------------|-----------------|
| Adam Sierakowski                       | 10                        | 10              |
| Geoffrey Michael (resigned 24 Nov 23)  | 3                         | 3               |
| Thomas Fontaine (ceased 24 Nov 23)     | 3                         | 3               |
| Robert Bulder (appointed 21 Sep 23)    | 8                         | 8               |
| Donald Ncube (appointed 21 Sep 23)     | 8                         | 8               |
| Robert Scharnell (appointed 24 Nov 23) | 7                         | 7               |

### Directors' Shareholdings

As at the date of this report, the interests of the directors in the shares of the Company were:

| Director         | Ordinary Shares |
|------------------|-----------------|
| Adam Sierakowski | 78,325,836      |
| Robert Bulder    | 35,669,384      |
| Donald Ncube     | 251,120,880     |
| Robert Scharnell | 125,000         |

### Share Options

As at the date of this report, the unissued ordinary shares of the Company under option are as follows:

| Grant date                    | Expiry date      | Exercise price | Number under option |
|-------------------------------|------------------|----------------|---------------------|
| 7 February 2023 <sup>1</sup>  | 10 February 2025 | \$0.09         | 1,000,000           |
| 24 November 2023 <sup>2</sup> | 31 December 2026 | \$0.12         | 24,750,000          |
| 29 August 2024 <sup>3</sup>   | 31 December 2026 | \$0.12         | 2,000,000           |
|                               |                  |                | <u>27,750,000</u>   |

<sup>1</sup> The unlisted options were issued to a corporate advisor as consideration for the provision of corporate advisory services.

<sup>2</sup> The unlisted options were issued to Directors and management personnel following shareholder approval (refer to Note 17(a) and 18).

<sup>3</sup> The unlisted options were issued to an employee pursuant to an amendment to their remuneration package.

## Directors' Report (continued)

### **Remuneration Report (Audited)**

The directors are pleased to present the Group's 2024 remuneration report which sets out remuneration information for the Group's Non-Executive directors, managing director and other key management personnel.

The report contains the following sections:

- (a) Principals used to determine the nature and amount of remuneration
- (b) Compensation of key management personnel
- (c) Services agreements
- (d) Shareholdings of key management personnel
- (e) Options on issue
- (f) Loans to key management personnel
- (g) Loans from key management personnel
- (h) Other transactions with key management personnel
- (i) Use of remuneration consultants
- (j) Voting and comments made at the Company's 2023 Annual General Meeting

The information provided in this remuneration report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

#### *(a) Principles used to determine the nature and amount of remuneration*

The remuneration policy of the Group has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the company's financial results. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the company.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the Executive Directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board of Directors (Board) reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. Executives are also entitled to participate in the employee share and option arrangements.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes or Binomial methodologies.

## Directors' Report (continued)

### **Remuneration Report (continued)**

#### *(a) Principles used to determine the nature and amount of remuneration (continued)*

The Board policy is to remunerate Non-Executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-Executive directors and reviews their remuneration annually based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive directors is subject to approval by shareholders at the annual general meeting (currently \$250,000). Fees for Non-Executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in employee option plans.

The objective of the Group's executive reward framework is set to attract and retain the most qualified and experienced directors and senior executives. The board ensures that executive reward satisfies the following criteria for good reward governance practices:

- Competitiveness
- Acceptability to shareholders
- Performance linkage
- Capital management

#### **Directors' fees**

A director may be paid fees or other amounts as the directors determine where a director performs special duties or otherwise performs services outside the scope of the ordinary duties of a director. A director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

#### **Performance based remuneration**

An employee may be granted long term incentives by way of performance rights and options, which vest after certain predetermined periods of service.

The Directors, Chief Executive Officer and Company Secretary have been granted long term incentives by way of unlisted options which vest after certain predetermined periods of service. Details of these incentives are contained at paragraph (e) below.

#### **Company performance, shareholder wealth and Directors' and Executives' remuneration**

The remuneration policy has been tailored to increase goal congruence between shareholders and Directors and Executives. This is facilitated through the issue of options or performance rights to Directors and Executives to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth. At commencement of mine production, performance based bonuses based on key performance indicators are expected to be introduced.

#### **Remuneration governance**

The Group has not formed a remuneration committee. The role of a remuneration committee is instead carried out by the full Board in accordance with the Nomination and Remuneration Committee charter. The Corporate Governance statement provides further information on the role of this committee.



## Directors' Report (continued)

## Remuneration Report (continued)

## (b) Compensation of key management personnel

The key management personnel of the Group are the Directors, Chief Executive Officer and the Company Secretary. There are no Executives, other than Directors, Chief Executive Officer and the Company Secretary, who have the authority and responsibility for planning, directing and controlling the activities of the Group.

**Directors**

|                            |                                                      |
|----------------------------|------------------------------------------------------|
| Adam Sierakowski           | Executive Chairman                                   |
| Geoffrey Michael           | Non-Executive Director (resigned 24 November 2023)   |
| Thomas Fontaine            | Non-Executive Director (ceased 24 November 2023)     |
| Dirk Robert Bulder         | Non-Executive Director (appointed 21 September 2023) |
| Donald Mzolisa Jones Ncube | Non-Executive Director (appointed 21 September 2023) |
| Robert Scharnell           | Non-Executive Director (appointed 24 November 2023)  |

**Chief Executive Officer**

|                                  |                         |
|----------------------------------|-------------------------|
| Nicholas de Blocq Van Scheltinga | Chief Executive Officer |
|----------------------------------|-------------------------|

**Company Secretary**

Simon Whybrow

The emoluments for each Director and key management personnel of the Group for the year ended 30 June 2024 are as follows:

**Year ended  
30 June 2024**

|                                      |                      | Short-term                |               |                                         | Post<br>Employment |                  |
|--------------------------------------|----------------------|---------------------------|---------------|-----------------------------------------|--------------------|------------------|
|                                      | Salary &<br>Fees     | Profit Share<br>& Bonuses | Non<br>Cash   | Share<br>Based<br>Payments <sup>2</sup> | Superannuation     | Total            |
|                                      | \$                   | \$                        | \$            | \$                                      | \$                 | \$               |
| <b>Directors</b>                     |                      |                           |               |                                         |                    |                  |
| A Sierakowski                        | 199,395              | -                         | 6,660         | 80,889                                  | -                  | 286,944          |
| G Michael<br>(resigned 24 Nov 23)    | 25,000               | -                         | -             | 103,328                                 | -                  | 128,328          |
| T Fontaine<br>(ceased 24 Nov 23)     | 25,000               | -                         | -             | 103,328                                 | -                  | 128,328          |
| D Bulder<br>(appointed 21 Sep 23)    | 45,000               | -                         | 6,660         | 60,667                                  | -                  | 112,327          |
| D Ncube<br>(appointed 21 Sep 23)     | 45,000               | -                         | 6,660         | 60,667                                  | -                  | 112,327          |
| R Scharnell<br>(appointed 24 Nov 23) | 35,000               | -                         | 6,660         | -                                       | -                  | 41,660           |
| <b>Chief Executive Officer</b>       |                      |                           |               |                                         |                    |                  |
| N de Blocq                           | 307,427 <sup>1</sup> | -                         | 6,660         | 101,112                                 | -                  | 415,199          |
| <b>Company Secretary</b>             |                      |                           |               |                                         |                    |                  |
| S Whybrow                            | 60,000               | -                         | -             | 30,333                                  | -                  | 90,333           |
|                                      | <u>741,822</u>       | <u>-</u>                  | <u>33,300</u> | <u>540,324</u>                          | <u>-</u>           | <u>1,315,446</u> |

<sup>1</sup> Effective 1 October 2023, the employment agreement with Mr de Blocq was varied to increase the base remuneration from \$240,000 per annum to \$300,000 per annum excluding superannuation entitlements. The salary for the year comprises of Mr de Blocq's adjusted annual remuneration of \$285,000 plus compulsory medical contribution of \$22,427.

<sup>2</sup> Refer to paragraph (e) below.

## Directors' Report (continued)

## Remuneration Report (continued)

## (b) Compensation of key management personnel (continued)

The emoluments for each Director and key management personnel of the Group for the year ended 30 June 2023 are as follows:

Year ended  
30 June 2023

|                                |                      | Short-term                |             |                            | Post<br>Employment |         |
|--------------------------------|----------------------|---------------------------|-------------|----------------------------|--------------------|---------|
|                                | Salary &<br>Fees     | Profit Share<br>& Bonuses | Non<br>Cash | Share<br>Based<br>Payments | Superannuation     | Total   |
|                                | \$                   | \$                        | \$          | \$                         | \$                 | \$      |
| <b>Directors</b>               |                      |                           |             |                            |                    |         |
| A Sierakowski                  | 189,900              | -                         | 6,938       | -                          | -                  | 196,838 |
| G Michael                      | 60,000               | -                         | 6,938       | -                          | -                  | 66,938  |
| T Fontaine                     | 60,000               | -                         | 6,938       | -                          | -                  | 66,938  |
| <b>Chief Executive Officer</b> |                      |                           |             |                            |                    |         |
| N de Blocq                     | 261,573 <sup>1</sup> | -                         | 6,938       | 31,993 <sup>2</sup>        | 3,177              | 303,681 |
| <b>Company Secretary</b>       |                      |                           |             |                            |                    |         |
| S Whybrow                      | 48,000               | -                         | -           | -                          | -                  | 48,000  |
|                                | 619,473              | -                         | 27,752      | 31,993                     | 3,177              | 682,395 |

<sup>1</sup> This is comprised of Mr de Blocq's annual remuneration of \$240,000 plus compulsory medical contribution of \$21,573.

<sup>2</sup> Refer to paragraph (c)(vi) below.

## (c) Service agreements

The agreements related to remuneration are set out below:

## Current Agreements

- (i) The Company entered into an employment agreement with Adam Sierakowski, whereby the base remuneration for services provided by Mr Sierakowski as Executive Director of the Company is \$189,900 per annum. Effective from 1 January 2024, the remuneration was revised to \$208,890 per annum.

The term of the employment agreement commenced on 1 January 2021 and continues until terminated in accordance with the agreement.

- (ii) The Company entered into a service agreement with Donald Ncube, whereby the remuneration for services provided by Mr Ncube as Non-executive Director of the Company is \$60,000 per annum, commencing 21 September 2023.
- (iii) The Company entered into a service agreement with Dirk Robert Bulder, whereby the remuneration for services provided by Mr Bulder as Non-executive Director of the Company is \$60,000 per annum, commencing 21 September 2023.

## Directors' Report (continued)

### Remuneration Report (continued)

#### (c) Service agreements (continued)

- (iv) The Company entered into a service agreement with Robert Scharnell, whereby the remuneration for services provided by Mr Scharnell as Non-executive Director of the Company is \$60,000 per annum, commencing 24 November 2023.
- (v) The Company has agreed with Trident Management Services Pty Ltd, a company in which Adam Sierakowski is a Director and shareholder, to pay \$5,000 per month for Mr Simon Whybrow's services as Company Secretary.
- (vi) The Company has entered into an employment agreement with Nicholas de Blocq Van Scheltinga, whereby the base remuneration for his services as the Chief Executive Officer of the Company is \$240,000 per annum excluding superannuation entitlements. The term of the employment agreement commenced on 1 August 2021 and continues until terminated in accordance with the termination provisions of the agreement.

During the year ended 30 June 2024, effective 1 October 2023, the employment agreement with Mr de Blocq was varied to increase the base remuneration from \$240,000 per annum to \$300,000 per annum excluding superannuation entitlements.

During the year ended 30 June 2023, pursuant to Mr de Blocq's original employment agreement, the Company issued 2,000,000 unlisted options to Mr de Blocq, and the fair value of these options was re-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             |
| Grant date of options                        | 30 November 2022 |
| Share price at grant date (cents)            | 12.00            |
| Expected share price volatility              | 89.90%           |
| Risk-free interest rate                      | 0.13%            |
| Expiry date                                  | 31 July 2024     |

During the year ended 30 June 2022, \$112,938 was recognised as a share based payment in respect of these options. However, as shareholder approval for the options was granted on 30 November 2022, an additional \$31,993 was recognised as a share based payment in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and added to the Share Based Payments Reserve in the year ended 30 June 2023, to reflect a correction in the underlying share price as at grant date.

The unlisted options expired unexercised on 31 July 2024.

#### Terminated Agreements

The agreement to pay Geoffrey Michael's director fees to Vital Nominees Pty Ltd as trustee for Vital Trust was terminated following Mr Michael's resignation as a Director in November 2023.

The agreement to pay Thomas Fontaine's director fees to Fontaine Consulting Pty Ltd, a company controlled by Thomas Fontaine, was terminated upon his cessation as a Director in November 2023.

There were no other terminated agreements during the year ended 30 June 2024.

## Directors' Report (continued)

## Remuneration Report (continued)

## (d) Shareholdings of key management personnel

| 2024                                 | Balance at<br>01/07/23 | Shares<br>Issued <sup>1</sup> | Shares<br>Purchased <sup>2</sup> | Shares<br>Disposed <sup>3</sup> | Shares Held<br>at<br>Resignation | Balance at<br>30/06/24 |
|--------------------------------------|------------------------|-------------------------------|----------------------------------|---------------------------------|----------------------------------|------------------------|
|                                      | No.                    | No.                           | No.                              | No.                             | No.                              | No.                    |
| <b>Directors</b>                     |                        |                               |                                  |                                 |                                  |                        |
| A Sierakowski                        | 91,929,337             | -                             | 1,396,499                        | (15,000,000)                    | -                                | 78,325,836             |
| G Michael<br>(resigned 24 Nov 23)    | 43,614,954             | -                             | -                                | -                               | (43,614,954)                     | -                      |
| T Fontaine<br>(ceased 24 Nov 23)     | 200,000                | -                             | -                                | -                               | (200,000)                        | -                      |
| D Bulder<br>(appointed 21 Sep 23)    | -                      | 35,669,384                    | -                                | -                               | -                                | 35,669,384             |
| D Ncube<br>(appointed 21 Sep 23)     | -                      | 247,264,871                   | 3,856,009                        | -                               | -                                | 251,120,880            |
| R Scharnell<br>(appointed 24 Nov 23) | -                      | -                             | -                                | -                               | -                                | -                      |
| <b>Chief Executive Officer</b>       |                        |                               |                                  |                                 |                                  |                        |
| N de Blocq                           | -                      | -                             | -                                | -                               | -                                | -                      |
| <b>Company Secretary</b>             |                        |                               |                                  |                                 |                                  |                        |
| S Whybrow                            | -                      | -                             | 323,916 <sup>4</sup>             | -                               | -                                | 323,916                |
|                                      | 135,744,291            | 282,934,255                   | 5,576,424                        | (15,000,000)                    | (43,814,954)                     | 365,440,016            |

<sup>1</sup> Shares issued during the year as part of the Afro Energy acquisition from Badimo Gas (Pty) Ltd vendors.

<sup>2</sup> Shares purchased during the year via the Non-Renounceable Rights Issue and through on-market purchases.

<sup>3</sup> Shares disposed of during the year pursuant to a settlement agreement and company restructure.

<sup>4</sup> Includes 148,000 shares purchased on-market.

## (e) Options on issue

| 2024                              | Balance at<br>01/07/23 | Options<br>Issued | Options<br>Exercised | Options<br>Held at<br>Resignation | Balance at<br>30/06/24 |
|-----------------------------------|------------------------|-------------------|----------------------|-----------------------------------|------------------------|
|                                   | No.                    | No.               | No.                  | No.                               | No.                    |
| <b>Directors</b>                  |                        |                   |                      |                                   |                        |
| A Sierakowski                     | -                      | 4,000,000         | -                    | -                                 | 4,000,000              |
| G Michael (resigned 24 Nov 23)    | -                      | 3,000,000         | -                    | (3,000,000)                       | -                      |
| T Fontaine (ceased 24 Nov 23)     | -                      | 3,000,000         | -                    | (3,000,000)                       | -                      |
| D Bulder (appointed 21 Sep 23)    | -                      | 3,000,000         | -                    | -                                 | 3,000,000              |
| D Ncube (appointed 21 Sep 23)     | -                      | 3,000,000         | -                    | -                                 | 3,000,000              |
| R Scharnell (appointed 24 Nov 23) | -                      | -                 | -                    | -                                 | -                      |
| <b>Chief Executive Officer</b>    |                        |                   |                      |                                   |                        |
| N de Blocq                        | 2,000,000              | 5,000,000         | -                    | -                                 | 7,000,000              |
| <b>Company Secretary</b>          |                        |                   |                      |                                   |                        |
| S Whybrow                         | -                      | 1,500,000         | -                    | -                                 | 1,500,000              |
|                                   | 2,000,000              | 22,500,000        | -                    | (6,000,000)                       | 18,500,000             |

## Directors' Report (continued)

## Remuneration Report (continued)

## (e) Options on issue (continued)

Following shareholder approval at the Company's 2023 Annual General Meeting on 24 November 2023, unlisted options were issued to Directors and Management as follows:

| <i>Director Options</i> | <i>No. of Options</i> | <i>Management Options</i> | <i>No. of Options</i> |
|-------------------------|-----------------------|---------------------------|-----------------------|
| Mr Adam Sierakowski     | 4,000,000             | Mr Nicholas de Blocq      | 5,000,000             |
| Mr Dirk Robert Bulder   | 3,000,000             | Mr Simon Whybrow          | 1,500,000             |
| Mr Donald Ncube         | 3,000,000             | <b>Total</b>              | <b>6,500,000</b>      |
| Mr Thomas Fontaine      | 3,000,000             |                           |                       |
| Mr Geoffrey Michael     | 3,000,000             |                           |                       |
| <b>Total</b>            | <b>16,000,000</b>     |                           |                       |

Pursuant to the vesting condition of the Director and Management Options, the options will vest upon the satisfaction of continuous service from the issue date of the options until 1 December 2024 by the relevant Director and Management personnel. Upon satisfaction of the vesting condition, the Director and Management Options are exercisable at any time on or before the expiry date, being 31 December 2026.

The total fair value of the options granted to Directors and Management was \$852,455 which was calculated using the Black-Scholes option valuation methodology and applying the following inputs:

|                                         |                  |
|-----------------------------------------|------------------|
| Weighted average exercise price         | \$0.12           |
| Weighted average life of the options    | 3.10 years       |
| Weighted average underlying share price | \$0.08           |
| Expected share price volatility         | 76.50%           |
| Risk-free interest rate                 | 4.19%            |
| Expiry date                             | 31 December 2026 |

Based on the vesting conditions of the options, \$540,324 was recognised as a share based payment to key management personnel for the year ended 30 June 2024.

## Director Options

|                                         | <b>Mr<br/>Sierakowski</b> | <b>Mr<br/>Bulder</b> | <b>Mr<br/>Ncube</b> | <b>Mr<br/>Fontaine<sup>1</sup></b> | <b>Mr<br/>Michael<sup>2</sup></b> | <b>Total</b> |
|-----------------------------------------|---------------------------|----------------------|---------------------|------------------------------------|-----------------------------------|--------------|
| Number Issued                           | 4,000,000                 | 3,000,000            | 3,000,000           | 3,000,000                          | 3,000,000                         | 16,000,000   |
| Grant Date                              | 24 Nov 2023               | 24 Nov 2023          | 24 Nov 2023         | 24 Nov 2023                        | 24 Nov 2023                       |              |
| Vesting Date                            | 1 Dec 2024                | 1 Dec 2024           | 1 Dec 2024          | 24 Nov 2023                        | 24 Nov 2023                       |              |
| Vesting Period (days)                   | 373                       | 373                  | 373                 | Immediately                        | Immediately                       |              |
| Value per Option                        | \$0.03444                 | \$0.03444            | \$0.03444           | \$0.03444                          | \$0.03444                         |              |
| Total Value of Rights                   | \$137,770                 | \$103,328            | \$103,328           | \$103,328                          | \$103,328                         | \$551,082    |
| Amount Expensed in Current Period       | \$80,889                  | \$60,667             | \$60,667            | \$103,328                          | \$103,328                         | \$408,879    |
| Amount to be Expensed in Future Periods | \$56,881                  | \$42,661             | \$42,661            | Nil                                | Nil                               | \$142,203    |

## Directors' Report (continued)

### Remuneration Report (continued)

#### (e) Options on issue (continued)

<sup>1</sup> The approval to grant Director Options to Mr Fontaine was conditional upon his re-election as a director under the Notice of Meeting. Although the resolution to re-elect Mr Fontaine was not passed, the Board subsequently resolved to proceed with the issue of the options as a show of appreciation for the contribution and technical input provided by Mr Fontaine during his tenure as a director. As a result of the options vesting immediately, the full value of the options issued has been expensed as a share based payment during the year ended 30 June 2024.

<sup>2</sup> Mr Michael resigned as a director of the Company on 24 November 2023. Although Mr Michael resigned as a director prior to the completion of the vesting condition, the Board subsequently resolved to proceed with the issue of the options and therefore the full value of the options issued has been expensed as a share based payment during the year ended 30 June 2024.

#### Management Options<sup>1</sup>

|                                         | Mr<br>de Blocq | Mr<br>Whybrow | Total     |
|-----------------------------------------|----------------|---------------|-----------|
| Number Issued                           | 5,000,000      | 1,500,000     | 6,500,000 |
| Grant Date                              | 24 Nov 2023    | 24 Nov 2023   |           |
| Vesting Date                            | 1 Dec 2024     | 1 Dec 2024    |           |
| Vesting Period (days)                   | 373            | 373           |           |
| Value per Option                        | \$0.03444      | \$0.03444     |           |
| Total Value of Rights                   | \$172,213      | \$51,664      | \$223,877 |
| Amount Expensed in Current Period       | \$101,112      | \$30,333      | \$131,445 |
| Amount to be Expensed in Future Periods | \$71,101       | \$21,331      | \$92,432  |

<sup>1</sup> A further 2,250,000 management options were issued to other personnel during the year ended 30 June 2024. Refer to Note 18 for further details.

The options were issued to Directors and Management in January 2024.

#### (f) Loans to key management personnel

No loans were advanced to key management personnel during the year.

#### (g) Loans from key management personnel

No loans were received from key management personnel during the year.

## Directors' Report (continued)

## Remuneration Report (continued)

## (h) Other transactions with key management personnel

Transactions with key management personnel related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

|                                                                                                                                                                                                                                     | 2024<br>\$ | 2023<br>\$ |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| (i) Payments to Trident Management Services Pty Ltd, a company of which Adam Sierakowski is a director and shareholder, for company secretarial services provided by Simon Whybrow.                                                 | 60,000     | 48,000     |
| (ii) Payments to Palisade Corporate, a company of which Adam Sierakowski is a director and shareholder, for legal services provided.                                                                                                | 70,205     | 81,278     |
| (iii) Payments to Trident Capital Pty Ltd, a company of which Adam Sierakowski is a director and shareholder, for capital raising fees relating to share placement.                                                                 | -          | 87,474     |
| (iv) Payments to Trident Management Services Pty Ltd, a company of which Adam Sierakowski is a director and shareholder, for rental of office space.                                                                                | 8,000      | -          |
| (v) Payments to Cowbra Pty Ltd, a company of which Geoff Michael is a director, for the provision of IT services.                                                                                                                   | -          | 1,320      |
| (vi) Payments to Bulder Consulting, a company of which D Bulder is a director, for the provision of consulting services.                                                                                                            | 5,000      | -          |
| (vii) During the year ended 30 June 2022, Adam Sierakowski loaned funds to the Company. The loan was unsecured, interest free and repayable at call. The loan was fully repaid in July 2022. Movements for the year are as follows: |            |            |
| Opening balance                                                                                                                                                                                                                     | -          | 250,000    |
| Funds received                                                                                                                                                                                                                      | -          | -          |
| Funds repaid                                                                                                                                                                                                                        | -          | (250,000)  |
| Closing balance                                                                                                                                                                                                                     | -          | -          |

Amounts outstanding at reporting date

Aggregates amount payable to Key Management Personnel and their related entities at reporting date.

|              |         |        |
|--------------|---------|--------|
| (i) Payables | 234,404 | 62,991 |
|--------------|---------|--------|

## (i) Use of remuneration consultants

The Group did not employ the services of remuneration consultants during the financial year.



## Directors' Report (continued)

### **Remuneration Report (continued)**

#### *(j) Voting and comments made at the Company's 2023 Annual General Meeting*

The approval of the remuneration report was passed by way of a poll as indicated in the results of Annual General Meeting (AGM) dated 24 November 2023. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

The Company's resolution to re-elect Geoffrey Michael as a Director was passed via a poll.

The approval of the issue of 24,750,000 unlisted options to Directors and other management personnel was passed via a poll.

### **End of audited remuneration report**

### **Indemnification of Officers and Auditors**

The Group did not renew its contract of insurance insuring the Directors and officers of the Group against certain liabilities specified in the contract during the financial year.

### **Non-Audit Services**

The Group may decide to employ the auditors on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor or a related practice of the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

No non-audit services have been provided by the Group's auditors in the year ended 30 June 2024. Remuneration paid to the Group's auditors is detailed in Note 19 of this report.

### **Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included in this Financial Report on page 30.

### **Auditor Fees**

During the year, the total amounts paid or payable to the auditor, BDO Audit Pty Ltd, for audit services provided was \$89,254 (2023: \$50,798).

### **Environmental Regulations**

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

The Group has considered its compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the period of 1 July 2023 to 30 June 2024, the Directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

**Directors' Report (continued)**

***Proceedings on Behalf of the Group***

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

The Group was not a party to any such proceedings during the financial year.

Signed in accordance with a resolution of the Board of Directors:



DIRECTOR

Dated at Perth, 30 September 2024

### Consolidated Entity Disclosure Statement As at 30 June 2024

| Entity Name                       | Entity Type    | Place Formed / Country of Incorporation | Ownership Interest % | Tax Residency |
|-----------------------------------|----------------|-----------------------------------------|----------------------|---------------|
| Kinetiko Energy Limited           | Body Corporate | Australia                               | N/A                  | Australian    |
| Afro Energy (Pty) Ltd             | Body Corporate | South Africa                            | 100.00%              | South African |
| Afro Gas Development SA (Pty) Ltd | Body Corporate | South Africa                            | 55.00%               | South African |

#### Basis of preparation

This Consolidated Entity Disclosure Statement (CEDS) has been prepared in accordance with the *Corporations Act 2001*. It includes certain information for each entity that was part of the consolidated entity at the end of the financial year.

#### Determination of tax residency

Section 295 (3A) of the *Corporation Acts 2001* defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgement as there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency. It should be noted that the definitions of 'Australian resident' and 'foreign resident' in the Income Tax Assessment Act 1997 are mutually exclusive. This means that if an entity is an 'Australian resident' it cannot be a 'foreign resident' for the purposes of disclosure in the CEDS.

In determining tax residency, the consolidated entity has applied the following interpretations:

- Australian tax residency**  
 The consolidated entity has applied current legislation and judicial precedent, including having regard to the Tax Commissioner's public guidance in Tax Ruling TR 2018/5.
- Foreign tax residency**  
 Where necessary, the consolidated entity has used independent tax advisers in foreign jurisdictions to assist in determining tax residency and ensure compliance with applicable foreign tax legislation.

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

As lead auditor of Kinetiko Energy Limited for the year ended 30 June 2024, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Kinetiko Energy Limited and the entities it controlled during the period.



**Jarrad Prue**  
**Director**

**BDO Audit Pty Ltd**  
**Perth**  
**30 September 2024**

## INDEPENDENT AUDITOR'S REPORT

To the members of Kinetiko Energy Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Kinetiko Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related 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 group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report

### Carrying value of exploration and evaluation expenditure

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>As disclosed in Note 12 to the Financial Report, the carrying value of capitalised exploration and evaluation expenditure represents a significant asset of the Group.</p> <p>Refer to Note 12 of the Financial Report for a description of the accounting policy and significant judgments applied to capitalised exploration and evaluation expenditure.</p> <p>In accordance with AASB 6 Exploration for and Evaluation of Mineral Resources ("AASB 6"), the recoverability of exploration and evaluation expenditure requires significant judgment by management in determining whether there are any facts or circumstances that exist to suggest that the carrying amount of this asset may exceed its recoverable amount. As a result, this is considered a key audit matter.</p> | <p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Obtaining a schedule of the area of interest held by the Group and assessing whether the rights to tenure of that area of interest remained current at balance date, which included obtaining and assessing supporting documentation such as license status records;</li> <li>• Considering the Group's intention to carry out significant ongoing exploration programmes in the respective area of interest by holding discussions with management, and reviewing the Group's exploration budgets, ASX announcements and directors' minutes;</li> <li>• Considering whether such area of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed;</li> <li>• Considering whether any facts or circumstances existed to suggest impairment testing was required; and</li> <li>• Assessing the adequacy of the related disclosures in Notes 12 to the Financial Report.</li> </ul> |

## Accounting for asset acquisition

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>As disclosed in Note 2 to the Financial Report, during the financial year ended 30 June 2024, the Group acquired remaining 51% interest in Afro Energy (Pty) Limited.</p> <p>The Group treated the transaction as an asset acquisition.</p> <p>Refer to Note 2 to the Financial Report for a description of the accounting policy and significant judgments applied to the asset acquisition.</p> <p>Accounting for an asset acquisition is a complex accounting area due to the judgment applied in determining the treatment. In particular:</p> <ul style="list-style-type: none"> <li>• Determination of the fair value of purchase consideration; and</li> <li>• Identification and measurement of the fair value of assets acquired and liabilities assumed.</li> </ul> | <p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the transaction, including reviewing management's assessment of whether the transaction constituted an asset acquisition or business combination;</li> <li>• Reviewed the relevant agreements to obtain an understanding of the contractual terms and conditions of the transaction;</li> <li>• Reviewed management's application of the relevant accounting standards in determining the correct accounting treatment for the acquisition as an asset acquisition;</li> <li>• Enquired with management on whether the completion date was appropriate based on the date when all conditions precedent and completion date obligations were satisfied;</li> <li>• Reviewed management's determination of the fair value of the consideration paid and agreeing consideration to supporting documentation; and</li> <li>• Reviewed the adequacy of the financial report disclosures, including estimates and judgements applied within the financial report.</li> </ul> |

## Other information

The directors are responsible for the other information. The other information comprises the information contained in director's report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

### **Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of:

- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001; and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001; and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.



## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 27 of the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Kinetiko Energy Limited, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit Pty Ltd**

BDO  


**Jarrad Prue**

**Director**

Perth, 30 September 2024

### Directors' Declaration

The directors of the Group declare that:

- a) the financial statements and notes, as set out on pages 37 to 71 comply with Accounting Standards and the *Corporations Act 2001* and other mandatory professional reporting requirements;
- b) gives a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the year ended to 30 June 2024;
- c) in the Directors' opinion, the financial statements and notes are prepared in accordance with International Financial Reporting Standards and Interpretations as adopted by the International Accounting Standards Board; and
- d) the information disclosed in the attached consolidated entity disclosure statement is true and correct.

In the Directors' opinion:

- (i) At the date of the declaration there are reasonable grounds to believe that the Group will be able to pay its debts as when they become due and payable; and
- (ii) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2024.

This declaration is made in accordance with a resolution of the Board of Directors.



DIRECTOR

Dated at Perth, 30 September 2024

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME  
FOR THE YEAR ENDED 30 JUNE 2024**

|                                                         | Note | 30 June 2024<br>\$ | 30 June 2023<br>\$ |
|---------------------------------------------------------|------|--------------------|--------------------|
| <b>Other Income</b>                                     |      |                    |                    |
| Other income from ordinary activities                   | 3(a) | 358,224            | 102,403            |
| <b>Total Income</b>                                     |      | <u>358,224</u>     | <u>102,403</u>     |
| <b>Expenses</b>                                         |      |                    |                    |
| Depreciation                                            | 3(b) | (50,788)           | (46,864)           |
| Administration expenses                                 |      | (246,356)          | (180,416)          |
| Consultancy and professional costs                      | 3(c) | (509,072)          | (553,716)          |
| Employment and contractor expenses                      |      | (680,704)          | (567,649)          |
| Travel expenses                                         |      | (140,855)          | (26,796)           |
| Occupancy expenses                                      |      | (21,237)           | (19,295)           |
| Foreign exchange gain/(loss)                            | 3(c) | (1,513,324)        | (608,787)          |
| Project expenditure                                     | 11   | (784,460)          | (2,180,776)        |
| Share based payments                                    | 17   | (585,824)          | (31,993)           |
| Exploration and evaluation expenditure                  | 12   | (1,008,607)        | -                  |
| Interest expense and finance charges                    |      | (8,350)            | (5,382)            |
| Acquisition related expenditure                         | 3(c) | (12,720)           | (153,140)          |
| Finance charges                                         |      | (5,000)            | -                  |
| <b>Total expenses</b>                                   |      | <u>(5,567,297)</u> | <u>(4,374,814)</u> |
| Share of net loss from associated entities              | 11   | (23,508)           | (63,123)           |
| <b>Loss before income tax expenses</b>                  |      | <u>(5,232,581)</u> | <u>(4,335,534)</u> |
| Income tax benefit/(expense)                            | 4    | -                  | -                  |
| <b>Loss after income tax expense for the year</b>       |      | <u>(5,232,581)</u> | <u>(4,335,534)</u> |
| <b>Other comprehensive (loss)/income</b>                |      |                    |                    |
| <i>Items that may be reclassified to profit or loss</i> |      |                    |                    |
| Exchange differences on translation of foreign balances |      | 387,807            | (672,606)          |
| <b>Total comprehensive loss for the year net of tax</b> |      | <u>(4,844,774)</u> | <u>(5,008,140)</u> |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2024**

|                                                                                                                  | Note | 30 June 2024<br>\$ | 30 June 2023<br>\$ |
|------------------------------------------------------------------------------------------------------------------|------|--------------------|--------------------|
| <b>Total loss for the year attributable to:</b>                                                                  |      |                    |                    |
| Owners of Kinetiko Energy Ltd                                                                                    |      | (5,320,434)        | (4,335,534)        |
| Non-controlling interest                                                                                         |      | 87,853             | -                  |
|                                                                                                                  |      | <u>(5,232,581)</u> | <u>(4,335,534)</u> |
| <b>Total comprehensive loss attributable to:</b>                                                                 |      |                    |                    |
| Owners of Kinetiko Energy Ltd                                                                                    |      | (4,932,627)        | (5,008,140)        |
| Non-controlling interest                                                                                         |      | 87,853             | -                  |
|                                                                                                                  |      | <u>(4,844,774)</u> | <u>(5,008,140)</u> |
| <b>Loss per share for loss from continuing<br/>operations attributable to equity holders of<br/>the company:</b> |      |                    |                    |
| Basic loss per share (cents)                                                                                     | 5    | (0.4)              | (0.6)              |
| Diluted loss per share (cents)                                                                                   | 5    | (0.4)              | (0.6)              |

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

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION** **AS AT 30 JUNE 2024**

|                                                      | Note  | 30 June 2024<br>\$       | 30 June 2023<br>\$       |
|------------------------------------------------------|-------|--------------------------|--------------------------|
| <b>CURRENT ASSETS</b>                                |       |                          |                          |
| Cash and cash equivalents                            | 6(a)  | 7,211,726                | 3,561,132                |
| Receivables                                          | 8     | 871,911                  | 500,603                  |
| Other                                                | 9     | 235,046                  | 21,104                   |
| <b>TOTAL CURRENT ASSETS</b>                          |       | <u>8,318,683</u>         | <u>4,082,839</u>         |
| <b>NON CURRENT ASSETS</b>                            |       |                          |                          |
| Receivables                                          | 8     | -                        | 606,581                  |
| Other                                                | 9     | -                        | 798,852                  |
| Property, plant & equipment                          | 10    | 191,772                  | 219,351                  |
| Investment in associates                             | 11    | -                        | 7,512,742                |
| Capitalised exploration and evaluation assets        | 12    | 66,446,657               | -                        |
| <b>TOTAL NON CURRENT ASSETS</b>                      |       | <u>66,638,429</u>        | <u>9,137,526</u>         |
| <b>TOTAL ASSETS</b>                                  |       | <u>74,957,112</u>        | <u>13,220,365</u>        |
| <b>CURRENT LIABILITIES</b>                           |       |                          |                          |
| Trade & other payables                               | 13    | 1,264,512                | 999,416                  |
| Borrowings                                           | 14    | 1,467,441                | -                        |
| <b>TOTAL CURRENT LIABILITIES</b>                     |       | <u>2,731,953</u>         | <u>999,416</u>           |
| <b>TOTAL LIABILITIES</b>                             |       | <u>2,731,953</u>         | <u>999,416</u>           |
| <b>NET ASSETS</b>                                    |       | <u><u>72,225,159</u></u> | <u><u>12,220,949</u></u> |
| <b>EQUITY</b>                                        |       |                          |                          |
| Contributed equity                                   | 15    | 103,037,676              | 39,757,715               |
| Reserves                                             | 16(b) | 1,992,263                | 35,433                   |
| Accumulated losses                                   | 16(a) | (32,892,633)             | (27,572,199)             |
| Equity attributable to owners of Kinetiko Energy Ltd |       | 72,137,306               | 12,220,949               |
| Non-controlling interest                             |       | 87,853                   | -                        |
| <b>TOTAL EQUITY</b>                                  |       | <u><u>72,225,159</u></u> | <u><u>12,220,949</u></u> |

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

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2024**

| Year ended 30 June 2024                                     | Ordinary<br>Shares         | Accumulated<br>Losses         | Reserves        | Non-<br>controlling<br>Interests | Total<br>Equity |
|-------------------------------------------------------------|----------------------------|-------------------------------|-----------------|----------------------------------|-----------------|
|                                                             | \$                         | \$                            | \$              | \$                               | \$              |
| Balance at 1 July 2023                                      | 39,757,715                 | (27,572,199)                  | 35,433          | -                                | 12,220,949      |
| <b>Other comprehensive loss</b>                             |                            |                               |                 |                                  |                 |
| Loss for the year                                           | -                          | (5,320,434)                   | -               | 87,853                           | (5,232,581)     |
| Movement in foreign currency translation reserve            | -                          | -                             | 387,807         | -                                | 387,807         |
| <b>Total comprehensive loss for the year</b>                | -                          | (5,320,434)                   | 387,807         | 87,853                           | (4,844,774)     |
| <b>Transactions with owners in their capacity as owners</b> |                            |                               |                 |                                  |                 |
| Shares issued during the year                               | 63,581,678                 | -                             | -               | -                                | 63,581,678      |
| Share issue costs                                           | (301,717)                  | -                             | -               | -                                | (301,717)       |
| Share based payments                                        | -                          | -                             | 585,824         | -                                | 585,824         |
| Release of foreign currency translation reserve             | -                          | -                             | 983,199         | -                                | 983,199         |
| <b>Total contributions by owners</b>                        | 63,279,961                 | -                             | 1,569,023       | -                                | 64,848,984      |
| Balance at 30 June 2024                                     | 103,037,676                | (32,892,633)                  | 1,992,263       | 87,853                           | 72,225,159      |
| <b>Year ended 30 June 2023</b>                              | <b>Ordinary<br/>Shares</b> | <b>Accumulated<br/>Losses</b> | <b>Reserves</b> | <b>Total<br/>Equity</b>          |                 |
|                                                             | \$                         | \$                            | \$              | \$                               |                 |
| Balance at 1 July 2022                                      | 31,743,101                 | (23,236,665)                  | 633,230         | 9,139,666                        |                 |
| <b>Other comprehensive loss</b>                             |                            |                               |                 |                                  |                 |
| Loss for the year                                           | -                          | (4,335,534)                   | -               | (4,335,534)                      |                 |
| Movement in foreign currency translation reserve            | -                          | -                             | (672,606)       | (672,606)                        |                 |
| <b>Total comprehensive loss for the year</b>                | -                          | (4,335,534)                   | (672,606)       | (5,008,140)                      |                 |
| <b>Transactions with owners in their capacity as owners</b> |                            |                               |                 |                                  |                 |
| Shares issued during the year                               | 8,654,060                  | -                             | -               | 8,654,060                        |                 |
| Share issue costs                                           | (639,446)                  | -                             | -               | (639,446)                        |                 |
| Share based payments                                        | -                          | -                             | 31,993          | 31,993                           |                 |
| Options issued during the year – refer to Note 17(d)        | -                          | -                             | 42,816          | 42,816                           |                 |
| <b>Total contributions by owners</b>                        | 8,014,614                  | -                             | 74,809          | 8,089,423                        |                 |
| Balance at 30 June 2023                                     | 39,757,715                 | (27,572,199)                  | 35,433          | 12,220,949                       |                 |

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

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024

|                                                                         | Note        | 30 June 2024<br>\$      | 30 June 2023<br>\$      |
|-------------------------------------------------------------------------|-------------|-------------------------|-------------------------|
| <b>Cash flows from operating activities</b>                             |             |                         |                         |
| Payments to suppliers and employees                                     |             | (2,450,466)             | (2,078,154)             |
| Interest received                                                       |             | 259,464                 | 76,471                  |
| Interest and other costs of finance paid                                |             | (13,466)                | (5,382)                 |
| Payment of taxes                                                        |             | (50,149)                | -                       |
| Payments relating to proposed acquisition                               |             | (14,462)                | (195,183)               |
| Payments for project expenditure                                        |             | (1,482,910)             | (1,661,077)             |
| Net cash used in operating activities                                   | <b>6(b)</b> | <u>(3,751,989)</u>      | <u>(3,863,325)</u>      |
| <b>Cash flows from investing activities</b>                             |             |                         |                         |
| Loans to associate                                                      |             | (210,832)               | (24,818)                |
| Payments to acquire Afro Energy, net of cash acquired                   |             | (3,554,546)             | -                       |
| Investment in associates                                                |             | -                       | (1,620,708)             |
| Other payments                                                          |             | (20,038)                | -                       |
| Proceeds from sale of property, plant and equipment                     |             | -                       | 46,308                  |
| Deposit paid on property, plant and equipment                           |             | (225,320)               | -                       |
| Payments for property, plant and equipment                              |             | (23,209)                | (131,540)               |
| Net cash used in investing activities                                   |             | <u>(4,033,945)</u>      | <u>(1,730,758)</u>      |
| <b>Cash flows from financing activities</b>                             |             |                         |                         |
| Proceeds from issue of ordinary shares                                  |             | 11,556,006              | 8,194,200               |
| Proceeds from borrowings                                                |             | 125,000                 | -                       |
| Repayment of borrowings                                                 |             | -                       | (250,000)               |
| Share issue costs                                                       |             | (244,478)               | (136,770)               |
| Net cash provided by financing activities                               |             | <u>11,436,528</u>       | <u>7,807,430</u>        |
| <b>Net increase in cash and cash equivalents</b>                        |             | 3,650,594               | 2,213,347               |
| <b>Cash and cash equivalents at the beginning of the financial year</b> |             | <u>3,561,132</u>        | <u>1,347,785</u>        |
| <b>Cash and cash equivalents at the end of the financial year</b>       | <b>6(a)</b> | <u><u>7,211,726</u></u> | <u><u>3,561,132</u></u> |

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

### Note 1: Summary of material accounting policies

The consolidated financial report includes the financial statements and notes of Kinetiko Energy Ltd ("Kinetiko" or "the Company") and its controlled entities ("the Group").

The financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards and Interpretations and other mandatory professional reporting requirements. The financial report of the Group also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were recognised for issue by the Directors on 30 September 2024.

The notes to the financial statements are organised into the following sections:

- (a) **Key performance:** Provides a breakdown of the key individual line items in the statement of profit or loss and other comprehensive income that is most relevant to understanding performance and shareholder returns for the year:

**Notes**

2. Acquisition of 51% in Afro Energy (Pty) Ltd
3. Loss from continuing operations
4. Income tax expense
5. Loss per share

- (b) **Financial risk management:** Provides information about the Group's exposure and management of various financial risks and explains how these affect the Company's financial position and performance:

**Notes**

6. Cash and cash equivalents
7. Financial risk management

- (c) **Other assets and liabilities:** Provides information on other assets and liabilities in the statement of financial position that do not materially affect performance or give rise to material financial risk:

**Notes**

8. Receivables
9. Other assets
10. Property, plant and equipment
11. Investment in associate
12. Capitalised exploration and evaluation assets
13. Trade and other payables
14. Borrowings

- (d) **Capital structure:** This section outlines how the Group manages its capital structure and related financing costs (where applicable), as well as capital adequacy and reserves. It also provides details on the dividends paid by the Company:

**Notes**

15. Contributed equity
16. Reserves and accumulated losses



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024 (continued)**

**Note 1: Summary of material accounting policies (continued)**

- (e) **Other:** Provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements however, are not considered significant in understanding the financial performance or position of the Group:

**Notes**

- 17. Share based payments
- 18. Key management personnel disclosures and related party transactions
- 19. Remuneration of auditors
- 20. Investment in controlled entities
- 21. Commitments and contingencies
- 22. Segment information
- 23. Events occurring after reporting period
- 24. Other accounting policies

**Basis of consolidation**

The consolidated financial statements comprise of the financial statements of Kinetiko Energy Ltd ("Kinetiko" or "the Company") and its controlled entities ("the Group") as at 30 June 2024.

Subsidiaries are all those entities (including special purpose entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-company transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and cease to be consolidated from the date on which control is transferred out of the Company.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired, and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

**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 year ended 30 June 2024, the Group recorded a loss of \$5,232,581 (2023: \$4,335,534) and had net cash outflows from operating and investing activities of \$7,785,934 (2023: \$5,594,083). At 30 June 2024, the Group had a working capital surplus of \$5,586,730 (2023: \$3,083,423).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024 (continued)**

**Note 1: Summary of material accounting policies (continued)**

**Going concern (continued)**

In context of this operating environment, the ability of the Group to continue as a going concern is dependent on securing additional funding through debt or equity to continue to fund its operational and exploration activities.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group'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 Group 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 Group believe they can raise additional funding through debt or equity which is actively pursued;
- The Group has a recent proven history of successfully raising capital; and
- Cash spending can be reduced or slowed below its current rate if required.

Should the Group 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 Group not continue as a going concern.

**Foreign currency**

The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

**Adoption of new accounting policies**

During the year ended 30 June 2024, the new accounting policies adopted by the Group are found in the following notes:

Note 12: Capitalised exploration and evaluation assets  
Note 14: Borrowings

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024 (continued)**

**Note 1: Summary of material accounting policies (continued)**

**Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below and found in the following notes:

Note 4: Income tax expense

Note 8: Receivables

Note 9: Other assets

Note 12: Capitalised exploration and evaluation assets

Note 17: Share based payments

**Asset acquisition not constituting a Business**

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

In determining when an acquisition is determined to be an asset acquisition and not a business, significant judgement is required to assess whether the assets acquired constitute a business in accordance with AASB 3. Under AASB 3 a business is an integrated set of activities and assets that is capable of being conducted or managed for the purpose of providing a return, and consists of inputs and processes, which when applied to those inputs has the ability to create outputs.

Management determined that the acquisition of Afro Energy Ltd was an asset acquisition.

For acquisitions where control is obtained over an existing associate that does not meet the definition of a business in accordance with AASB 3 the company's accounting policy is to measure the previously held interest at cost.

**Fair value of asset acquisition**

Reserves and resources are often used as the basis for estimates of fair value to be used in purchase price. However, as the assets are in the exploration stage and do not yet have a defined reserve or resources a fair value for these assets cannot be reliably determined. As a result, the consideration paid is deemed to be the fair value of the acquisition.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 1: Summary of material accounting policies (continued)

#### New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Group from the adoption of these Accounting Standards and Interpretations are disclosed in Note 24. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

### Note 2: Acquisition of 51% in Afro Energy (Pty) Ltd

During the year ended 30 June 2024, Kinetiko Energy Limited completed the acquisition of the remaining 51% interest in Afro Energy (Pty) Ltd ("Afro Energy") from Badimo Gas (Pty) Ltd ("Badimo") ("the Acquisition") and, in turn, owns 100% of the exploration rights to the flagship Amersfoort Gas Project.

Pursuant to the terms of the agreement, the Company issued 495,482,590 fully paid ordinary shares, subject to escrow provisions, to Badimo as consideration for the Acquisition, being approximately 598 million shares less amounts previously owed to the Company by Badimo in respect of exploration costs incurred by Afro Energy and contributed by the Company in addition to loan amounts owed to the Company.

As at the date of acquisition, the amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out as follows:

|                                                                  | \$          |
|------------------------------------------------------------------|-------------|
| Cash and cash equivalents                                        | 3,015,745   |
| Trade and other receivables                                      | 87,778      |
| Capitalised exploration and evaluation assets – refer to Note 12 | 66,155,733  |
| Trade and other payables                                         | (73,798)    |
| Borrowings                                                       | (1,336,449) |
| Net identifiable assets acquired and liabilities assumed         | 67,849,009  |

The consideration in respect of the Acquisition consisted of the following:

|                                                                       | \$         |
|-----------------------------------------------------------------------|------------|
| Cash consideration for acquisition                                    | 6,500,000  |
| Issue of shares at prevailing share price of 10.5 cents               | 52,025,672 |
| Carrying value of existing 49% interest – refer to Note 11            | 7,586,117  |
| Settlement of loan from Mr Ncube as part of restructure               | 824,674    |
| Provision of loan to Afro Energy in respect of operational activities | 833,443    |
| Other costs                                                           | 79,103     |
| Total consideration transferred                                       | 67,849,009 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 3: Loss from continuing operations

|                                                                                                       | 2024<br>\$             | 2023<br>\$ |
|-------------------------------------------------------------------------------------------------------|------------------------|------------|
| Loss from continuing operations before income tax includes the following items of income and expenses |                        |            |
| (a) <u>Other Income</u>                                                                               |                        |            |
| Interest income                                                                                       | 259,464                | 76,471     |
| Other income                                                                                          | 98,760                 | 25,932     |
| Other income from ordinary activities                                                                 | 358,224                | 102,403    |
| (b) <u>Operating Expenses</u>                                                                         |                        |            |
| Depreciation of plant and equipment                                                                   | 50,788                 | 46,864     |
| (c) <u>Significant Expenses</u>                                                                       |                        |            |
| Consulting and professional costs                                                                     |                        |            |
| - Auditing costs                                                                                      | 89,254                 | 50,798     |
| - Legal fees                                                                                          | 25,667                 | 55,346     |
| - Accountancy fees                                                                                    | 64,075                 | 51,041     |
| - Other professional fees                                                                             | 330,076                | 396,531    |
|                                                                                                       | 509,072                | 553,716    |
| Other expenses – acquisition related expenses <sup>1</sup>                                            | 12,720                 | 153,140    |
| Foreign exchange loss                                                                                 | 1,513,324 <sup>2</sup> | 608,787    |

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

<sup>2</sup> Included is the release of foreign currency translation reserve \$983,199 – see Note 16(b)(iii)

### Accounting Policy

#### Interest Income

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 4: Income Tax Expense

(a) The prima facie income tax expense on pre-tax accounting loss reconciles to the income tax expense in the financial statements as follows:

|                                                                                                                        | 2024<br>\$  | 2023<br>\$  |
|------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Loss from operations                                                                                                   | (5,232,581) | (4,335,534) |
| Income tax benefit calculated at 25% (2023: 25%)                                                                       | (1,308,145) | (1,083,883) |
| Non-deductible legal fees                                                                                              | 6,417       | 13,837      |
| Non-deductible share based payments                                                                                    | 146,456     | 7,998       |
| Non-deductible acquisition related expenditure                                                                         | 3,180       | -           |
| Non-deductible project expenditure                                                                                     | 196,115     | 545,194     |
| Non-deductible exploration expenditure                                                                                 | 252,151     | -           |
| Non-deductible foreign exchange adjustments                                                                            | 378,331     | 152,197     |
|                                                                                                                        | (325,495)   | (364,657)   |
| Movements in unrecognised timing differences                                                                           | 48,892      | (6,178)     |
| Unused tax losses not recognised as a deferred tax asset                                                               | 276,603     | 370,835     |
| <b>Income tax (benefit)/expense reported in the<br/>Statement of Profit or Loss and Other<br/>Comprehensive Income</b> | <b>-</b>    | <b>-</b>    |

(b) Unrecognised deferred tax balances:

The following deferred tax assets have not been brought to account:

|                                                               | 2024<br>\$             | 2023<br>\$       |
|---------------------------------------------------------------|------------------------|------------------|
| Unrecognised deferred tax asset – tax losses                  | 1,578,180 <sup>1</sup> | 1,581,384        |
| Unrecognised deferred tax asset – other temporary differences | 95,321                 | 53,354           |
| <b>Net deferred tax assets not brought to account</b>         | <b>1,673,501</b>       | <b>1,634,738</b> |

<sup>1</sup> Further to the Company's acquisition of the remaining 51% interest in Afro Energy (Pty) Ltd, there are potential further net deferred tax assets in respect of foreign tax losses (with an estimated potential value of circa \$1.7 million) that are currently being reviewed and therefore have not been included above due to their uncertainty.

The taxation benefits of tax losses and timing not brought to account will only be obtained if:

- (a) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- (b) conditions for deductibility imposed by the law are complied with; and
- (c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

### Accounting Policy

#### Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024 (continued)**

**Note 4: Income Tax Expense (continued)**

Deferred tax

Deferred tax is accounted for using the comprehensive statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be recognize.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to recognise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are recognise or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

*Critical accounting judgements, estimates and assumptions*

The Group has not recognised any deferred tax assets or liability in relation to the carrying value of its capitalised exploration and evaluation assets as the Directors do not believe it is capable of being estimated with a sufficient degree of reliability due to uncertainty over the manner in which the carrying value of these assets will be recovered.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 5: Loss per Share

|                         | 2024<br>Cents Per Share | 2023<br>Cents Per Share |
|-------------------------|-------------------------|-------------------------|
| Basic loss per share:   | (0.4)                   | (0.6)                   |
| Diluted loss per share: | (0.4)                   | (0.6)                   |

The loss for the year and the weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

|                                                                                         | 2024<br>\$    | 2023<br>\$  |
|-----------------------------------------------------------------------------------------|---------------|-------------|
| Loss for the year after income tax                                                      | (5,320,434)   | (4,335,534) |
|                                                                                         | 2024<br>No.   | 2023<br>No. |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 1,224,492,899 | 741,631,734 |

### Accounting Policy

Basic earnings per share is calculated as a net profit attributable to members, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### Note 6: Cash and Cash Equivalents

#### (a) Reconciliation of Cash

For the purposes of the Consolidated Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts and restricted cash. Cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows is reconciled to the related items in the Consolidated Statement of Financial Position, as follows:

|                              | 2024<br>\$ | 2023<br>\$ |
|------------------------------|------------|------------|
| Cash at bank and in hand     | 4,074,295  | 3,561,132  |
| Restricted cash <sup>1</sup> | 3,137,431  | -          |
|                              | 7,211,726  | 3,561,132  |

<sup>1</sup> Represents monies held in Afro Gas Development SA (Pty) Ltd ("Afro Gas"), a joint development entity incorporated to pool the interests of Afro Energy (Pty) Ltd ("Afro Energy") and the Industrial Development Corporation of South Africa ("IDC") for the development of gas fields to produce gas for industrial, commercial, transportation or power generation applications.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 6: Cash and Cash Equivalents (continued)

The cash and cash equivalents disclosed above and in the Consolidated Statement of Cash Flows includes restricted cash however these funds are not available for general use by the other entities within the Group.

Refer to Note 7 for the Group's financial risk management on cash.

#### (b) Reconciliation of Operating Loss After Income Tax to Net Cash Flow from Operations

|                                                        | 2024<br>\$  | 2023<br>\$  |
|--------------------------------------------------------|-------------|-------------|
| Loss for the year                                      | (5,232,581) | (4,335,534) |
| Share of loss for the year for investment in associate | 23,508      | 63,123      |
| Depreciation                                           | 50,788      | 46,864      |
| Profit on sale of property, plant and equipment        | -           | (8,284)     |
| Share based payments                                   | 585,824     | 31,993      |
| Release foreign currency translation reserve           | 983,199     | -           |
| Unrealised foreign exchange movement                   | -           | 201,048     |

#### Changes in assets and liabilities:

|                                       |                    |                    |
|---------------------------------------|--------------------|--------------------|
| Trade and other payables              | 192,294            | 521,347            |
| Receivables                           | (393,122)          | (383,081)          |
| Provisions                            | 26,723             | 7,448              |
| Prepayments                           | 11,378             | (8,249)            |
| Net cash used in operating activities | <u>(3,751,989)</u> | <u>(3,863,325)</u> |

#### (c) Non-Cash Financing and Investing Activities

|                                                     |          |                |
|-----------------------------------------------------|----------|----------------|
| Issue of shares to satisfy trade and other payables | -        | 502,676        |
|                                                     | <u>-</u> | <u>502,676</u> |

During the year ended 30 June 2024, the Company completed the acquisition of the remaining 51% interest in Afro Energy (Pty) Ltd via the issue of shares (refer to Note 2 for further details).

### Note 7: Financial Risk Management

#### Financial risk management and policies

The Group's exploration activities are being funded by equity and are not exposed to significant financial risks. There are no speculative or financial derivative instruments. Funds are invested for various short term periods to match forecast cash flow requirements.

The Company holds the following financial instruments:

|                             | 2024<br>\$       | 2023<br>\$       |
|-----------------------------|------------------|------------------|
| <b>Financial assets</b>     |                  |                  |
| Cash and cash equivalents   | 7,211,726        | 3,561,132        |
| Trade and other receivables | 871,911          | 1,107,184        |
| Other                       | -                | 798,852          |
|                             | <u>8,083,637</u> | <u>5,467,168</u> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 7: Financial Risk Management (continued)

|                              | 2024<br>\$ | 2023<br>\$ |
|------------------------------|------------|------------|
| <b>Financial liabilities</b> |            |            |
| Trade payables and accruals  | 1,264,512  | 999,416    |
| Borrowings                   | 1,467,441  | -          |
|                              | 2,731,953  | 999,416    |

The Group's principal financial instruments comprise cash and short-term deposits.

The main purpose of these financial instruments is to fund the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group are capital risk, credit risk, liquidity risk, and interest rate risk. The Board reviews and agrees policies for managing each of these risks and they are recognised below.

#### (a) Credit risk

Cash at bank is held with internationally regulated banks. As at 30 June 2024, all cash and cash equivalents were held with AA rated banks.

The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, as disclosed in the consolidated statement of financial position and notes to the financial statements. The Group does not hold any collateral.

No provisions have been made against these receivables as the full balance are expected to be recovered. Refer to Notes 8 and 9 for further details.

#### (b) Capital risk

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During the year ended 30 June 2024, the Group's strategy was to keep borrowings to a minimum. The Group's equity management is determined by funds required to undertake exploration activities and meet its corporate and other costs.

#### (c) Liquidity risk

Maturity profile of financial instruments

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

The Group's exposure to the risk of changes in market interest rates relate primarily to cash assets and floating interest rates.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 7: Financial Risk Management (continued)

#### (c) Liquidity risk (continued)

The directors monitor the cash-burn rate of the Group on an on-going basis against budget and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

As at reporting date the Group had sufficient cash reserves to meet its requirements. The Group has no access to credit standby facilities or arrangements for further funding or borrowings in place.

The financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business. These were non-interest bearing and were due within the normal 30-60 days terms of creditor payments.

The following table sets out the carrying amount, by maturity, of the financial instruments including exposure to interest rate risk:

| As at 30 June 2024        | <1 year          | 1 – 5 years      | Over 5 years | Total            | Weighted average effective interest rate % |
|---------------------------|------------------|------------------|--------------|------------------|--------------------------------------------|
| Financial Assets:         |                  |                  |              |                  |                                            |
| Cash                      | 7,211,726        | -                | -            | 7,211,726        | 5.00                                       |
| Receivables & other       | 871,911          | -                | -            | 871,911          | -                                          |
|                           | <u>8,083,637</u> | <u>-</u>         | <u>-</u>     | <u>8,083,637</u> |                                            |
| Financial Liabilities:    |                  |                  |              |                  |                                            |
| Trade payables & accruals | 1,264,512        | -                | -            | 1,264,512        |                                            |
| Borrowings                | 1,467,441        | -                | -            | 1,467,441        |                                            |
|                           | <u>2,731,953</u> | <u>-</u>         | <u>-</u>     | <u>2,731,953</u> |                                            |
| As at 30 June 2023        | <1 year          | 1 – 5 years      | Over 5 years | Total            | Weighted average effective interest rate % |
| Financial Assets:         |                  |                  |              |                  |                                            |
| Cash                      | 3,561,132        | -                | -            | 3,561,132        | 3.12                                       |
| Receivables & other       | 500,603          | 1,405,433        | -            | 1,906,036        | -                                          |
|                           | <u>4,061,735</u> | <u>1,405,433</u> | <u>-</u>     | <u>5,467,168</u> |                                            |
| Financial Liabilities:    |                  |                  |              |                  |                                            |
| Trade payables & accruals | 999,416          | -                | -            | 999,416          |                                            |
| Borrowings                | -                | -                | -            | -                |                                            |
|                           | <u>999,416</u>   | <u>-</u>         | <u>-</u>     | <u>999,416</u>   |                                            |

#### (d) Interest rate risk

The sensitivity analysis has not been determined for the exposure to interest rate risk, because the directors of the Group consider it to be immaterial.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 7: Financial Risk Management (continued)

#### (e) Foreign exchange risk

The Group operates internationally and is currently exposed to foreign exchange risk with respect to the South African Rand, the US Dollar and the Great Britain Pound sterling.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. If the foreign exchange rates strengthened or weakened by 20% with all other variables held constant the Company's net asset value would have been \$490,000 higher or \$490,000 lower.

The Company's exposure to foreign currency risk at the end of the reporting year, expressed in the South African Rand, the US Dollar and the Great Britain Pound sterling was as follows:

|                | 2024         |          |         |             | 2023        |          |           |
|----------------|--------------|----------|---------|-------------|-------------|----------|-----------|
|                | ZAR          | USD      | GBP     | AUD         | ZAR         | EUR      | AUD       |
| Cash           | 39,322,261   | -        | -       | 3,237,538   | 42,255,654  | -        | 3,377,334 |
| Receivables    | 13,061,313   | -        | -       | 1,074,411   | 8,041,578   | -        | 644,790   |
| Trade payables | (5,363,304)  | (48,377) | (5,232) | (524,770)   | (2,847,766) | (64,036) | 333,579   |
| Borrowings     | (16,301,400) | -        | -       | (1,342,441) | -           | -        | -         |

#### (f) Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

The Group's principal financial instruments consist of cash and deposits with banks, accounts receivable and trade payables. The main purpose of these non-derivative financial instruments is to finance the entity's operations.

### Note 8: Receivables

|                                       | 2024<br>\$     | 2023<br>\$     |
|---------------------------------------|----------------|----------------|
| (a) <u>Current</u>                    |                |                |
| Other receivables – VAT refundable    | 103,108        | 108,777        |
| Other receivables – GST refundable    | 22,516         | 26,102         |
| Other receivables                     | 746,287        | 365,724        |
|                                       | <u>871,911</u> | <u>500,603</u> |
| (b) <u>Non-Current</u>                |                |                |
| Loan – Associated entity <sup>1</sup> | -              | 606,581        |
|                                       | <u>-</u>       | <u>606,581</u> |

<sup>1</sup> The loan to associate was repayable from Afro Energy (Pty) Ltd (Afro Energy), an incorporated entity formed in South Africa, of which Kinetiko, as at 30 June 2023, owned a 49% interest. The loan is unsecured, interest free and not subject to any fixed terms of repayment.

During the year ended 30 June 2024, the Company completed the acquisition of the remaining 51% interest in Afro Energy and therefore holds 100% of the issued capital of Afro Energy. The loan to associate formed part of the consideration for the acquisition (refer to Note 2).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 8: Receivables (continued)

None of the other receivables are past due or impaired. Refer to Note 7 for the Group's financial risk management and policies.

#### *Accounting Policy*

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

A loss allowance is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

#### *Critical accounting judgements, estimates and assumptions*

The loan to associate is assessed for recoverability under the expected credit loss model. No loss allowance has been made as the loan is expected to be recovered in full.

### Note 9: Other Assets

|                                         | 2024<br>\$ | 2023<br>\$ |
|-----------------------------------------|------------|------------|
| <i>(a) Current</i>                      |            |            |
| Prepayments - other                     | 9,726      | 21,104     |
| Deposits paid                           | 225,320    | -          |
|                                         | 235,046    | 21,104     |
| <i>(b) Non-Current</i>                  |            |            |
| Loan – Other related party <sup>1</sup> | -          | 798,852    |
|                                         | -          | 798,852    |

<sup>1</sup> The loan was made in March 2022 on behalf of Mr Donald Mzolisa Jones Ncube, a director of Badimo Gas (Pty) Ltd (Badimo). In May 2022, Badimo approved the issue of 30 million shares by the Company to acquire the Industrial Development Corporation (IDC) claim of approximately ZAR 200 million that the IDC held against Mr Ncube.

During the year ended 30 June 2024, the loan formed part of the consideration for the acquisition of Afro Energy (Pty) Ltd (refer to Note 2).

#### *Critical accounting judgements, estimates and assumptions*

The loan to other related party is assessed for recoverability and a provision for doubtful debt is recognised when there is objective evidence that the loan is unrecoverable.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 10: Property, Plant and Equipment

|                                  | 2024<br>\$ | 2023<br>\$ |
|----------------------------------|------------|------------|
| Opening net book value           | 219,351    | 170,095    |
| Additions                        | 23,209     | 134,144    |
| Proceeds on disposals            | -          | (46,308)   |
| Profit on disposals              | -          | 8,284      |
| Depreciation charge for the year | (50,788)   | (46,864)   |
| Closing net book value           | 191,772    | 219,351    |
| Cost or fair value               | 342,525    | 319,316    |
| Accumulated depreciation         | (150,753)  | (99,965)   |
|                                  | 191,772    | 219,351    |

#### Accounting Policy

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

|                     |               |
|---------------------|---------------|
| Plant and equipment | 10% to 66.67% |
|---------------------|---------------|

### Note 11: Investment in Associate

Prior to Kinetiko Energy Limited's acquisition of the 51% interest in Afro Energy (Pty) Ltd ("Afro Energy") from Badimo Gas (Pty) Ltd, the Company held a 49% direct interest in the net assets and share of profit and losses of Afro Energy.

During the year ended 30 June 2024 and prior to the Company's acquisition of the 51% interest in Afro Energy, the Company continued to increase project expenditure in relation to the tenements held by Afro Energy. The total project expenditure that was expensed through the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year was \$784,460 (2023: \$2,180,776).

The carrying amount of equity-accounted investments in associates for the year ended 30 June 2024 is as follows:

|                                                                      | 2024<br>\$  | 2023<br>\$ |
|----------------------------------------------------------------------|-------------|------------|
| Opening balance                                                      | 7,512,742   | 6,648,687  |
| Contributions to investment                                          | -           | 1,625,171  |
| Loss for the year                                                    | (23,508)    | (63,123)   |
| Foreign exchange revaluation                                         | 96,883      | (697,993)  |
| Transfer to investment in subsidiary – Afro Energy (refer to Note 2) | (7,586,117) | -          |
| Closing balance                                                      | -           | 7,512,742  |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 12: Capitalised Exploration and Evaluation Assets

|                                                                 | 2024<br>\$ | 2023<br>\$ |
|-----------------------------------------------------------------|------------|------------|
| Opening balance                                                 | -          | -          |
| Consideration for acquisition of 51% interest – refer to Note 2 | 66,155,733 | -          |
| Foreign exchange differences                                    | 290,924    | -          |
| Closing balance                                                 | 66,446,657 | -          |

Subsequent to the Company's acquisition of the 51% interest in Afro Energy (Pty) Ltd, the Group incurred \$1,008,607 in exploration and evaluation related expenditure that was expensed through the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

#### *Accounting Policy*

##### Exploration and evaluation costs

Exploration and evaluation expenditures are written off as incurred, except for acquisition costs.

Exploration assets acquired from third party are carried forward provided that either i) the carrying value is expected to be recouped through the successful development and exploitation or sale of an area of interest or ii) exploitation and/or evaluation activities in the area have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, active and significant operations in relation to the area are continuing and the rights of the tenure are current. If capitalised exploration and evaluation costs do not meet either of these tests, they are expensed to profit and loss.

Each area of interest is reviewed at least bi-annually to determine whether it is appropriate to continue to carry forward the capitalised costs.

Upon approval for the development of an area of interest, accumulated expenditure for the area of interest is transferred to capitalised development expenditure.

##### Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

##### *Critical accounting judgements, estimates and assumptions*

The ultimate recoupment of the value of exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively sale, of the underlying mineral exploration properties. The consolidated Group undertakes at least on a bi-annual basis, a comprehensive review for indicators of impairment of those assets. Should an indicator of impairment exist, there is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 13: Trade and other payables

|                                               | 2024<br>\$       | 2023<br>\$     |
|-----------------------------------------------|------------------|----------------|
| Trade payables and accruals                   | 1,030,108        | 936,425        |
| Trade payables and accruals – related parties | 234,404          | 62,991         |
|                                               | <u>1,264,512</u> | <u>999,416</u> |

Refer to Note 7 for the Group's financial risk management and policies.

Trade payables are normally settled on 30 day terms. Trade payables are currently being settled in excess of 60 day terms. The amount of payables at reporting date exceeding normal trading terms is \$607,354.

#### Accounting Policy

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

### Note 14: Borrowings

|                                                                              | 2024<br>\$       | 2023<br>\$ |
|------------------------------------------------------------------------------|------------------|------------|
| Opening balance                                                              | -                | 250,000    |
| Loan – Industrial Development Corporation of South Africa (IDC) <sup>1</sup> | 1,342,326        | -          |
| Loan – Other                                                                 | 125,115          | -          |
| Repayment (refer to Note 18)                                                 | -                | (250,000)  |
| Closing balance                                                              | <u>1,467,441</u> | <u>-</u>   |

<sup>1</sup> Refer to Note 21(b) for further details. The loan represents the IDC's advances of ZAR 16.3 million as part of its ZAR 70 million commitment (approximately AUD \$5.7 million). The loan is unsecured, interest free and not subject to any fixed terms of repayment.

Refer to Note 7 for the Group's financial risk management and policies.

#### Accounting Policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset, which are capitalised until the asset is ready for its intended use or sale.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 15: Contributed Equity

#### (a) Issued Capital

Movements in share capital were as follows:

| Year ended<br>30 June 2024 |                                                                           | Issue<br>Price | Fully Paid<br>Ordinary<br>Shares | \$                 |
|----------------------------|---------------------------------------------------------------------------|----------------|----------------------------------|--------------------|
| 1 July 2023                | Opening Balance                                                           |                | 780,563,522                      | 39,757,715         |
| 12 September 2023          | Issue of shares pursuant to Afro Energy (Pty) Ltd acquisition             | \$0.09         | 72,222,222                       | 6,500,000          |
| 22 September 2023          | Issue of shares to Badimo in respect of Afro Energy (Pty) Ltd acquisition | \$0.105        | 495,482,590                      | 52,025,672         |
| 30 May 2024                | Issue of shares pursuant to placement facility                            | \$0.06         | 84,266,769                       | 5,056,006          |
|                            | Share issue costs                                                         |                | -                                | (301,717)          |
| 30 June 2024               | Closing Balance                                                           |                | <u>1,432,535,103</u>             | <u>103,037,676</u> |
| Year ended<br>30 June 2023 |                                                                           | Issue<br>Price | Fully Paid<br>Ordinary<br>Shares | \$                 |
| 1 July 2022                | Opening Balance                                                           |                | 684,073,969                      | 31,743,101         |
| 13 September 2022          | Issue of shortfall shares from rights issue                               | \$0.075        | 2,000,000 <sup>1</sup>           | 150,000            |
| 1 November 2022            | Issue of shares pursuant to placement (Tranche 1)                         | \$0.09         | 37,457,777                       | 3,371,200          |
| 2 November 2022            | Issue of shares for corporate advisory services                           | \$0.09         | 1,720,000 <sup>3</sup>           | 154,800            |
| 30 November 2022           | Issue of shares pursuant to placement (Tranche 2)                         | \$0.09         | 19,120,000                       | 1,720,800          |
| 16 December 2022           | Issue of shares pursuant to share subscription agreement                  | \$0.09         | 32,802,220 <sup>2</sup>          | 2,952,200          |
| 3 February 2023            | Issue of shares for corporate advisory services                           | \$0.09         | 2,628,889 <sup>3</sup>           | 236,600            |
| 18 April 2023              | Issue of shares for corporate advisory services                           | \$0.09         | 760,667 <sup>3</sup>             | 68,460             |
|                            | Share issue costs                                                         |                | -                                | (639,446)          |
| 30 June 2023               | Closing Balance                                                           |                | <u>780,563,522</u>               | <u>39,757,715</u>  |

<sup>1</sup> The Company issued shortfall shares pursuant to the non-renounceable rights issue detailed in the prospectus dated 26 April 2022.

<sup>2</sup> The Company issued 32,802,220 ordinary shares at an issue price of \$0.09 per share to Phefo Power (Pty) Ltd on the exercise of option granted under a subscription agreement.

<sup>3</sup> Over the course of the financial year, the Company issued a total of 5,109,556 ordinary shares in exchange for corporate advisory services provided. Refer to Note 17(c).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 15: Contributed Equity (continued)

#### Accounting Policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (b) Options

The following unlisted options were on issue during the year ended 30 June 2024.

| Exercise price<br>Expiry date | 13c<br>7 July 2023 | 10c<br>31 July 2024    | 9c<br>10 February 2025 | 12c<br>31 December 2026 |
|-------------------------------|--------------------|------------------------|------------------------|-------------------------|
| Opening balance               | 3,000,000          | 2,000,000              | 1,000,000              | -                       |
| Issued during the year        | -                  | -                      | -                      | 24,750,000 <sup>3</sup> |
| Expired during the year       | (3,000,000)        | -                      | -                      | -                       |
| Exercised during the year     | -                  | -                      | -                      | -                       |
| Closing balance               | -                  | 2,000,000 <sup>1</sup> | 1,000,000 <sup>2</sup> | 24,750,000              |

The following unlisted options were on issue during the year ended 30 June 2023.

| Exercise price<br>Expiry date | 13c<br>7 July 2023 | 10c<br>31 July 2024    | 9c<br>10 February 2025 |
|-------------------------------|--------------------|------------------------|------------------------|
| Opening balance               | 3,000,000          | -                      | -                      |
| Issued during the year        | -                  | 2,000,000 <sup>1</sup> | 1,000,000 <sup>2</sup> |
| Expired during the year       | -                  | -                      | -                      |
| Exercised during the year     | -                  | -                      | -                      |
| Closing balance               | 3,000,000          | 2,000,000              | 1,000,000              |

<sup>1</sup> Refer to Note 17(b)

<sup>2</sup> Refer to Note 17(d)

<sup>3</sup> A total of 24,750,000 Director and Management options were issued in January 2024 following shareholders' approval at the Company's Annual General Meeting. Refer to Note 18 for further details.

### Note 16: Reserves and Accumulated Losses

#### 16a) Accumulated Losses

|                                        | 2024<br>\$   | 2023<br>\$   |
|----------------------------------------|--------------|--------------|
| Balance at beginning of financial year | (27,572,199) | (23,236,665) |
| Net Loss                               | (5,320,434)  | (4,335,534)  |
| Balance at end of financial year       | (32,892,633) | (27,572,199) |

#### 16b) Reserves

|                                      |           |             |
|--------------------------------------|-----------|-------------|
| Share Based Payments Reserve         | 1,486,255 | 900,431     |
| Options Issue Reserve                | 215,084   | 215,084     |
| Foreign Currency Translation Reserve | 290,924   | (1,080,082) |
| Total Reserves                       | 1,992,263 | 35,433      |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 16: Reserves and Accumulated Losses (continued)

#### (i) Share Based Payments Reserve

|                                        |           |         |
|----------------------------------------|-----------|---------|
| Balance at beginning of financial year | 900,431   | 868,438 |
| Movement for year (refer to Note 17)   | 585,824   | 31,993  |
| Share Based Payments Reserve           | 1,486,255 | 900,431 |

#### (ii) Options Issue Reserve

|                                        |         |         |
|----------------------------------------|---------|---------|
| Balance at beginning of financial year | 215,084 | 172,268 |
| Movement for year                      | -       | 42,816  |
| Options Issue Reserve                  | 215,084 | 215,084 |

#### (iii) Foreign Currency Translation Reserve

|                                        |             |             |
|----------------------------------------|-------------|-------------|
| Balance at beginning of financial year | (1,080,082) | (407,476)   |
| Movement for year                      | 387,807     | (672,606)   |
| Release to profit or loss              | 983,199     | -           |
| Foreign Currency Translation Reserve   | 290,924     | (1,080,082) |

#### (iv) Nature and purpose of reserves

##### *Share Based Payments Reserve*

The Share Based Payments Reserve is used to recognise the fair value of shares and options granted as remuneration and in satisfaction of loans advanced to the Company.

##### *Options Issue Reserve*

The Options Issue Reserve is used to recognise the fair value of options issued during the year.

##### *Foreign Currency Translation Reserve*

The Foreign Currency Translation Reserve is used to record exchange differences arising from the translation of the financial statements of foreign investments in subsidiaries and previously associates.

### Note 17: Share Based Payments

- a) In January 2024, following shareholder approval granted at the Company's Annual General Meeting on 24 November 2023, 24,750,000 unlisted Director and Management options exercisable at \$0.12 per share on or before 31 December 2026 were issued by the Company (refer to Note 18 for further details).

During the year ended 30 June 2024, \$585,824 was recognised as a share based payment in respect of these options.

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)         | 12.00            |
| Weighted average life of the options (years)    | 3.10             |
| Weighted average underlying share price (cents) | 8.0              |
| Expected share price volatility                 | 76.5%            |
| Risk-free interest rate                         | 4.19%            |
| Expiry date                                     | 31 December 2026 |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 17: Share Based Payments (continued)

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

Under the terms of Mr de Blocq's original 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 unlisted option 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 unlisted options are exercisable at 10 cents per share on or before 31 July 2024. |

In the year ended 30 June 2023, the Company issued 2,000,000 unlisted options to Mr de Blocq, and the fair value of these options was re-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             |
| Grant date of options                        | 30 November 2022 |
| Share price at grant date (cents)            | 12.00            |
| Expected share price volatility              | 89.90%           |
| Risk-free interest rate                      | 0.13%            |
| Expiry date                                  | 31 July 2024     |

During the year ended 30 June 2022, \$112,938 was recognised as a share based payment in respect of these options. However, as shareholder approval for the options was granted on 30 November 2022, an additional \$31,993 was recognised as a share based payment in the Statement of Profit or Loss and Other Comprehensive Income and added to the Share Based Payments Reserve in the year ended 30 June 2023, to reflect a correction in the underlying share price as at grant date.

The unlisted options expired unexercised on 31 July 2024.

- c) During the year ended 30 June 2023, corporate advisory fees incurred in relation to the Company's strategic investment and share placement, totalling \$459,860 were satisfied by the issue of 5,109,556 shares in total. The shares were issued to AC Squared Solutions (Pty) Ltd at \$0.09, being the share price on their respective dates of issue.
- d) On 7 February 2023, 1,000,000 unlisted options were allotted to a corporate advisor as consideration for the provision of corporate advisory services related to the Company's share placement announced on 10 October 2022. As the options issued cannot be valued based on services, the fair value was determined using the share price on the date of issue, being 7 February 2023.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 17: Share Based Payments (continued)

During the financial year ended 30 June 2023, \$42,816 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)         | 9.00             |
| Weighted average life of the options (years)    | 2.00             |
| Weighted average underlying share price (cents) | 9.00             |
| Expected share price volatility                 | 86.00%           |
| Risk-free interest rate                         | 3.25%            |
| Expiry date                                     | 10 February 2025 |

### *Critical accounting judgements, estimates and assumptions*

#### Employees

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options granted is determined by an internal valuation using a Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The fair value of shares issued is determined by utilising the market price of the Company's shares at the date which shares are issued.

#### External Consultants

The Group measures the cost of equity-settled transactions with external consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by utilising the market price of the Company's shares at the date which shares are issued.

### Note 18: Key Management Personnel Disclosures and Related Party Transactions

Refer to Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel (KMP) for the year ended 30 June 2024.

|                              | 2024      | 2023    |
|------------------------------|-----------|---------|
|                              | \$        | \$      |
| Short term employee benefits | 775,122   | 647,225 |
| Post-employment benefits     | 4,112     | 3,177   |
| Share based payments         | 540,324   | 31,993  |
|                              | 1,319,558 | 682,395 |

### *Investments in associated entities*

Investments in associated entities are set out in Note 11.

### *Key management personnel*

Disclosures relating to key management personnel are set out in the remuneration report of the directors' report and above.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 18: Key Management Personnel Disclosures and Related Party Transactions (continued)

#### *Loans from related parties*

The following balance is outstanding as at reporting date in relation to funds borrowed from related parties:

| <b>Loan from Adam Sierakowski</b> | <b>2024</b> | <b>2023</b> |
|-----------------------------------|-------------|-------------|
|                                   | <b>\$</b>   | <b>\$</b>   |
| Opening balance                   | -           | 250,000     |
| Funds received                    | -           | -           |
| Funds repaid                      | -           | (250,000)   |
| Closing balance                   | -           | -           |

The loan is unsecured, interest free and repayable at call.

The loan was fully repaid on 12 July 2022.

#### *Other transactions with key management personnel*

Transactions with key management personnel related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

|                                                                                                                                                                                     | <b>2024</b> | <b>2023</b> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
|                                                                                                                                                                                     | <b>\$</b>   | <b>\$</b>   |
| (i) Payments to Trident Management Services Pty Ltd, a company of which Adam Sierakowski is a director and shareholder, for company secretarial services provided by Simon Whybrow. | 60,000      | 48,000      |
| (ii) Payments to Palisade Corporate (formerly Price Sierakowski Pty Ltd), a company of which Adam Sierakowski is a director and shareholder, for legal services provided.           | 70,205      | 81,278      |
| (iii) Payments to Trident Capital Pty Ltd, a company of which Adam Sierakowski is a director and shareholder, for capital raising fees relating shares placement.                   | -           | 87,474      |
| (iv) Payments to Trident Management Services Pty Ltd, a company of which Adam Sierakowski is a director and shareholder, for rental of office space.                                | 8,000       | -           |
| (v) Payments to Cowbra Pty Ltd, a company of which Geoff Michael is a director, for the provision of IT services.                                                                   | -           | 1,320       |
| (vi) Payments to Bulder Consulting, a company of which D Bulder is a director, for the provision of consulting services.                                                            | 5,000       | -           |

#### Amounts outstanding at reporting date

Aggregates amount payable to Key Management Personnel and their related entities at reporting date.

|              |         |        |
|--------------|---------|--------|
| (i) Payables | 234,404 | 62,991 |
|--------------|---------|--------|

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 18: Key Management Personnel Disclosures and Related Party Transactions (continued)

#### Director and Management Options

Following shareholder approval at the Company's 2023 Annual General Meeting on 24 November 2023, unlisted options were issued to Directors and Management as follows:

| <i>Director Options</i> | <i>No. of Options</i> | <i>Management Options</i>  | <i>No. of Options</i> |
|-------------------------|-----------------------|----------------------------|-----------------------|
| Mr Adam Sierakowski     | 4,000,000             | Mr Nicholas de Blocq       | 5,000,000             |
| Mr Dirk Robert Bulder   | 3,000,000             | Mr Simon Whybrow           | 1,500,000             |
| Mr Donald Ncube         | 3,000,000             | Other management personnel | 2,250,000             |
| Mr Thomas Fontaine      | 3,000,000             | <b>Total</b>               | <b>8,750,000</b>      |
| Mr Geoffrey Michael     | 3,000,000             |                            |                       |
| <b>Total</b>            | <b>16,000,000</b>     |                            |                       |

Pursuant to the vesting condition of the Director and Management Options, the options will vest upon the satisfaction of continuous service from the issue date of the options until 1 December 2024 by the relevant Director and Management personnel. Upon satisfaction of the vesting condition, the Director and Management Options are exercisable at any time on or before the expiry date, being 31 December 2026.

The total fair value of the options granted to Directors and Management was \$852,455 which was calculated using the Black-Scholes option valuation methodology and applying the following inputs:

|                                         |                  |
|-----------------------------------------|------------------|
| Weighted average exercise price         | \$0.12           |
| Weighted average life of the options    | 3.10 years       |
| Weighted average underlying share price | \$0.08           |
| Expected share price volatility         | 76.50%           |
| Risk-free interest rate                 | 4.19%            |
| Expiry date                             | 31 December 2026 |

Based on the vesting conditions of the options, \$585,824 was recognised as a share based payment for the year ended 30 June 2024.

#### Director Options

|                                         | <b>Mr<br/>Sierakowski</b> | <b>Mr<br/>Bulder</b> | <b>Mr<br/>Ncube</b> | <b>Mr<br/>Fontaine<sup>1</sup></b> | <b>Mr<br/>Michael<sup>2</sup></b> | <b>Total</b> |
|-----------------------------------------|---------------------------|----------------------|---------------------|------------------------------------|-----------------------------------|--------------|
| Number Issued                           | 4,000,000                 | 3,000,000            | 3,000,000           | 3,000,000                          | 3,000,000                         | 16,000,000   |
| Grant Date                              | 24 Nov 2023               | 24 Nov 2023          | 24 Nov 2023         | 24 Nov 2023                        | 24 Nov 2023                       |              |
| Vesting Date                            | 1 Dec 2024                | 1 Dec 2024           | 1 Dec 2024          | 24 Nov 2023                        | 24 Nov 2023                       |              |
| Vesting Period (days)                   | 373                       | 373                  | 373                 | Immediately                        | Immediately                       |              |
| Value per Option                        | \$0.03444                 | \$0.03444            | \$0.03444           | \$0.03444                          | \$0.03444                         |              |
| Total Value of Rights                   | \$137,770                 | \$103,328            | \$103,328           | \$103,328                          | \$103,328                         | \$551,082    |
| Amount Expensed in Current Period       | \$80,889                  | \$60,667             | \$60,667            | \$103,328                          | \$103,328                         | \$408,879    |
| Amount to be Expensed in Future Periods | \$56,881                  | \$42,661             | \$42,661            | Nil                                | Nil                               | \$142,203    |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 18: Key Management Personnel Disclosures and Related Party Transactions (continued)

#### Director and Management Options (continued)

<sup>1</sup> The approval to grant Director Options to Mr Fontaine was conditional upon his re-election as a director under the Notice of Meeting. Although the resolution to re-elect Mr Fontaine was not passed, the Board subsequently resolved to proceed with the issue of the options as a show of appreciation for the contribution and technical input provided by Mr Fontaine during his tenure as a director. As a result of the options vesting immediately, the full value of the options issued has been expensed as a share based payment during the year ended 30 June 2024.

<sup>2</sup> Mr Michael resigned as a director of the Company on 24 November 2023. Although Mr Michael resigned as a director prior to the completion of the vesting condition, the Board subsequently resolved to proceed with the issue of the options and therefore the full value of the options issued has been expensed as a share based payment during the year ended 30 June 2024.

#### Management Options

|                                         | Mr<br>de Blocq | Mr<br>Whybrow | Other<br>management<br>personnel | Total     |
|-----------------------------------------|----------------|---------------|----------------------------------|-----------|
| Number Issued                           | 5,000,000      | 1,500,000     | 2,250,000                        | 8,750,000 |
| Grant Date                              | 24 Nov 2023    | 24 Nov 2023   | 24 Nov 2023                      |           |
| Vesting Date                            | 1 Dec 2024     | 1 Dec 2024    | 1 Dec 2024                       |           |
| Vesting Period (days)                   | 373            | 373           | 373                              |           |
| Value per Option                        | \$0.03444      | \$0.03444     | \$0.03444                        |           |
| Total Value of Rights                   | \$172,213      | \$51,664      | \$77,496                         | \$301,373 |
| Amount Expensed in Current Period       | \$101,112      | \$30,333      | \$45,500                         | \$176,945 |
| Amount to be Expensed in Future Periods | \$71,101       | \$21,331      | \$31,996                         | \$124,428 |

The options were issued to Directors and Management in January 2024.

### Note 19: Remuneration of Auditors

|                                         | 2024<br>\$    | 2023<br>\$    |
|-----------------------------------------|---------------|---------------|
| <b>BDO Audit Pty Ltd</b>                |               |               |
| Audit or review of the financial report | 89,254        | 50,798        |
|                                         | <u>89,254</u> | <u>50,798</u> |

The auditor of the Group is BDO Audit Pty Ltd.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 20: Investment in Controlled Entities

For the year ended 30 June 2024, the consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

| Name of entity                                 | Country of incorporation | Equity holding |           |
|------------------------------------------------|--------------------------|----------------|-----------|
|                                                |                          | 2024<br>%      | 2023<br>% |
| Afro Energy (Pty) Ltd <sup>1</sup>             | South Africa             | 100%           | 49%       |
| Afro Gas Development SA (Pty) Ltd <sup>2</sup> | South Africa             | 55%            | -         |

<sup>1</sup> The entity was incorporated in 2015.

<sup>2</sup> The entity was incorporated on 12 October 2021 of which Afro Energy (Pty) Ltd holds a 55% interest in the entity. The remaining 45% interest is held by the Industrial Development Corporation of South Africa.

### Note 21: Commitments and contingencies

#### (a) Evaluation and Exploration Expenditure

On 21 September 2023, the Company completed the acquisition of the 51% interest in Afro Energy (Pty) Ltd ('Afro Energy') and therefore holds 100% of the issued capital of Afro Energy (refer to Note 2 for further details).

In order to maintain current rights of tenure to exploration tenements, Afro Energy is required to outlay rental and other associated expenditures to meet minimum expenditure requirements.

|                   | 2024<br>\$       | 2023 <sup>1</sup><br>\$ |
|-------------------|------------------|-------------------------|
| Within one year   | 3,336,363        | 887,069                 |
| One to five years | 2,305,836        | 3,360,302               |
|                   | <u>5,642,199</u> | <u>4,247,371</u>        |

<sup>1</sup> The minimum expenditure requirements for the year ended 30 June 2023 represented the Company's 49% direct interest in Afro Energy under the joint venture agreement with Badimo Gas (Pty) Ltd.

#### (b) Afro Gas Development SA (Pty) Ltd

During the financial year ended 30 June 2022, Afro Energy entered into a joint development agreement (JDA) with the Industrial Development Corporation of South Africa (IDC). The JDA involves the development of gas fields to produce gas for industrial, commercial, transportation or power generation applications.

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

As at reporting date, IDC has advanced ZAR 16.3 million (approximately AUD \$1.3 million) as part of its ZAR 70 million commitment (approximately AUD \$5.7 million), and Afro Energy has contributed ZAR 20 million (approximately AUD \$1.7 million) out of its ZAR 85 million (approximately AUD \$7.0 million) commitment.

There has been no other significant changes to the Group's contingent assets or liabilities since 30 June 2023.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024 (continued)**

**Note 22: Segment Information**

The Group 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 Group has one operating segment being gas exploration in South Africa. As the Group is focused on gas exploration, the Board monitors the Group 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.

*Accounting Policy*

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

**Note 23: Events Occurring After Reporting Period**

No matters or circumstance has arisen since 30 June 2024 that has affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

**Note 24: Other Accounting Policies**

*Summary of other material accounting policies*

**Employee benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, superannuation, annual leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

**Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024 (continued)**

**Note 24: Other Accounting Policies (continued)**

**Goods and services tax (continued)**

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**Provisions**

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

**Leases**

The Group assesses at the start of a contract whether or not it contains a lease, by deciding if the contract provides the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group currently uses a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use underlying assets.

*i) Right-of-use assets*

The Group recognises right-of-use assets at the start of the lease and are measured at costs, less accumulated depreciation and impairment losses and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

*ii) Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives received, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024 (continued)**

**Note 24: Other Accounting Policies (continued)**

**Leases (continued)**

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such payments) or a change in the assessment of an option to purchase the underlying asset.

*iii) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

**New and Amended Standards and Interpretations adopted**

For the year ended 30 June 2024, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting periods beginning on or after 1 July 2023.

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 Group and therefore no material change is necessary to the Group's accounting policies.

The following Accounting Standards and Interpretations is most relevant to the Group:

*AASB 2021-2: Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*

The Group adopted AASB 2021-2 which amends AASB 7, AASB 101, AASB 108 and AASB 134 to require disclosure of 'material accounting policy information' rather than 'significant accounting policies' in an entity's financial statements. It also updates AASB Practice Statement 2 to provide guidance on the application of the concept of materiality to accounting policy disclosures.

The adoption of the amendment did not have a material impact on the financial statements.

**New Accounting Standards and Interpretations in issue not yet adopted**

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted for the year ended 30 June 2024.

As a result of this review, the Directors have determined that there are no new and revised Standards and Interpretations that may have a material effect on the application in future periods and therefore, no material change is necessary to the Group's accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 (continued)

### Note 25: Parent Entity Information

The following information is related to the parent entity, Kinetiko Energy Limited, as at 30 June 2024 and 30 June 2023.

|                                              | 2024<br>\$         | 2023<br>\$         |
|----------------------------------------------|--------------------|--------------------|
| Current assets                               | 6,923,989          | 4,082,839          |
| Non-current assets                           | 66,511,036         | 9,137,526          |
| <b>Total assets</b>                          | <b>73,435,025</b>  | <b>13,220,365</b>  |
| Current liabilities                          | 2,126,789          | 999,416            |
| <b>Total liabilities</b>                     | <b>2,126,789</b>   | <b>999,416</b>     |
| <b>Net assets</b>                            | <b>71,308,236</b>  | <b>12,220,949</b>  |
| Contributed equity                           | 103,037,676        | 39,757,715         |
| Reserves                                     | 1,701,339          | 35,433             |
| Accumulated losses                           | (33,430,779)       | (27,572,199)       |
| <b>Total</b>                                 | <b>71,308,236</b>  | <b>12,220,949</b>  |
| Loss for the year                            | (5,320,434)        | (4,335,534)        |
| Other comprehensive loss for the year        | 387,807            | (672,606)          |
| <b>Total comprehensive loss for the year</b> | <b>(4,932,627)</b> | <b>(5,008,140)</b> |