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KINETIKO ENERGY LTD

ABN 45 141 647 529

**Annual Report
for the Year Ended
30 June 2023**

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Corporate Directory

Directors

Adam Sierakowski
Geoffrey Michael
Thomas Fontaine
Robert Bulder
Donald Ncube

Company Secretary

Simon Whybrow

Public Officer

Geoffrey Michael

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 (WA) 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

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Directors' Report

The directors of Kinetiko Energy Ltd ("the Company") submit herewith the financial report of the Company for the financial year ended 30 June 2023. 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
Thomas Fontaine
Robert Bulder (appointed 21 September 2023)
Donald Ncube (appointed 21 September 2023)

Information on Directors

Adam Sierakowski, Executive Chairman

Mr Sierakowski is a lawyer and founding director of the legal firm Price Sierakowski. He has more than 20 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 fundraising activities in Australia and seeking to list on the ASX.

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.
- Rision Limited, Non-Executive Director, appointed 8 June 2018, de-listed 20 April 2020.
- Connected IO Limited, Non-Executive Director, appointed 3 December 2018.

Geoffrey Michael (BA UWA), Non-Executive Director and Co-Managing 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. He has over ten years continuous experience to date as a Non-Executive Director of ASX-listed company Kinetiko Energy Ltd.

Special responsibilities:

- None

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

- None

Directors' Report (continued)

Information on Directors (continued)

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:

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

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

Donald Ncube, Non-Executive Director

Donald 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.

Directors' Report (continued)

Information on Directors (continued)

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

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.

Principal Activities

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

Operating Results

The loss for the year ended 30 June 2023 after providing for income tax amounted to \$4,335,534 (2022: \$5,818,849).

The directors of Kinetiko Energy Ltd ("the Company") submit herewith the operations report of the Company for the financial year ended 30 June 2023.

Directors' Report (continued)

Review of Operations

Year Highlights

- **Health, Safety and Environment**
 - 51,765 manhours worked in this period - zero accidents, injuries or environmental incidents reported.
 - SLR conducted numerous environmental audits
 - PASA conducted one major audit
 - All findings closed inside 2 weeks – no major issues

- **Drilling**
 - A new exploration campaign was embarked upon in the last annum to end June 2023 consisting of eight core holes within the period. We continue to drill exploration core holes in blocks ER270 and ER272.

- **Funding**
 - Kinetiko remains debt free, and all invoices associated with the drilling, logging and testing within 2022/23 were honoured on time. The company has cash to continue with its approved exploration and drilling programs through mid-2024.
 - IDC investment in SPV(0) with Afro Energy finalised and funds deposited.
 - Local South African investor participates at KKO level to fully fund Afro Energy's 55% of the IDC joint venture.

- **Regulatory**
 - Reapplication for Exploration Block ER320 commenced
 - Renewals received for existing three Exploration Rights

- **Merger**
 - Badimo Gas (Pty) Ltd (51%) and Kinetiko Energy Ltd (49% and Operator) merger under the MPRDA Section 11 was approved by the Minister and subsequently by the South African Reserve Bank and bilateral shareholder groups. The merger between the two partners was approved by the KKO Shareholders at the last AGM of the company in Q4-22. The final Condition Precedent to the merger is the funding of the dilutionary position of the Badimo Shareholders in Kinetiko Energy, and the issuing of KKO shares, after which Kinetiko Energy Ltd becomes the 100% owner of the Rights Holder in South Africa, Afro Energy (Pty) Ltd.
 - On 4 September 2023, Kinetiko Energy announced that a binding funding commitment has been executed with a strategic South African investment company to fund the \$6.5 million capital raising required in respect of the merger.
 - Completion of the merger occurred on 21 September 2023.

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Directors' Report (continued)

Review of Operations (continued)

Perth-based energy exploration company Kinetiko Energy Limited (ASX:KKO) (“Kinetiko”) is pleased to report on corporate developments and operation activities at its Amersfoort project and adjacent exploration rights in South Africa (Figure 1) during the year ended 30 June 2023. The activities are conducted through Afro Energy (Pty) Ltd (“Afro Energy”) a company jointly owned by Kinetiko Energy Ltd of Australia (49%) and Badimo Gas (Pty) Ltd (“Badimo”) of South Africa (51%).

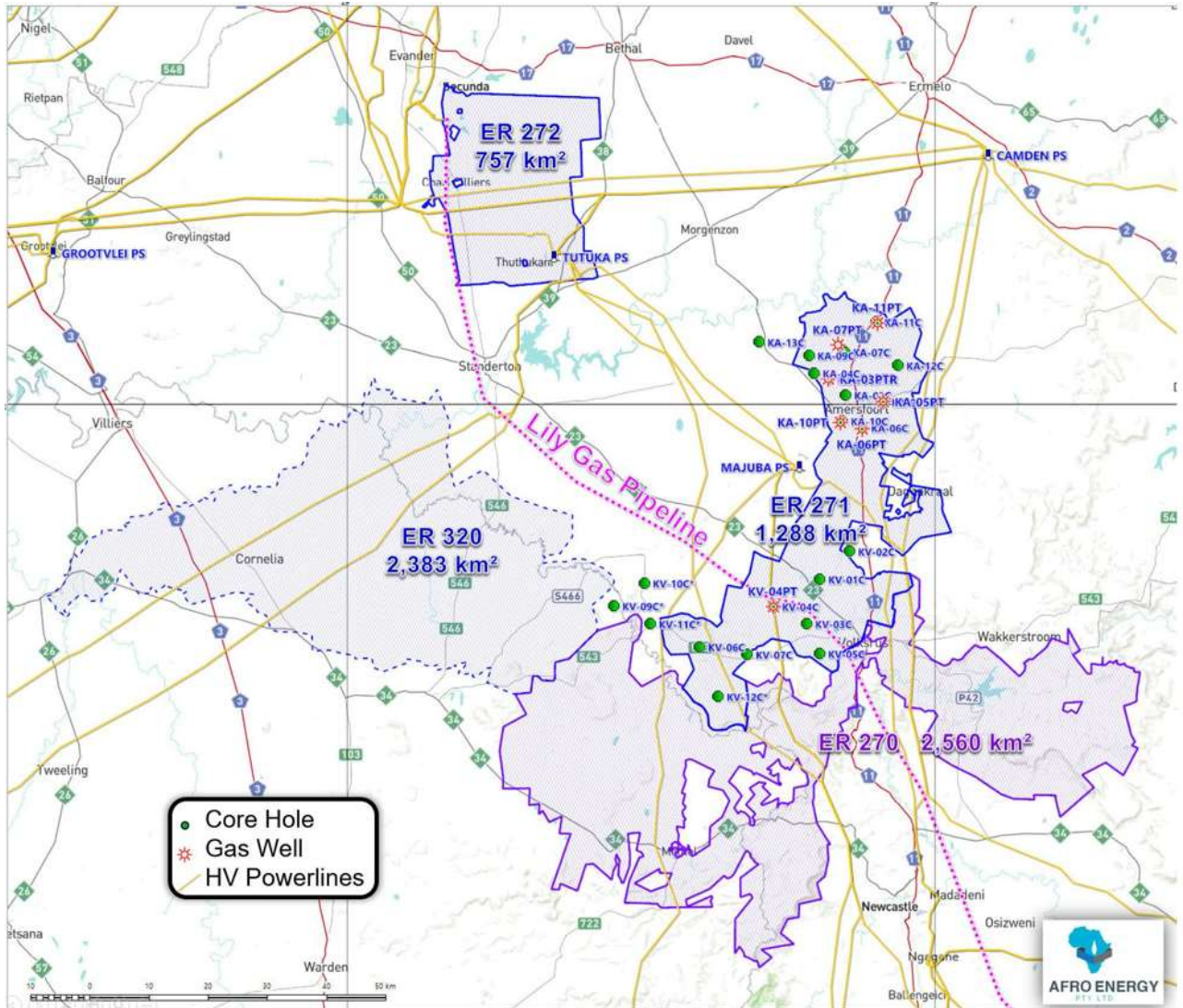


Figure 1: Afro Energy Exploration Rights & Applications

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Directors' Report (continued)

Review of Operations (continued)

CORPORATE

Acquisition of Badimo Gas by Kinetiko Energy

Kinetiko has executed a binding Agreement with Badimo to acquire the remaining 51% of Afro Energy. Regulatory approvals were obtained from the Minister of Mines and Energy in March 2022, followed by approval from the South African Reserve Bank in May 22 and the Kinetiko Energy shareholders during the AGM on 30 Nov 22. Upon completion of the proposed acquisition, subsequent to funding being received and shares issued, Kinetiko will become the sole owner of Afro Energy, which holds 100% interest in the Exploration Rights in South Africa (Figure 1).

The acquisition significantly de-risks the development of the South African projects and brings together all the experience and expertise of the historic joint venture parties. Once finalised, the proposed acquisition will streamline the exploration and development of over 6,000 km² of Exploration Rights and application areas.

The respective Boards and major shareholders of both Badimo and Kinetiko are supportive of the acquisition and have been working together towards satisfaction of the Conditions Precedent to the merger. All requirements are now satisfied and the completion of the merger occurred on 21 September 2023.

Regulatory

Renewals were received for all three of our tenements under Exploration Rights:

ER 270 – renewed to 11 June 2025

ER 271 – renewed to 19 February 2025

ER 272 – renewed to 13 February 2025

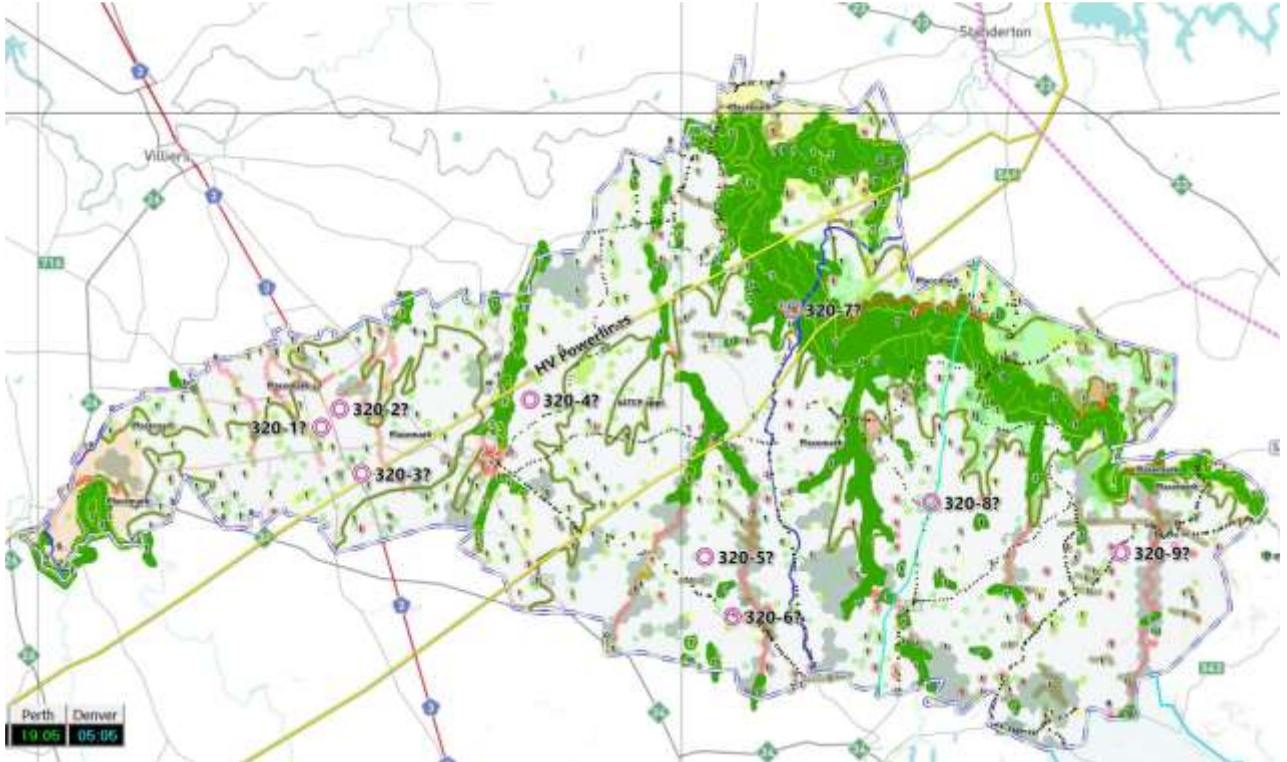
The signing ceremony of the Deeds of Renewal for the above three Blocks was undertaken on 28 June 2023 at the PASA offices, with documents signed by the Afro Energy Chairman, Mr Don Ncube, and the PASA CEO, Ms Phindile Masangane.

Afro Energy contracted an external environmental professional practice, SLR, to build the Environmental Impact Assessment in support of its Exploration Right reapplication over Block ER 320 (Figure 2). This ER was applied for in 2016 but due to a change in regulation, while under processing, negating the ability to conduct exploration activities in all onshore blocks in South Africa, the application expired whilst the regulations were reset. The EIA contains a scoping document that expires after 24 months and the entire application had to be restarted.

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Directors' Report (continued)

Review of Operations (continued)



Directors' Report (continued)

Review of Operations (continued)

Core Hole Data					
Borehole name	Start	Stop	Depth	Logged	Gas
<u>ER271</u>					
271-23C	21-Sep-22	25-Oct-22	478m	Y	Y
Ave:	35 days		478m		
<u>ER270</u>					
270-06C	03-Nov-22	08-Dec-22	543m	Y	Y
270-03C	24-Jan-23	06-Mar-23	605m	Y	Y
270-05C	13-Mar-23	18-Apr-23	597m	Y	Y
Ave:	37 Days		582m		
<u>ER272</u>					
272-02C	08-May-23	02-Jun-23	278m	Y	Y
272-01C	04-May-23	30-May-23	299m	Y	Y
272-06C	09-Jun-23	27-Jun-23	350m	Y	Y
272-08C	09-Jun-23	26-Jun-23	284m	Y	Y
Ave:	22 Days		303m		

Table 1: Information from eight exploration boreholes drilled between Sep-22 and Jun-23

SHORT-TO-MID-TERM PLANS

GTP POC

- A “proof-of-concept” Gas-to-Power (GTP) project is planned for Q4 2023 on the site of the Korhaan production area near Amersfoort. An offtaker and JV partner is covering approximately half of the costs of the project (total value ZAR 2,6m) while the other half is covered via the AGDSA SPV arrangement which is 45% IDC and 55% KKO.
- This will provide electro-mechanical proving of the gas-fired equipment by running the engine on well gas. This stage will be for proving only, and not connected to the grid. Output wattage and voltage will be read on a loadbank.
- The project will be conducted over a period of three days and will include deep ground-water extraction and onsite treatment.

The awarding of a Production Right (expected mid-2024) will complement a 30 well field development in this area. Each well will require power to drive the submersible pumps and instrumentation, as well as the power required to run the 5 ktpa cryoboxes in the field; so the acquisition of this PoC data provides us with crucial inputs to the upcoming development.

The above project has been approved by the National Regulator (PASA).

Drilling

Plans to drill previously approved sites for appraisal targets is set to commence in early Q4-2023. The Company anticipates the contractor (Infin Drilling) to deliver approximately a well a month per the following locations:

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Directors' Report (continued)

Review of Operations (continued)

- Five wells to the west of Volksrust to inform the larger-scale field development plan
- Five wells to the north of Alkmaar to extend the Korhaan cluster in preparation of production (Figure 3)

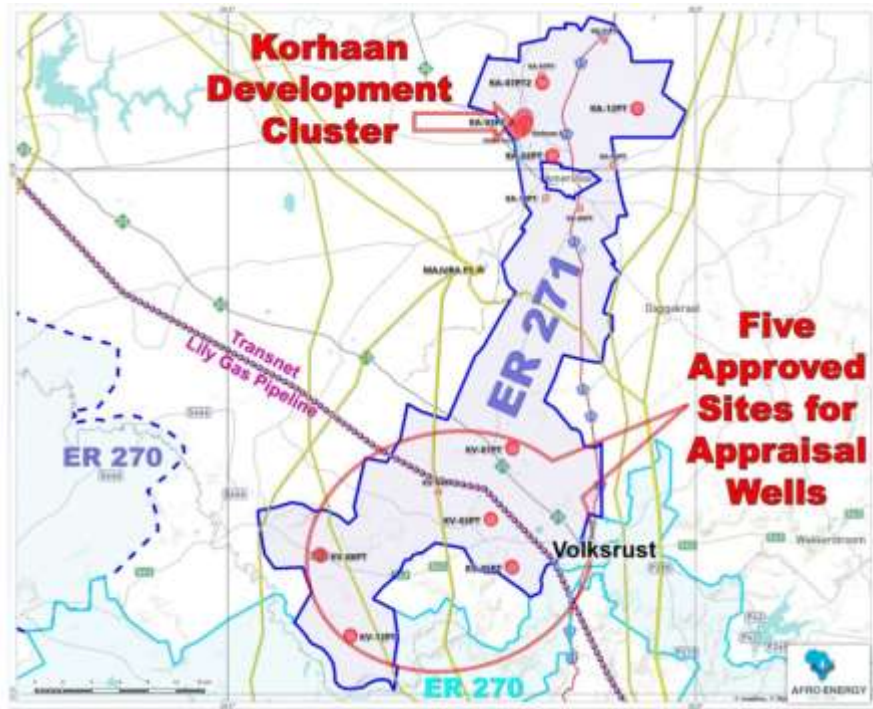


Figure 3: Map showing locations of future drilling west of Volksrust (five appraisal wells) and north of Amersfoort (five production wells)

Other potential production opportunities

Discussions around various offtake potential have centred on LNG as being more commercial than GTP, however the need for GTP is evident from multiple approaches to solve mining power in the area and also municipal reticulation to local towns and the city of Johannesburg. Certain Metropolises have been given approval to source their own power (against the background of failure from Eskom to satisfy the national demand) and we have been approached by various parties seeking “wheeled” deals whereby they cannot be loadshed (a system of planned rolling blackouts).

Kinetiko is also in advanced negotiations with potential gas off-takers for both intermediate and large-scale gas production from new fields, where they will purchase gas at an on-site transfer point, and produce LNG for virtual pipeline delivery to their clients in major cities and industrial areas. This concept of production is apparent in the requirements of all existing MOUs and discussion points with upcoming joint ventures.

The production of LNG widens the market considerably as thermal energy consumers are battling to reduce their carbon footprint, being tied to coal, diesel and HFO (Heavy Fuel Oils) as well as direct transportation fuel substitution for converted ICEs. LNG production represents a substantial relief in their efforts to decarbonise.

Directors' Report (continued)

Review of Operations (continued)

A further pillar of production lies in the supply of gas direct to pipeline. The Lily-1 pipeline running southwards from Sasol in Secunda runs through all three of the Company's current Rights areas. Sasol supplies the only bulk gas in South Africa which it receives via the Rompco pipeline which originates in Mozambique from a field about to begin a depletion curve after two decades of production. This, coupled to the fact that Sasol intends to utilise an increasing amount of its own gas to transition its fuel production away from CTL (Coal to Liquids) to GTL (Gas to Liquids) as a substantial step towards decarbonising their fuel production business, has led to them advising their offtakers that they cannot guarantee the Lily-1 pipeline gas beyond 2026. Their offtakers down the line have understood the existential implications of the impending gas cliff and have started to approach Kinetiko to discuss its ability to support them in the future.

Furthermore, as Sasol's Secunda plant lies on the border of our Rights area ER272, there is also the potential to supply that plant via direct pipeline from the fields in that Block.

Schedule of mining tenements

Tenement reference	Nature of interest
ER320 (TCP 106)	Application for conversion from Technical Cooperation Permit to Exploration Right has had to be re-started, after recent advice from PASA. Application is expected to be started by re-performing the Scoping Document, beginning in Q3 2023.
ER 270	Exploration Right granted on 3 September 2019. Renewal award received on 16 February 2023.
ER 271	Approval granted by Department of Mineral Resources (DMR) on 19 August 2021 for consolidation with ER38 and ER56. Renewal award received in June 2023. Production Right support tenders have been requested.
ER 272	Exploration Right granted on 21 August 2019. Renewal award received on 16 February 2023.

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

Directors' Report (continued)

Material Business Risks

The Company 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 Company 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 Company 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 Company 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.

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 of 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 Company. 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 Company'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 on the Project may require authorisation or consent from the owners of that land. The Company is required to enter into land access agreements to undertake its proposed exploration program on the Rights. However, the Company'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.

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 42 boreholes we have drilled across our three existing tenements under Exploration Rights.

The success of the Company will also depend upon the Company having access to sufficient development capital, 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 Company and possible relinquishment of its projects.

Directors' Report (continued)

Material Business Risks (continued)

c) Climate Change

The operations and activities of the Company 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 Company. While the Company will endeavour to manage these risks and limit any consequential impacts, there can be no guarantee that the Company will not be impacted by these occurrences.

Climate change may also cause certain physical and environmental risks that cannot be predicted by the Company, 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 Company operates. Kinetiko'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 Company'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 Company's business.

e) Environmental

The operations and proposed activities of the Company are subject to Australian and South African laws and regulations concerning the environment. As with most exploration projects, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or development proceeds. It is the Company'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 Company's operations more expensive. 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.

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 Company is currently oversubscribed for their BEE participation due to Level 1 BEE investors from South Africa on the register.

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 Company, as well as on its ability to fund its operations.

Directors' Report (continued)

Material Business Risks (continued)

h) Additional requirements for capital

The Company's capital requirements depend on numerous factors. The Company 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 Company 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 Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

Significant Changes in State of Affairs

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

- In September 2022, the Company issued 2,000,000 ordinary shares at \$0.075 per share to a professional and sophisticated investor, pursuant to a prospectus issued by the Company in relation to the non-renouceable rights issue on 26 April 2022.
- During the year ended 30 June 2022, the Company executed binding legal agreements with Badimo Gas (Pty) Ltd ('Badimo') to acquire its 51% interest in Afro Energy (Pty) Ltd ('Afro Energy') ('the Acquisition'). Upon completion of the Acquisition, the Company will hold 100% interest in Afro Energy, and its exploration rights and sample gas production permit in South Africa.

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

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

Furthermore, pursuant to the Company's ASX announcement on 1 March 2023, the Company had applied for a waiver to Listing Rule 14.7 with the ASX so as to extend the time to issue the required shares to the remaining Badimo shareholders other than Donald Ncube, a Director of Badimo, pursuant to resolution 7 of the Notice of AGM, to 30 June 2023 ('Waiver Application').

However on 15 March 2023, the Company announced that its Waiver Application had not been granted by the ASX.

As such on 24 May 2023, the Company issued a further Notice of General Meeting scheduled to be held on 23 June 2023 to obtain fresh shareholder approval for all resolutions relating to the restructure that was considered and subsequently approved by shareholders at the EGM.

On 4 September 2023, the Company announced that a binding funding commitment has been executed with a strategic South African investment company to fund the \$6.5 million capital raising required in respect of the Acquisition.

On 21 September 2023, the Company announced that it has completed the Acquisition and therefore holds 100% of the issued capital of Afro Energy and, in turn, owns 100% of the exploration rights to the flagship Amersfoort Gas Project.

Directors' Report (continued)

Significant Changes in State of Affairs (continued)

- In November 2022, the Company raised approximately \$8 million through a placement to professional and sophisticated investors. 89,379,997 ordinary shares were issued at \$0.09 pursuant to the Company's available 15% placement capacity under ASX Listing Rule 7.1.
- In February 2023, the Company issued 2,000,000 unlisted options to Mr Nicholas de Blocq Van Scheltinga (CEO) following the completion of 12 months of service as required under his employment agreement and shareholder approval granted at the Company's Annual General Meeting held on 30 November 2022.
- In April 2023, the Industrial Development Corporation of South Africa ('IDC') advanced ZAR 16,300,000 (approximately AUD \$1.3 million), as part of its ZAR 70,000,000 (approximately AUD \$5.8 million) commitment to Afro Gas (Pty) Ltd ('Afro Gas'), a South African joint development entity it entered into with Afro Energy. During the year, Kinetiko invested a further \$1.6 million to allow Afro Energy to make its initial contribution under this joint venture.
- During the financial year ended 30 June 2023, the Company issued a total of 5,109,556 ordinary shares at an issue price of \$0.09 per share to AC Squared Solutions (Pty) Ltd, as consideration for the provision of corporate advisory services provided to the Company relating to strategic investment and share placement.

Matters subsequent to the end of the financial year

In August 2023, Afro Energy executed a non-binding Term Sheet with the Industrial Development Corporation of South Africa ('IDC') to co-develop a new joint venture for the appraisal and production of LNG. IDC and Afro Energy will hold equity interest of 30% and 70% in the joint venture respectively. Further details, including proposed commitments, are contained in Note 19.

On 4 September 2023, the Company announced that a binding funding commitment has been executed with a strategic South African investment company to fund the \$6.5 million capital raising required in respect of the acquisition of the remaining 51% interest in Afro Energy from Badimo Gas.

On 21 September 2023, the Company announced that it has completed the Acquisition and therefore holds 100% of the issued capital of Afro Energy and, in turn, owns 100% of the exploration rights to the flagship Amersfoort Gas Project.

No other matters or circumstance has arisen since 30 June 2023 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.

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.

Directors' Report (continued)

Dividends Paid or Recommended

No dividends were paid during the financial year (2022: nil) and no recommendation is made as to payments of future dividends.

Meetings of Directors

During the financial year, 5 meetings of Directors were held. Attendances by each director were as follows:

	Number eligible to attend	Number Attended
Adam Sierakowski	5	5
Geoffrey Michael	5	5
Thomas Fontaine	5	5

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	91,929,337
Geoffrey Michael	43,614,954
Thomas Fontaine	200,000
Robert Bulder	32,985,336
Donald Ncube	247,264,871

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
1 August 2022 ¹	31 July 2024	\$0.10	2,000,000
7 February 2023 ²	10 February 2025	\$0.09	1,000,000
			3,000,000

¹ The unlisted performance options were issued to Nicholas de Blocq, following completion of 12 months of service and satisfaction of his performance criteria.

² The unlisted options were issued to a corporate advisor as consideration for the provision of corporate advisory services.

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Directors' Report (continued)

Remuneration Report (Audited)

The directors are pleased to present the Company's 2023 remuneration report which sets out remuneration information for the company'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 2022 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 Kinetiko Energy Ltd 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 of Kinetiko Energy Ltd 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 company 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 company'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.

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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 Company. 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 Company'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 Chief Executive Officer has been granted long term incentives by way of performance rights and options, which vest after certain predetermined periods of service. Details of these incentives are contained at paragraph (c)(v) 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 Company 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 Company 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 Company 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 Company.

Directors

Adam Sierakowski	Executive Chairman
Geoffrey Michael	Non-Executive Director and Managing Director
Thomas Fontaine	Non-Executive Director
Robert Bulder	Non-Executive Director (appointed 21 September 2023)
Donald Ncube	Non-Executive Director (appointed 21 September 2023)

Chief Executive Officer

Nicholas de Blocq Van Scheltinga	Chief Executive Officer
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Company Secretary

Simon Whybrow

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

**Year ended
30 June 2023**

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

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

Directors' Report (continued)

Remuneration Report (continued)

(b) Compensation of key management personnel (continued)

The emoluments for each Director and key management personnel of the Company for the year ended 30 June 2022 are as follows:

Year ended 30 June 2022	Short-term			Post Employment		Total
	Salary & Fees	Profit Share & Bonuses	Non Cash	Share Based Payments	Superannuation	
	\$	\$	\$	\$	\$	\$
Directors						
A Sierakowski	189,900	-	5,845	-	-	195,745
G Michael	60,000	-	5,845	-	-	65,845
T Fontaine	60,000	-	5,845	-	-	65,845
Chief Executive Officer						
N de Blocq	233,931	-	5,845	112,938	3,174	355,888
Company Secretary						
S Hewitt-Dutton (resigned 19 Jul 21)	4,000	-	-	-	-	4,000
S Whybrow (appointed 19 Jul 21)	44,000	-	-	-	-	44,000
	591,831	-	23,380	112,938	3,174	731,323

(c) Service agreements

The agreements related to remuneration are set out below:

Current Agreements

- (i) The Company has agreed to pay Geoff Michael's director fees to Vital Nominees Pty Ltd as trustee for Vital Trust, an entity in which Mr Michael has an interest, since October 2020.
- (ii) The Company has 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.

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

- (iii) The Company has agreed with Trident Management Services Pty Ltd, a Company in which Adam Sierakowski is a Director and shareholder, to pay \$4,000 per month for Mr Simon Whybrow's services as Company Secretary. The agreement previously relates to Stephen Hewitt-Dutton's services but remained in effect upon Mr Whybrow's appointment as Company Secretary on 19 July 2021.
- (iv) The Company has agreed with Fontaine Consulting Pty Ltd, a company controlled by Thomas Fontaine, to pay \$5,000 per month for Mr Fontaine's services as Director, commencing from his appointment on 9 February 2021.

Directors' Report (continued)

Remuneration Report (continued)

(c) *Service agreements (continued)*

- (v) 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. The term of the employment agreement commenced on 1 August 2021 and continues until terminated in accordance with the termination provisions of the agreement.

Key specifics of the terms of the employment agreement are as follows:

Remuneration:	\$240,000 p.a. (exclusive of superannuation entitlements)
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.

Terminated Agreements

There were no terminated agreements during the year ended 30 June 2023.

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Directors' Report (continued)

Remuneration Report (continued)

(d) Shareholdings of key management personnel

2023	Balance at 01/07/22	Shares Purchased	Shares Purchased	Shares Issued	Balance at 30/06/23
	No.	No.	No.	No.	No.
Directors					
A Sierakowski	91,829,337	-	-	-	91,829,337
G Michael	43,614,954	-	-	-	43,614,954
T Fontaine	200,000	-	-	-	200,000
Chief Executive Officer					
N de Blocq	-	-	-	-	-
Company Secretary					
S Whybrow	-	-	-	-	-
	135,644,291	-	-	-	135,644,291

(e) Options on issue

2023	Balance at 01/07/22	Options Issued ¹	Options Exercised	Options Lapsed	Balance at 30/06/23
	No.	No.	No.	No.	No.
Directors					
A Sierakowski	-	-	-	-	-
G Michael	-	-	-	-	-
T Fontaine	-	-	-	-	-
Chief Executive Officer					
N de Blocq	-	2,000,000	-	-	2,000,000
Company Secretary					
S Whybrow	-	-	-	-	-
	-	2,000,000	-	-	2,000,000

¹ Refer to Note 16(b).

(f) Loans to key management personnel

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

(g) Loans from key management personnel

A loan by Adam Sierakowski to the Company was repaid in full during the year - detailed in Note (h)(vi) below.

There were no other loans 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.

	<u>2023</u>	<u>2022</u>
	\$	\$
(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.	48,000	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.	81,278	22,378
(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 capital raising fees relating to the rights entitlement offer.	-	11,550
(v) Payments to Cowbra Pty Ltd, a company of which Geoff Michael is a Director, for the provision of IT services.	1,320	720
(vi) 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	-	250,000
Funds repaid	(250,000)	-
Closing balance	-	250,000
<i>Amounts outstanding at reporting date</i>		
Aggregates amount payable to Key Management Personnel and their related entities at reporting date.		
(i) Payables	62,991	54,567
(ii) Borrowings (refer note (vi) above)	-	250,000

(i) *Use of remuneration consultants*

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

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Directors' Report (continued)

Remuneration Report (continued)

(j) Voting and comments made at the Company's 2022 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 30 November 2022. 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 issue of 2,000,000 performance options to Nicholas de Blocq was passed via a poll.

End of audited remuneration report

Indemnification of Officers and Auditors

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

Non-Audit Services

The Company may decide to employ the auditors on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company 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 Company's auditors in the year ended 30 June 2023. Remuneration paid to the Company's auditors is detailed in Note 18 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 27.

Auditor Fees

During the year, the total amounts paid or payable to the auditor, BDO Audit (WA) Pty Ltd, for audit services provided was \$50,798 (2022: \$43,284).

Environmental Regulations

The Company 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 Company 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 2022 to 30 June 2023, 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 Company

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

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

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

A handwritten signature in blue ink, appearing to read 'Adey Smith', is written over a light blue circular stamp.

DIRECTOR

Dated at Perth, 29 September 2023

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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 2023, 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.



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth
29 September 2023

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), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2023 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 Company 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 entity's ability to continue as a going concern and therefore the entity 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 Investment in Associate

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 11, the Company's investment in associate (Afro Energy Pty Ltd) has a significant carrying value as at 30 June 2023.</p> <p>The company is required to assess whether any impairment indicators are present in accordance with ASAB 128 <i>Investments in Associates and Joint Ventures</i> ("AASB 128") which may indicate the Group's investment in associate is impaired.</p> <p>We have determined this is a key audit matter given its financial significance to the entity and the judgements and estimates required in assessing the carrying value of the investment.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Reviewing the status of the acquisition of the remaining 51% of Afro Energy Limited at year end; • Considering the existence of any indicators of impairment in accordance with AASB 128; • Reviewing ASX Announcements, Board of Directors meetings minutes, joint venture minutes and considering management's assessment of impairment indicators; and • Assessing the adequacy of related disclosures in Note 1 and Note 11 to the Financial Statements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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 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, 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.

Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Company's ability 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 Company 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/ar2_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 25 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Kinetiko Energy Limited, for the year ended 30 June 2023, 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 (WA) Pty Ltd

BDO

Jarrad Prue

Director

Perth

29 September 2023

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Directors' Declaration

The directors of the company declare that:

- a) The financial statements and notes, as set out on pages 33 to 67 comply with Accounting Standards and the *Corporations Act 2001* and other mandatory professional reporting requirements;
- b) gives a true and fair view of the company's financial position as at 30 June 2023 and of its performance for the year ended to 30 June 2023; and
- 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.

In the Directors' opinion:

- (i) At the date of the declaration there are reasonable grounds to believe that the Company 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 2023.

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



DIRECTOR

Dated at Perth, 29 September 2023

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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	30 June 2023 \$	30 June 2022 \$
Other Income			
Other income from ordinary activities	2(a)	102,403	718
Total Income		<u>102,403</u>	<u>718</u>
Expenses			
Depreciation	2(b)	(46,864)	(21,940)
Administration expenses		(180,416)	(157,676)
Consultancy and professional costs	2(b)	(553,716)	(275,225)
Employment and contractor expenses		(567,649)	(563,038)
Travel expenses		(26,796)	(1,135)
Occupancy expenses		(19,295)	(17,700)
Foreign exchange gain/(loss)		(608,787)	(32,267)
Project expenditure	11	(2,180,776)	(2,431,148)
Share based payments	16	(31,993)	(112,938)
Interest expense and finance charges		(5,382)	(2,056)
Acquisition related expenditure	2(c)	(153,140)	(340,051)
Finance charges	2(c)	-	(1,710,000)
Total expenses		<u>(4,374,814)</u>	<u>(5,665,174)</u>
Share of net loss from associated entities	11	(63,123)	(154,393)
Loss before income tax expenses		<u>(4,335,534)</u>	<u>(5,818,849)</u>
Income tax benefit/(expense)	4	-	-
Loss after income tax expense for the year		<u>(4,335,534)</u>	<u>(5,818,849)</u>
Other comprehensive (loss)/income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign balances		(672,606)	(236,424)
Total comprehensive loss for the year net of tax		<u>(5,008,140)</u>	<u>(6,055,273)</u>
Loss per share for loss from continuing operations attributable to equity holders of the company:			
Basic loss per share (cents)	5	(0.6)	(0.9)
Diluted loss per share (cents)	5	(0.6)	(0.9)

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

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

	Note	30 June 2023 \$	30 June 2022 \$
CURRENT ASSETS			
Cash and cash equivalents	6(a)	3,561,132	1,347,785
Receivables	8	500,603	117,522
Other	9	21,104	15,458
TOTAL CURRENT ASSETS		4,082,839	1,480,765
NON CURRENT ASSETS			
Receivables	8	606,581	660,738
Other	9	798,852	900,001
Property, plant & equipment	10	219,351	170,095
Investment in associates	11	7,512,742	6,648,687
TOTAL NON CURRENT ASSETS		9,137,526	8,379,521
TOTAL ASSETS		13,220,365	9,860,286
CURRENT LIABILITIES			
Trade & other payables	12	999,416	470,620
Borrowings	13	-	250,000
TOTAL CURRENT LIABILITIES		999,416	720,620
TOTAL LIABILITIES		999,416	720,620
NET ASSETS		12,220,949	9,139,666
EQUITY			
Contributed equity	14	39,757,715	31,743,101
Reserves	15(b)	35,433	633,230
Accumulated losses	15(a)	(27,572,199)	(23,236,665)
TOTAL EQUITY		12,220,949	9,139,666

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

Year ended 30 June 2023	Ordinary Shares \$	Accumulated Losses \$	Reserves \$	Total Equity \$
Balance at 1 July 2022	31,743,101	(23,236,665)	633,230	9,139,666
Other comprehensive loss				
Loss for the year	-	(4,335,534)	-	(4,335,534)
Movement in foreign currency translation reserve	-	-	(672,606)	(672,606)
Total comprehensive loss for the year	-	(4,335,534)	(672,606)	(5,008,140)
Transactions with owners in their capacity as owners				
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 16(d)	-	-	42,816	42,816
Total contributions by owners	8,014,614	-	74,809	8,089,423
Balance at 30 June 2023	39,757,715	(27,572,199)	35,433	12,220,949
Year ended 30 June 2022				
	Ordinary Shares \$	Accumulated Losses \$	Reserves \$	Total Equity \$
Balance at 1 July 2021	24,319,825	(17,417,816)	639,934	7,541,943
Other comprehensive loss				
Loss for the year	-	(5,818,849)	-	(5,818,849)
Movement in foreign currency translation reserve	-	-	(236,424)	(236,424)
Total comprehensive loss for the year	-	(5,818,849)	(236,424)	(6,055,273)
Transactions with owners in their capacity as owners				
Shares issued during the year	7,841,364	-	-	7,841,364
Share issue costs	(418,088)	-	-	(418,088)
Share based payments	-	-	112,938	112,938
Options issued during the year – refer to Note 16(a)	-	-	116,782	116,782
Total contributions by owners	7,423,276	-	229,720	7,652,996
Balance at 30 June 2022	31,743,101	(23,236,665)	633,230	9,139,666

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

	Note	30 June 2023 \$	30 June 2022 \$
Cash flows from operating activities			
Payments to suppliers and employees		(2,078,154)	(1,038,939)
Interest received		76,471	718
Interest and other costs of finance paid		(5,382)	(2,056)
Payments relating to proposed acquisition		(195,183)	(283,198)
Payments for project expenditure		(1,661,077)	(2,313,126)
Net cash used in operating activities	6(b)	<u>(3,863,325)</u>	<u>(3,636,601)</u>
Cash flows from investing activities			
Loans to associate		(24,818)	(151,892)
Loans to other related party		-	(900,001)
Investment in associates	11	(1,620,708)	-
Proceeds from sale of property, plant and equipment		46,308	-
Payments for property, plant and equipment		(131,540)	(192,685)
Net cash used in investing activities		<u>(1,730,758)</u>	<u>(1,244,578)</u>
Cash flows from financing activities			
Proceeds from issue of ordinary shares		8,194,200	5,797,999
Proceeds from issue of options		-	287,365
Proceeds from borrowings		-	250,000
Repayment of borrowings		(250,000)	-
Share issue costs		(136,770)	(297,257)
Net cash provided by financing activities		<u>7,807,430</u>	<u>6,038,107</u>
Net increase in cash and cash equivalents		2,213,347	1,156,928
Cash and cash equivalents at the beginning of the financial year		<u>1,347,785</u>	<u>190,857</u>
Cash and cash equivalents at the end of the financial year	6(a)	<u><u>3,561,132</u></u>	<u><u>1,347,785</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

Note 1: Summary of Significant Accounting Policies

The financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Australian Accounting Interpretations. The financial report of Kinetiko Energy Limited complies with International Financial Reporting Standards (IFRS). The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements were recognised for issue by the Directors on 29 September 2023.

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. Loss from continuing operations
3. Segment information
4. Income tax expense
5. Loss per share

- (b) **Financial Risk Management:** Provides information about the Company'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 & equipment
11. Investment in associate
12. Trade and other payables
13. Borrowings

- (d) **Capital Structure:** This section outlines how the Company 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

14. Contributed equity
15. Reserves and accumulated losses

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 1: Summary of Significant 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 Company:

Notes

16. Share based payments
17. Key management personnel disclosures and related party transactions
18. Remuneration of auditors
19. Commitments and contingencies
20. Events occurring after reporting period
21. Other accounting policies

Key estimates and judgements

In the process of applying the Company's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the financial report are found in the following notes:

Note 4: Income Tax Expense

Note 8: Receivables

Note 11: Investment in Associate

Note 16: Share Based Payments

Basis of preparation

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.

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 2023, the Company recorded a loss of \$4,335,534 (2022: \$5,818,849) and had net cash outflows from operating and investing activities of \$5,594,083 (2022: \$4,881,179). At 30 June 2023, the Company had a working capital surplus of \$3,083,423 (2022: \$760,145).

In context of this operating environment, the ability of the Company 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 Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

- The Company believe they can raise additional funding through debt or equity which is actively pursued;
- The Company has a recent proven history of successfully raising capital; and
- Cash spending can be reduced or slowed below its current rate if required.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 1: Summary of Significant Accounting Policies (continued)

Going Concern (continued)

Should the Company not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the Company not continue as a going concern.

New, revised or amending Accounting Standards and Interpretations adopted

The Company 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 Company from the adoption of these Accounting Standards and Interpretations are disclosed in Note 21. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

Foreign Currency

The financial statements are presented in Australian dollars, which is the Company'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 Statement of Profit or Loss and Other Comprehensive Income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 2: Loss from continuing operations

	2023 \$	2022 \$
Loss from continuing operations before income tax includes the following items of income and expenses		
<i>(a) Other Income</i>		
Interest income	76,471	718
Other income	25,932	-
Other income from ordinary activities	<u>102,403</u>	<u>718</u>
<i>(b) Operating Expenses</i>		
Depreciation of plant and equipment	<u>46,864</u>	<u>21,940</u>
Consulting and professional costs		
- Auditing costs	50,798	43,284
- Legal fees	55,346	26,576
- Accountancy fees	51,041	41,544
- Other professional fees	396,531	163,821
	<u>553,716</u>	<u>275,225</u>
<i>(c) Significant Expenses</i>		
Acquisition related expenditure	<u>153,140¹</u>	<u>340,051¹</u>
Finance charges	<u>-</u>	<u>1,710,000²</u>

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

² During the year ended 30 June 2022, the Company issued 30,000,000 ordinary shares at an issue price of \$0.03 per share to Phefo Power (Pty) Ltd for its ZAR 10 million subscription. For accounting purposes, the shares issued have been valued at \$2,610,000, being the Company's share price of \$0.087 as at the date the funds were received, with the difference of \$1,710,000 being recognised as an expense.

*Accounting Policy**Interest Income*

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

Note 3: Segment Information

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

Note 3: Segment Information (continued)

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

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 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:

	2023 \$	2022 \$
Loss from operations	(4,335,534)	(5,818,849)
Income tax benefit calculated at 25% (2022: 25%)	(1,083,883)	(1,454,712)
Non-deductible legal fees	13,837	6,644
Non-deductible share based payments	7,998	28,235
Non-deductible finance charges	-	427,500
Non-deductible project expenditure	545,194	-
Non-deductible foreign exchange adjustments	152,197	-
	(364,657)	(992,333)
Movements in unrecognised timing differences	(6,178)	(26,398)
Unused tax losses not recognised as a deferred tax asset	370,835	1,018,731
Income tax (benefit)/expense reported in the Statement of Profit or Loss and Other Comprehensive Income	-	-

(b) Unrecognised deferred tax balances:

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

	2023 \$	2022 \$
Unrecognised deferred tax asset – tax losses	1,581,384	2,113,009
Unrecognised deferred tax asset – other temporary differences	53,354	37,630
Net deferred tax assets not brought to account	1,634,738	2,150,639

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 4: Income Tax Expense (continued)

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).

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 recognize 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 4: Income Tax Expense (continued)

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.

Key Estimates and Judgements

The Company 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.

Note 5: Loss per Share

	2023	2022
	Cents Per Share	Cents Per Share
Basic loss per share:	(0.6)	(0.9)
Diluted loss per share:	(0.6)	(0.9)

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:

	2023	2022
	\$	\$
Loss for the year after income tax	(4,335,534)	(5,818,849)

	2023	2022
	No.	No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	741,631,734	624,735,512

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 6: Cash and Cash Equivalents*(a) Reconciliation of Cash*

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

	2023	2022
	<u>\$</u>	<u>\$</u>
Cash at bank and in hand	3,561,132	1,347,785

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

Accounting Policy

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

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

	2023	2022
	<u>\$</u>	<u>\$</u>
Loss for the year	(4,335,534)	(5,818,849)
Share of loss for the year for investment in associate	63,123	154,393
Depreciation	46,864	21,940
Profit on sale of property, plant and equipment	(8,284)	-
Share based payments	31,993	158,938
Finance charges	-	1,710,000
Unrealised foreign exchange movement	201,048	21,146
Changes in assets and liabilities:		
Trade and other payables	521,347	147,307
Receivables	(383,081)	(50,062)
Provisions	7,448	20,351
Prepayments	(8,249)	(1,765)
Net cash used in operating activities	<u>(3,863,325)</u>	<u>(3,636,601)</u>
<i>(c) Non-Cash Financing and Investing Activities</i>		
Issue of shares to satisfy trade and other payables	502,676	162,782
	<u>502,676</u>	<u>162,782</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023 (continued)

Note 7: Financial Risk Management

Financial risk management and policies

The Company'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:

	2023 \$	2022 \$
Financial assets		
Cash and cash equivalents	3,561,132	1,347,785
Trade and other receivables	1,107,184	778,260
Other	798,852	900,001
	5,467,168	3,026,046
Financial liabilities		
Trade payables and accruals	999,416	470,620
Borrowings	-	250,000
	999,416	720,620

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

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

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company 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 2023, all cash and cash equivalents were held with AA rated banks.

The Company has a credit risk exposure with Afro Energy (Pty) Ltd, which as at 30 June 2023 owed the Company \$606,581. Furthermore, \$798,852 (ZAR 10 million) is receivable from Mr Donald Mzolisa Jones Ncube, a director of Badimo Gas (Pty) Ltd.

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 Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 7: Financial Risk Management (continued)

During the year ended 30 June 2023, the Company's strategy was to keep borrowings to a minimum. The company'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 Company's exposure to the risk of changes in market interest rates relate primarily to cash assets and floating interest rates.

The directors monitor the cash-burn rate of the Company 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 Company had sufficient cash reserves to meet its requirements. The Company has no access to credit standby facilities or arrangements for further funding or borrowings in place.

The financial liabilities the Company 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 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>	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 7: Financial Risk Management (continued)

As at 30 June 2022	<1 year	1 – 5 years	Over 5 years	Total	Weighted average effective interest rate %
Financial Assets:					
Cash	1,347,785	-	-	1,347,785	0.09
Receivables & other	117,522	1,560,739	-	1,678,261	-
	<u>1,465,307</u>	<u>1,560,739</u>	<u>-</u>	<u>3,026,046</u>	
Financial Liabilities:					
Trade payables & accruals	470,620	-	-	470,620	-
Borrowings	250,000	-	-	250,000	0.00
	<u>720,620</u>	<u>-</u>	<u>-</u>	<u>720,620</u>	

(d) Interest rate risk

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

(e) Foreign exchange risk

The Company operates internationally and is currently exposed to foreign exchange risk with respect to the South African Rand and the Euro.

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 \$920,000 higher or \$920,000 lower.

The Company's exposure to foreign currency risk at the end of the reporting year, expressed in the South African Rand and the Euro was as follows:

	2023			2022	
	ZAR	EUR	AUD	ZAR	AUD
Cash	42,255,654	-	3,377,334	957,650	85,562
Receivables	8,041,578	-	644,790	7,804,889	698,947
Trade payables	(2,847,766)	(64,036)	333,579	(1,687,530)	150,854

(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 Company'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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 8: Receivables

	2023	2022
	\$	\$
<i>(a) Current</i>		
Other receivables – VAT refundable	108,777	12,502
Other receivables – GST refundable	26,102	23,192
Other receivables	365,724	81,828
	<u>500,603</u>	<u>117,522</u>
<i>(b) Non-Current</i>		
Loan – Associated entity ¹	606,581	660,738
	<u>606,581</u>	<u>660,738</u>

¹ The loan to associate is repayable from Afro Energy (Pty) Ltd (Afro Energy), an incorporated entity formed in South Africa, of which Kinetiko, as at reporting date, owns a 49% interest. The loan is unsecured, interest free and not subject to any fixed terms of repayment.

On 21 September 2023, the Company announced that it has completed the acquisition of the remaining 51% interest in Afro Energy and therefore holds 100% of the issued capital of Afro Energy.

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

Key Judgements

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.

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 Company will not be able to collect the debts. Bad debts are written off when identified.

Note 9: Other Assets

	2023	2022
	\$	\$
<i>(a) Current</i>		
Prepayments - other	21,104	12,854
Deposits paid	-	2,604
	<u>21,104</u>	<u>15,458</u>
<i>(b) Non-Current</i>		
Loan – Other related party ¹	798,852	900,001
	<u>798,852</u>	<u>900,001</u>

¹ The loan was made in March 2022 for ZAR 10 million 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 issue shares by the Company to acquire the Industrial Development Corporation (IDC) claim of approximately ZAR 200 million that the IDC holds against Mr Ncube.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 9: Other Assets (continued)

For the year ended 30 June 2023, the movement was due to changes in foreign exchange rates as at reporting date.

On 21 September 2023, the Company announced that it has completed the acquisition of the remaining 51% interest in Afro Energy (Pty) Ltd (Afro Energy) and therefore holds 100% of the issued capital of Afro Energy. As part of the completion of the acquisition, the loan to Mr Ncube was settled in full via the reduction of consideration shares issued to Mr Ncube.

Key Judgements

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.

As at the date of this report, as part of the completion of the acquisition, the loan to other related party was settled in full via the reduction of consideration shares issued to Mr Ncube.

Note 10: Property, Plant and Equipment

	2023	2022
	\$	\$
Opening net book value	170,095	1,954
Additions	134,144	190,081
Proceeds on disposals	(46,308)	-
Profit on disposals	8,284	-
Depreciation charge for the year	(46,864)	(21,940)
Closing net book value	<u>219,351</u>	<u>170,095</u>
Cost or fair value	319,316	226,970
Accumulated depreciation	<u>(99,965)</u>	<u>(56,875)</u>
	<u>219,351</u>	<u>170,095</u>

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 Company 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%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 11: Investment in Associate

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

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

During the year ended 30 June 2023, in addition to the Company's investment in associate, the Company continued to increase project expenditure in relation to the tenements held by Afro Energy (Pty) Ltd. The total project expenditure that was expensed through the Statement of Profit or Loss and Other Comprehensive Income for the year was \$2,180,776 (2022: \$2,431,148).

The carrying amount of equity-accounted investments in associates for the year ended 30 June 2023 is as follows:

	2023	2022
	\$	\$
Opening balance	6,648,687	7,014,212
Contributions to investment – Afro Gas	1,625,171 ¹	25,292
Loss for the year	(63,123)	(154,393)
Foreign exchange revaluation	(697,993)	(236,424)
Closing balance	<u>7,512,742</u>	<u>6,648,687</u>

¹ The contributions were paid to Afro Gas (Pty) Ltd – a joint venture by Afro Energy and IDC (refer below).

Summarised Financial Information for Afro Energy (Pty) Ltd

Set out below is the summarised financial information for Afro Energy (Pty) Ltd as at 30 June 2023.

Summarised Financial Position

	2023	2022
	\$	\$
Current Assets		
Cash and cash equivalents	2,930,328	978
Trade and other receivables	104,823	64,551
Non-Current Assets		
Capitalised exploration	6,572,104	5,636,478
Provisions	-	5,299
Total Assets	<u>9,607,255</u>	<u>5,707,306</u>
Current Liabilities		
Trade and other payables	271,421	101,523
Non-Current Liabilities		
Provisions	81	-
Loan from joint venture partners	10,221,803	7,919,233
Loan from IDC	1,314,823	-
Total Liabilities	<u>11,808,128</u>	<u>8,020,756</u>
Net Deficiency of Assets	<u>(2,200,873)</u>	<u>(2,313,450)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 11: Investment in Associate (continued)**Summarised Financial Performance**

	30 June 2023	30 June 2022
	\$	\$
Revenue	-	-
Other operating expenses	(128,822)	(193,887)
Finance costs	-	(121,202)
Loss before income tax expense	(128,822)	(315,089)
Income tax expense	-	-
Loss after income tax expense	(128,822)	(315,089)
Company share of loss	(63,123)	(154,393)

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

South African Investment

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

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

As part of the JDA, Afro Energy will retain control of Afro Gas until such time that the IDC has satisfied the required contributions associated with their 45% interest. As at reporting date, IDC has advanced ZAR 16.3 million (approximately AUD \$1.3 million) as part of its ZAR 70 million (approximately AUD \$5.8 million) commitment, and Afro Energy has contributed ZAR 20 million (approximately AUD \$1.6 million) out of its ZAR 85 million (approximately AUD \$7.2 million) commitment to this joint venture.

As at reporting date, Afro Energy's minimum expenditure requirements committed but not recognised as liabilities is estimated at AUD \$8.67 million.

Accounting Policy – Investment in Associate

The Company's investments in associates are accounted for using the equity method of accounting in the financial statements. The associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Significant influence exists when the Company holds 20% or more of the voting power of the investee, unless in the Company's opinion, significant influence is not present.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 11: Investment in Associate (continued)

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Company determines whether it is necessary to recognise any additional impairment loss with respect to the Company's net investment in the associate. The income statement reflects the Company's share of the results of operation of the associate.

Where there has been a change recognised directly in the associate's equity, the Company recognises its share of any changes and discloses this in the statement of profit or loss and other comprehensive income.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 11: Investment in Associate (continued)

Accounting Policy – Exploration and Evaluation Expenditure

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition.

Subsequent exploration and evaluation costs related to an area of interest are written off as incurred except when they are carried forward as an item in the Statement of Financial Position where the rights of tenure of an area are current and one of the following conditions is met:

- the costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- exploration and/or evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered through use or sale.

Key Estimates and Judgements

Exploration and Evaluation Expenditure

Acquisition, exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable areas, and active and significant operations in or relating to, the area of interest are continuing. Where the Company no longer has rights to tenure to an area of interest, exploration capitalised to that area is written off.

Investments in Associates

The Company assess the carrying amount of the investment in associates at each reporting period in accordance with AASB 128. If impairment indicators are identified, the Company test the investment in accordance with AASB 136. In assessing the recoverability of investments in associates, Management applied their estimates and judgements as to the recoverability.

Royalty Obligations – Associated Company

Under the Mineral and Petroleum Royalty Act in the Republic of South Africa, royalties will be payable by Afro Energy (Pty) Ltd upon the extraction of mineral resources from within the Republic of South Africa. The royalty is estimated to range between 5-7%.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 12: Trade and other payables

	2023	2022
	\$	\$
Trade payables and accruals	643,542	416,053
Trade payables and accruals – related parties	62,991	54,567
	<u>706,533</u>	<u>470,620</u>

Refer to Note 7 for the Company'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 \$17,526.

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 13: Borrowings

	2023	2022
	\$	\$
Opening balance	250,000	-
Loan – Director (refer to Note 17)	-	250,000
Repayment	(250,000)	-
Closing balance	<u>-</u>	<u>250,000</u>

The loan was repaid in full on 12 July 22.

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 14: Contributed Equity*(a) Issued Capital*

Movements in share capital were as follows:

Year ended 30 June 2023		Issue Price	Fully Paid Ordinary 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 ¹	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 ³	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 ²	2,952,200
3 February 2023	Issue of shares for corporate advisory services	\$0.09	2,628,889 ³	236,600
18 April 2023	Issue of shares for corporate advisory services	\$0.09	760,667 ³	68,460
	Share issue costs		-	(639,446)
30 June 2023	Closing Balance		<u>780,563,522</u>	<u>39,757,715</u>

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

² 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.

³ 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 16(c).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 14: Contributed Equity (continued)*(a) Issued Capital (continued)*

Year ended 30 June 2022		Issue Price	Fully Paid Ordinary Shares	\$
1 July 2021	Opening Balance		588,170,705	24,319,825
8 July 2021	Issue of shares pursuant to placement facility	\$0.10	28,480,000	2,848,000
17 August 2021	Issue of shares on exercise of options	\$0.03	350,000	10,500
8 October 2021	Issue of shares on exercise of options	\$0.03	800,000 ¹	24,000
9 December 2021	Issue of shares on exercise of options	\$0.03	5,428,831 ¹	162,865
14 December 2021	Issue of shares on exercise of options	\$0.03	3,000,000	90,000
26 May 2022	Issue of shares for services rendered	\$0.09	511,111 ²	46,000
6 June 2022	Issue of shares pursuant to renounceable rights issue	\$0.075	27,333,322	2,049,999
17 June 2022	Issue of shares pursuant to private placement	\$0.087	30,000,000 ³	2,610,000
	Share issue costs		-	(418,088)
30 June 2022	Closing Balance		684,073,969	31,743,101

¹ The total of 6,228,831 options exercised during the period were held by Directors. Refer to Note 17(vi).

² The Company issued 511,111 ordinary shares in exchange for consultancy services provided. Refer to Note 16(c).

³ The Company issued 30,000,000 ordinary shares at an issue price of \$0.03 per share to Phefo Power (Pty) Ltd for its ZAR 10 million subscription. For accounting purposes, the shares issued have been valued at \$2,610,000, being the Company's share price of \$0.087 as at the date the funds were received, with the difference of \$1,710,000 being recognised as an expense. The shares are subject to voluntary escrow for a period of 12 months from date of issue.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 14: Contributed Equity (continued)*(b) Options*

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

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

The following unlisted options were on issue during the year ended 30 June 2022.

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

¹ Refer to Note 16(a)

² Refer to Note 16(b)

³ Refer to Note 16(d)

Note 15: Reserves and Accumulated Losses**15a) Accumulated Losses**

	2023 \$	2022 \$
Balance at beginning of financial year	(23,236,665)	(17,417,816)
Net Loss	(4,335,534)	(5,818,849)
Balance at end of financial year	<u>(27,572,199)</u>	<u>(23,236,665)</u>

15b) Reserves

Share Based Payments Reserve	900,431	868,438
Options Issue Reserve	215,084	172,268
Foreign Currency Translation Reserve	(1,080,082)	(407,476)
Total Reserves	<u>35,433</u>	<u>633,230</u>

(i) Share Based Payments Reserve

Balance at beginning of financial year	868,438	755,500
Movement for year	31,993	112,938
Share Based Payments Reserve	<u>900,431</u>	<u>868,438</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 15: Reserves and Accumulated Losses (continued)**15b) Reserves (continued)**

	<u>2023</u>	<u>2022</u>
	\$	\$
<i>(ii) Options Issue Reserve</i>		
Balance at beginning of financial year	172,268	55,486
Movement for year	<u>42,816</u>	<u>116,782</u>
Options Issue Reserve	<u>215,084</u>	<u>172,268</u>
<i>(iii) Foreign Currency Translation Reserve</i>		
Balance at beginning of financial year	(407,476)	(171,052)
Movement for year	<u>(672,606)</u>	<u>(236,424)</u>
Foreign Currency Translation Reserve	<u>(1,080,082)</u>	<u>(407,476)</u>

*(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 associates.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 16: Share Based Payments

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

During the financial year ended 30 June 2022, \$116,782 was recognised as a share based payment and charged to share issue costs.

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

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

- b) On 10 August 2021, the Company announced that Mr Nicholas de Blocq 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 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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 16: Share Based Payments (continued)

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.

- 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.

During the year ended 30 June 2022, consulting fees incurred in relation to the joint development agreement with the Industrial Development Corporation of South Africa (IDC), totalling \$46,000 were satisfied by the issue of 511,111 shares to AC Squared Solutions (Pty) Ltd. The total number of shares issued to AC Squared Solutions (Pty) Ltd was derived using the share price on the date of issue, being 26 May 2022.

- 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.

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

Key estimates and judgements

Employees

The Company 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 Company 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 17: 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 Company's Key Management Personnel (KMP) for the year ended 30 June 2023.

	2023	2022
	\$	\$
Short term employee benefits	647,225	615,211
Post-employment benefits	3,177	3,174
Share based payments	31,993	112,938
	<u>682,395</u>	<u>731,323</u>

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.

Loans from related parties

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

	2023	2022
	\$	\$
Loan from Adam Sierakowski		
Opening balance	250,000	-
Funds received	-	250,000
Funds repaid	(250,000)	-
Closing balance	<u>-</u>	<u>250,000</u>

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

The loan was fully repaid on 12 July 2022.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 17: Key Management Personnel Disclosures and Related Party Transactions (continued)

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.

	2023	2022
	\$	\$
(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.	48,000	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.	81,278	22,378
(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 capital raising fees relating to the rights entitlement offer.	-	11,550
(v) Payments to Cowbra Pty Ltd, a company of which Geoff Michael is a Director, for the provision of IT services.	1,320	720

(vi) During the year ended 30 June 2022, 6,228,831 options held by Directors were exercised. This includes 800,000 options exercised by Dr James Searle which he held at resignation in February 2021.

	2023	2022
	\$	\$
<u>Amounts outstanding at reporting date</u>		
Aggregates amount payable to Key Management Personnel and their related entities at reporting date.		
(i) Payables	62,991	54,567
(ii) Borrowings (refer to loans from related parties above)	-	250,000

Note 18: Remuneration of Auditors

	2023	2022
	\$	\$
BDO Audit (WA) Pty Ltd		
Audit or review of the financial report	50,798	43,284
	<u>50,798</u>	<u>43,284</u>

The auditor of Kinetiko Energy Ltd is BDO Audit (WA) Pty Ltd.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 19: Commitments and contingencies*(a) Associated Company**(i) Exploration and Evaluation Expenditure*

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

Under the current joint venture agreement, the Company has a 49% direct interest in Afro Energy. As a result, the Company's share of Afro Energy's minimum expenditure requirements committed at the reporting date but not recognised as liabilities is as follows:

	2023	2022
	\$	\$
Within one year	887,069	899,180
One to five years	3,360,302	2,906,995
	<u>4,247,371</u>	<u>3,806,175</u>

(ii) Afro Gas (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 (Pty) Ltd (Afro Gas), which will maintain the interest share of 55% Afro Energy and 45% IDC.

As part of the JDA, Afro Energy will retain control of Afro Gas until such time that the IDC has satisfied the required contributions associated with their 45% interest. As at reporting date, IDC has advanced ZAR 16.3 million (approximately AUD \$1.3 million) as part of its ZAR 70 million commitment (approximately AUD \$5.8 million), and Afro Energy has contributed ZAR 20 million (approximately AUD \$1.6 million) out of its ZAR 85 million (approximately AUD \$7.2 million) commitment.

(iii) New Joint Venture

In August 2023, Afro Energy executed a non-binding Term Sheet with IDC to co-develop a new joint venture ('JV') for the appraisal and production of LNG.

The first stage of the project is estimated to cost approximately \$138 million comprising of \$90 million equity and \$48 million debt. IDC will equity fund approximately \$52 million for its 30% interest in the JV, and Afro Energy will equity fund approximately \$38 million for its 70% JV interest. Furthermore, Afro Energy has the right to introduce third party investors to the JV for part or all of its remaining 70% interest and to stage payment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 19: Commitments and contingencies (continued)

(b) Acquisition of Afro Energy (Pty) Ltd

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

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

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

Furthermore, pursuant to the Company's ASX announcement on 1 March 2023, the Company had applied for a waiver to Listing Rule 14.7 with the ASX so as to extend the time to issue the required shares to the remaining Badimo shareholders other than Donald Ncube, a Director of Badimo, pursuant to resolution 7 of the Notice of AGM, to 30 June 2023 ('Waiver Application').

However on 15 March 2023, the Company announced that its Waiver Application had not been granted by the ASX.

As such on 24 May 2023, the Company issued a further Notice of General Meeting scheduled to be held on 23 June 2023 to obtain fresh shareholder approval for all resolutions relating to the restructure that was considered and subsequently approved by shareholders at the EGM.

On 4 September 2023, the Company announced that a binding funding commitment has been executed with a strategic South African investment company to fund the \$6.5 million capital raising required in respect of the Acquisition.

On 21 September 2023, the Company announced that it has completed the Acquisition and therefore holds 100% of the issued capital of Afro Energy and, in turn, owns 100% of the exploration rights to the flagship Amersfoort Gas Project.

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

Note 20: Events Occurring After Reporting Period

In August 2023, Afro Energy executed a non-binding Term Sheet with the Industrial Development Corporation of South Africa ('IDC') to co-develop a new joint venture for the appraisal and production of LNG. IDC and Afro Energy will hold equity interest of 30% and 70% in the joint venture respectively. Further details, including proposed commitments, are contained in Note 19.

On 4 September 2023, the Company announced that a binding funding commitment has been executed with a strategic South African investment company to fund the \$6.5 million capital raising required in respect of the acquisition of the remaining 51% interest in Afro Energy from Badimo Gas.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 20: Events Occurring After Reporting Period (continued)

On 21 September 2023, the Company announced that it has completed the Acquisition and therefore holds 100% of the issued capital of Afro Energy and, in turn, owns 100% of the exploration rights to the flagship Amersfoort Gas Project.

No other matters or circumstance has arisen since 30 June 2023 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 21: Other Accounting Policies

Summary of other significant 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.

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 Company 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 21: Other Accounting Policies (continued)

Leases

The Company 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 Company currently uses a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company 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 Company 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 Company 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 Company and payments of penalties for terminating the lease, if the lease term reflects the Company 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.

In calculating the present value of lease payments, the Company 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 Company 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023 (continued)**

Note 21: Other Accounting Policies (continued)

New and Amended Standards and Interpretations adopted

For the year ended 30 June 2023, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2022.

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

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 2023.

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 Company's accounting policies.

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KINETIKO ENERGY LTD ABN 45 141 647 529

SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is as at 25 September 2023.

Shareholdings as at 25 September 2023

Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

Shareholder Name	Number of Shares	Percentage	Date of Notice
PHEFO POWER (PTY) LIMITED	110,602,220	14.23%	16/12/2022
BRENDAN D GORE & ASSOCIATED ENTITIES	93,372,148	17.17%	04/08/2020
AGEUS PTY LTD M & A A/C	37,046,123	6.82%	30/04/2020
ADAM SIERAKOWSKI & ASSOCIATED ENTITIES	81,636,129	15.03%	30/04/2020

Unmarketable parcels

The number of shareholders holding less than a marketable parcel is 51.

There is only one class of share and all ordinary shareholders have equal voting rights.

Unquoted Securities

Securities	Number of Options	Number of Holders	Holders with more than 20%
Options exercisable at \$0.10, expiry 31 July 2024	2,000,000	1	1
Options exercisable at \$0.09, expiry 10 February 2025	1,000,000	1	1

The names of the holders of unquoted securities are listed below:

	Number of options held	Percentage of total options held
1. Mr Nicholas de Blocq	2,000,000	100%
2. Inglobo Asset Management Pty Ltd <Matilda Bay A/C>	1,000,000	100%

Voting rights

All ordinary shares carry one vote per share without restriction.

On-market buyback

There is no current on-market buy-back.

Stock Exchange listing

Quotation has been granted for the Company's Ordinary Shares.

KINETIKO ENERGY LTD ABN 45 141 647 529

SHAREHOLDER INFORMATION

Distribution of security holders category	Number of Holders of Ordinary Shares	Number of Holders of Unlisted Options
1 - 1,000	25	-
1,001 – 5,000	36	-
5,001 – 10,000	95	-
10,001 – 100,000	416	-
100,001 and over	371	2
	943	2

Twenty largest shareholders – Ordinary Shares

Name	Number of ordinary shares held	Percentage of capital held
MR BRENDAN DAVID GORE <GORE FAMILY NO 2 A/C>	111,803,248	14.32%
PHEFO POWER (PTY) LIMITED	110,602,220	14.17%
AGEUS PTY LTD <M AND A A/C>	43,614,954	5.59%
IML HOLDINGS PTY LTD	26,676,408	3.42%
HOLDREY PTY LTD <DON MATHIESON FAMILY A/C>	21,332,114	2.73%
TRIDENT CAPITAL PTY LTD	21,293,101	2.73%
MR ADAM SIERAKOWSKI	19,725,640	2.53%
MR ROBERT JAMES MACMILLAN	15,350,000	1.97%
JGST PTY LTD <JGST FAMILY SETTLEMENT A/C>	12,059,653	1.55%
MFM AUSTRALIA PTY LIMITED <MCKELVEY FAMILY NO 2 A/C>	11,950,000	1.53%
PENISH PTY LTD <PETRIDES FAMILY A/C>	11,547,718	1.48%
AUBURY PTY LTD	10,000,000	1.28%
MR ADAM SIERAKOWSKI <WAWSAW SUPER FUND A/C>	9,636,846	1.23%
SHARIC SUPERANNUATION PTY LTD <FARRIS SUPER FUND A/C>	8,183,204	1.05%
SDMO AUSTRALIA PTY LTD <THE BOTICA SUPER FUND A/C>	7,655,000	0.98%
BLUE SAINT PTY LTD	7,650,000	0.98%
MR RICHARD WOLANSKI	7,553,377	0.97%
BOTSKY PTY LTD <N BOTICA NO 3 FAMILY A/C>	6,814,260	0.87%
BOTSIS HOLDINGS PTY LTD	6,300,000	0.81%
ENDLESS SUMMER (WA) PTY LTD <PETER NELSON SUPER FUND A/C>	6,000,000	0.77%
TOTAL	475,747,743	60.96%

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SHAREHOLDER INFORMATION

Schedule of mining tenements

Tenement reference	Nature of interest
ER320 (TCP 106)	Application for conversion from Technical Cooperation Permit to Exploration Right has had to be re-started, after recent advice from PASA. Application is expected to be started by re-performing the Scoping Document, beginning in Q3 2023.
ER 270	Exploration Right granted on 3 September 2019. Renewal award received on 16 February 2023.
ER 271	Approval granted by Department of Mineral Resources (DMR) on 19 August 2021 for consolidation with ER38 and ER56. Renewal award received in June 2023. Production Right support tenders have been requested.
ER 272	Exploration Right granted on 21 August 2019. Renewal award received on 16 February 2023.

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