Kinetiko Energy Ltd

ABN: 45 141 647 529

Interim Financial report for the half-year ended

31 December 2023

Interim Financial report for the half-year ended 31 December 2023

Corporate Directory

DIRECTORS

Adam Sierakowski
(Executive Chairman)

Geoffrey Michael
(Non-Executive Director, resigned 24 November 2023)

Tom Fontaine
(Non-Executive Director, ceased 24 November 2023)

Donald Mzolisa Jones Ncube
(Non-Executive Director, appointed 21 September 2023)

Dirk Robert Bulder
(Non-Executive Director, appointed 21 September 2023)

Robert Scharnell
(Non-Executive Director, appointed 24 November 2023)

COMPANY SECRETARY

Simon Whybrow

PRINCIPAL OFFICE

283 Rokeby Road
SUBIACO WA 6008

REGISTERED OFFICE

Level 24, St Martin's Tower
44 St Georges Terrace
PERTH WA 6000

AUDITORS

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

SHARE REGISTRY

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

STOCK EXCHANGE LISTING

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

Directors' report

The directors of Kinetiko Energy Ltd (ASX:KKO) ("Kinetiko" or "the Company") and its controlled entities ("the Group") submit herewith the consolidated financial report for the half-year ended 31 December 2023. In order to comply with the provisions of the *Corporations Act 2001*, the directors report is as follows:

Directors

The names of the directors of the company during or since the end of the half-year are:

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

Directors have been in office since the start of the period to the date of this report unless otherwise stated.

Operating results

The operating loss of the Group for the six months amounted to $2,910,325 (December 2022: loss of $1,581,798).

Review of operations

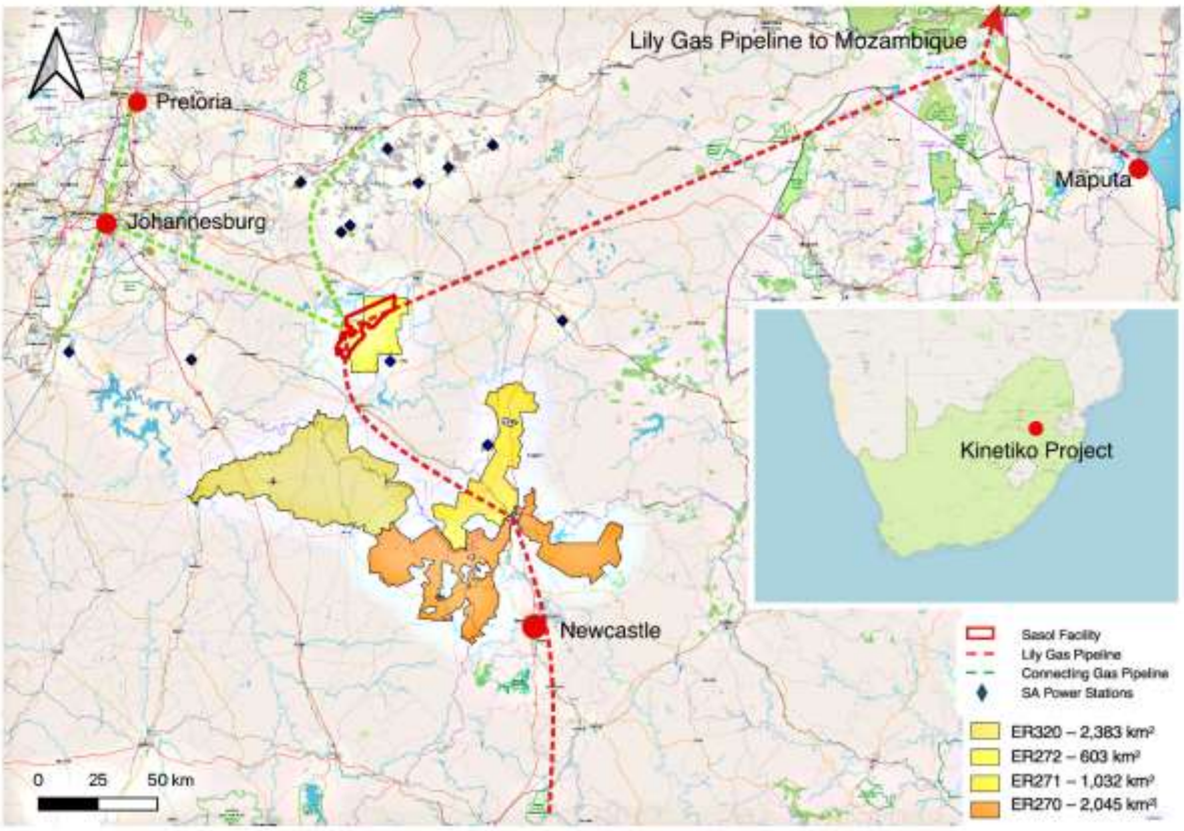

Figure 1 – Afro Energy Exploration Rights

Directors' report

Review of operations (continued)

Health, Safety and Environment

- 13,608 man-hours recorded in H2-2023
- No accidents, injuries or health or environmental incidents have been reported during the period.
- Safety meetings are held prior to every shift on the wellsite.

Regulatory

Afro Energy completed its entire minimum programme for the original Exploration Rights and began on the obligatory workscope for the ER renewal periods. The Company is compliant with its obligations with the Petroleum Agency South Africa (**PASA**) (Figure 1).

EXPLORATION UPDATE

The Company drilled core holes in a new exploration block (ER272) during Q2-Q3 2023 with very encouraging results (Figure 2).

Figure 2 – ER272 Core Sites drilled

An initial exploration campaign of six core holes all delivered excellent results, as can be seen from the logs below (Figure 3), showing easily-correlating geology. The pink-shaded inter-curves in the logs are the crossover between neutron and density responses and represent very gassy sediments between 50m and 343m in the shallowest and deepest cases. Gas cuts range from 101m to 166m with an average of 128m across the core holes, with core hole 272-06C topping out at 166m out of 178m of sub-igneous stratigraphy, or 93% of the bore length being gas-laden (Figure 4).

Future drilling plans in block ER272 include a minimum of two Perm Test wells to prove gas mobility and flow rates.

Directors' report

Review of operations (continued)

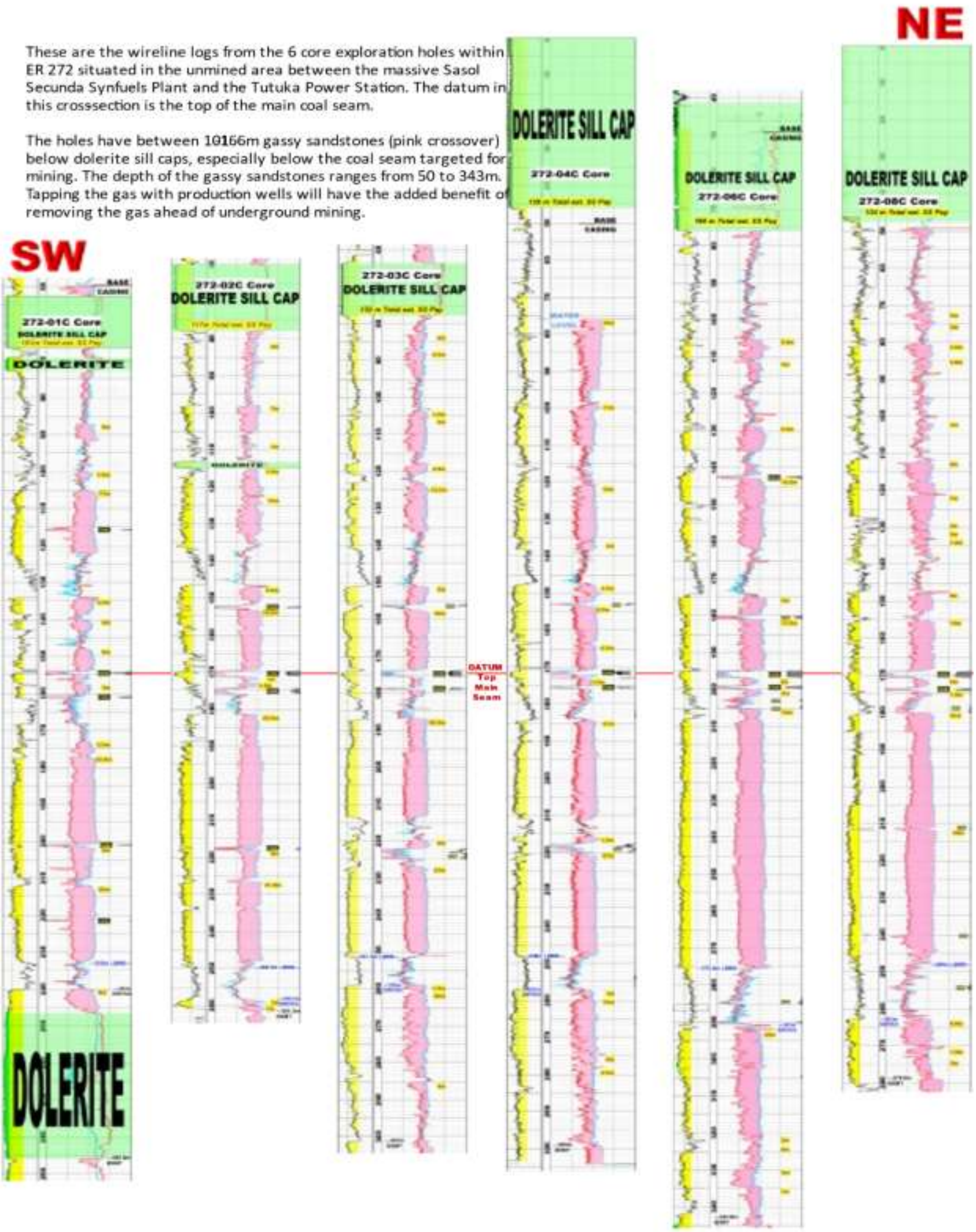

Figure 3 – Combined logs of all six core holes in block ER272. Pink colouring indicates neutron-density crossover and therefore gas-bearing sediments.

Directors' report

Review of operations (continued)

Figure 4 – Core well 270-01C visible gas emissions observed from representative core samples at depths between 155-166m

Figure 5 – Location of 272-06C with Sasol's Secunda plant in the background

Directors' report

Review of operations (continued)

General comments on ER272 coring:

By the end of Q2 23, The Company had completed drilling of the first four core holes, 272-01C, 272-02C, 272-06C and 272-08C (Figure 5 & 6). During the first week of July, two drill rigs were mobilised to drill simultaneously at sites 272-03C and 272-04C. These locations lie half-way between the first two core holes and the last two that we drilled.

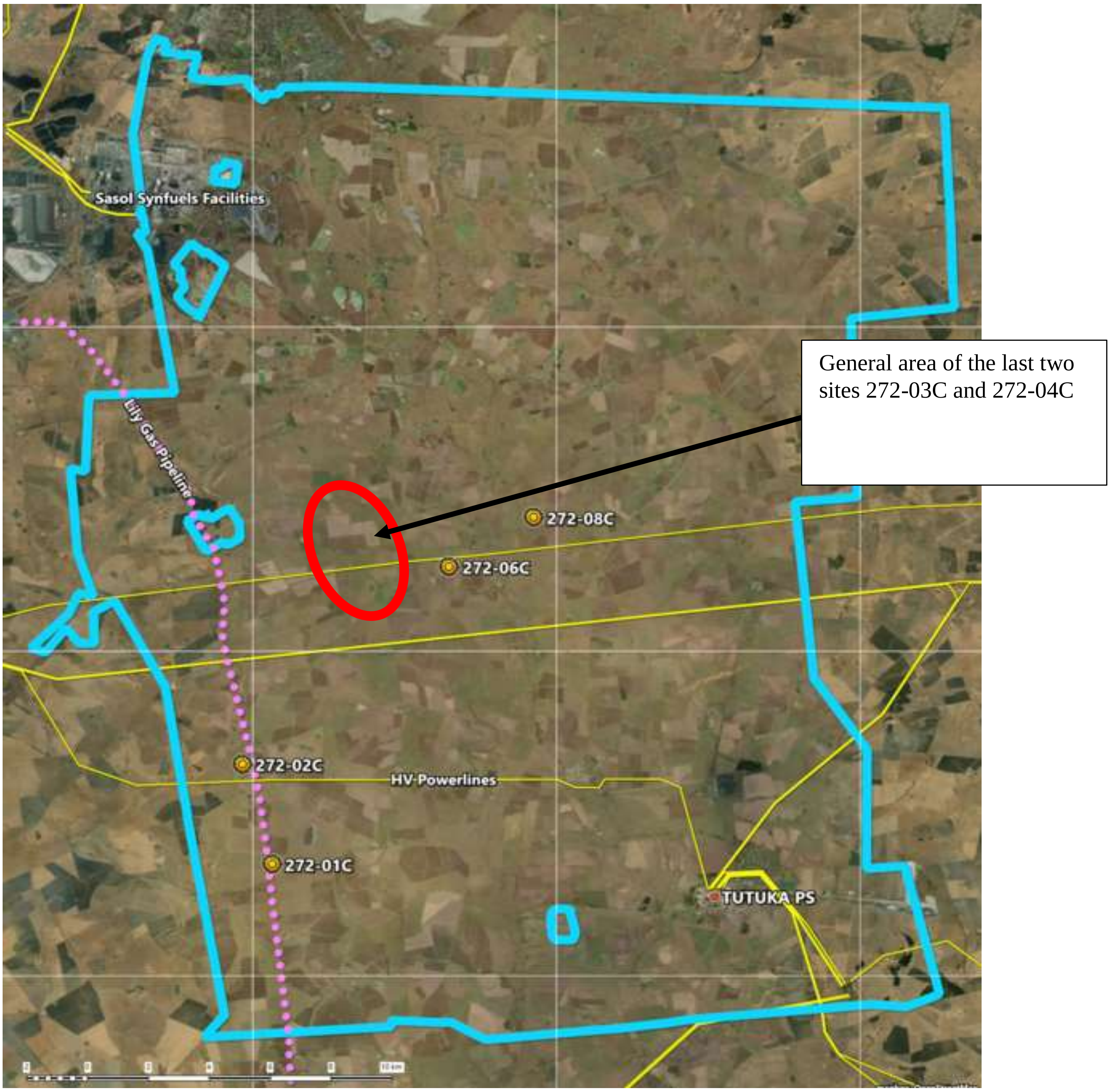

Figure 6 – Map showing locations of last two core holes in ER272 (03C and 04C) drilled in Q3-23

The Company then returned to Block ER270 and worked on two core holes during the last quarter of 2023 with varied results. Although the wells encountered good gas shows in both core holes 270-02C and 270-09C, they did not manage to arrive at the planned TD in either case.

Directors' report

Review of operations (continued)

Corehole. 270-02C did not manage to reach expected TD due to cave ins from deep running dolerite layers. The Company was not able to run logs to bottom due the caverning preventing the tools from lowering and the risk of losing the wireline strings. The data that was obtained however, remains valuable in terms of completing geological cross-sections and understanding the local stratigraphy to about 420m.

The Company spudded the sixth core hole in ER270 on 20 October 2023 at site 270-09C (Figure 7 & 8) due east of the town of Memel. This corehole represents our first in the Free state Province.

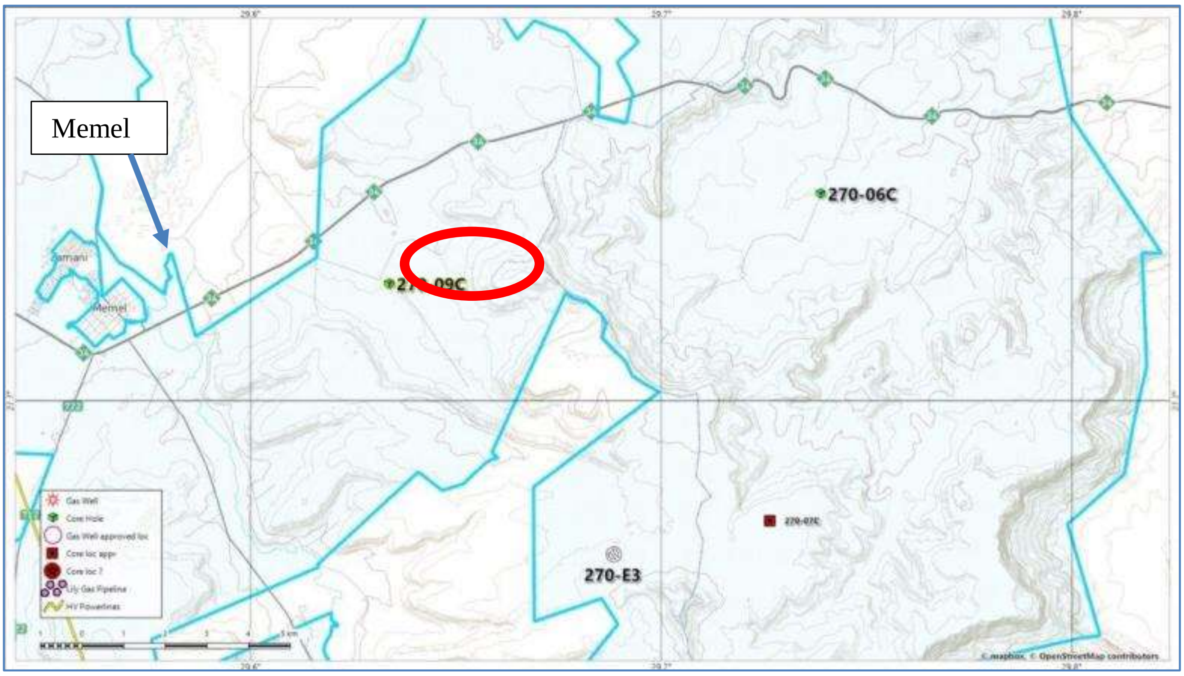

Figure 7 – Core site 270-09C drilled during Q4-23

Figure 8 – 270-09C drill site near Memel, FS.

Directors' report

Review of operations (continued)

Figure 9 – Gassy response from core sample at about 140m

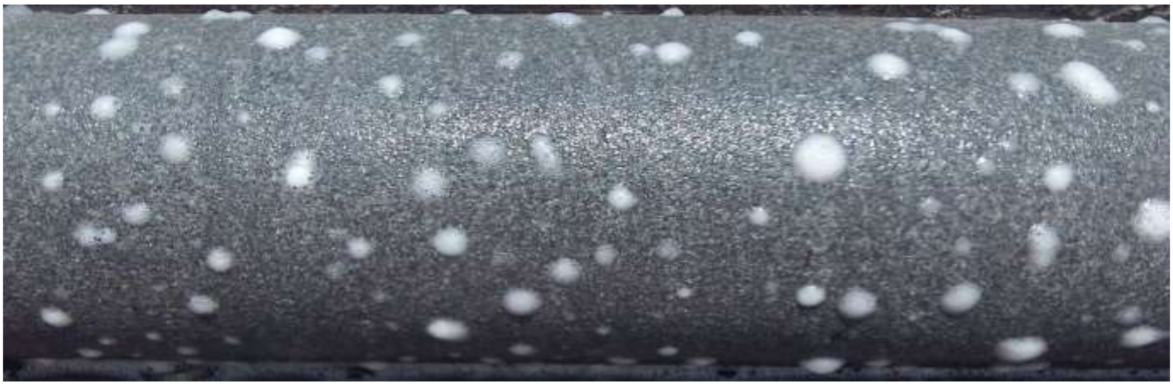

Figure 10 – Gas bubbles on a core sample from ~600m

Core hole 270-09C reached a depth of 691.7m and was suspended at that level without shows of tillite representing a terminal depth. The challenge with this hole arose from a point of metallic resistance which was found between 60m-70m and unable to be milled. This is adjudged to be the result of a casing tear experienced during a twist off of the drilling string and ruled out a logging operation. However, the core samples resulted evidence of about 172m of gassy pay in this borehole (Figure 9 & 10), and plans are developing to return to the same site in the near future for future exploration drilling.

Exploration Expenditure

Domestic spend in South Africa was incurred during the second half of 2023 in the amount of approximately **ZAR 12.62 million** to cover, inter alia:

- Drilling services
- Wellsite equipment
- Contractor fees
- Waste Management solutions
- Plant hire
- Environmental auditing
- Salaries, wages and day-rates
- Legal advice
- Office / G&A

This represents total spend towards SA suppliers and employees during this quarter.

Directors' report

Review of operations (continued)

Maiden Gas Reserves & Major Increase in Contingent Resource

Building on the material existing certified Contingent 2C Gas Resource of 4.9 TCF, Kinetiko received an independent gas reserves and resources report from Sproule B.V. dated 14 August 2023 ("Sproule Report"). Maiden gas reserves of 6.4 BCF assessed over pilot gas production field underpinned by an existing, with limited scope IDC joint venture produced positive economics.

A 20%+ increase in 2C Contingent Resource to over 6.0 TCF was reported with the expectation for significant further upgrades from adjacent application exploration right (ER 320) when granted.

Concurrent Prospective Resource 2U was calculated at an additional 5.8 TCF, convertible to contingent resource based on further exploration drilling.

Maiden reserves assessed were over an initial 6.8 km2 30 well cluster which represents less than 0.2% of the Afro Energy's granted rights and application areas, providing for enormous potential for further increases in gas reserves.

New Joint Venture with South African Strategic Investor

Afro Energy executed a term sheet with the Industrial Development Corporation of South Africa ("**IDC**") to co-develop a new Special Purpose Vehicle ("**SPV**") for the appraisal, development and production of wellfields in Block ER271. The intention is to produce natural gas to midstream LNG infrastructure to deliver 50MWe (60,000 tonnes per annum) in Stage 1 growing to 500MWe gas equivalent energy.

The first stage 50MWe equivalent project is estimated to cost approximately A$138M comprising A$90M equity and A$48M debt.

The second stage intends the parties expand the JV to 500MWe LNG gas equivalent, which would be the largest onshore LNG project in South Africa.

The IDC has been granted the option to participate in the co-development of further 1,000MW LNG gas equivalent projects, totalling 1.5GW.

The Term Sheet will underpin the Company's strategic objectives to unlock over 2TCF in gas reserves and become a sustainable cleaner energy solution for the South African economy.

Corporate restructure / merger

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

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

Capital Raising

Kinetiko entered into a subscription agreement with Talent 10 Holdings (Pty) Ltd (T10) to raise A$6,500,000 through the issue of 72,222,222 fully paid ordinary Kinetiko shares at an issue price of $0.09 each (Capital Raising). The Capital Raising was the first step in a series of corporate transactions required for the Company to complete its acquisition and restructure of Afro Energy.

Kinetiko issued 495,482,590 Shares (Adjusted Consideration Shares) to the underlying shareholders in Badimo Gas (Pty) Ltd (Badimo), being the entity holding the remaining 51% interest in Afro Energy.

Directors' report

Review of operations (continued)

Upon completion of the Capital Raising, Afro Energy issued new shares in Afro Energy to the Company for an aggregate subscription price equal to the South African rand equivalent of AUD $6,500,000, payable in cash to Afro Energy (being the amount raised under the Capital Raising) (Afro Energy Subscription).

Following the Afro Energy Subscription, the Company held a ~95% interest in Afro Energy, with the outstanding Afro Energy shares then held by Badimo being bought back pursuant to a Share Buyback Agreement between Badimo and Afro Energy. Upon the completion of these transactions, Kinetiko became the sole shareholder in Afro Energy and issued the Adjusted Consideration Shares to the underlying Badimo Shareholders.

Board of Director changes

In association with the Acquisition, and as approved by shareholders at the Company's recent general meeting on 23 June 2023, two nominee directors of Badimo, Mr Donald Ncube and Mr Robert Bulder, were appointed to the Company's Board of Directors. In addition, Mr. Robert Scharnell, an experienced oil and gas executive with over 30 years of experience at Chevron, was appointed as a Non-Executive Director (NED) to enhance the Company's leadership structure and drive commercialisation objectives which coincided with the departure of longstanding directors, Mr. Geoff Michael and Mr. Tom Fontaine, who contributed significantly to the Company since its IPO in 2011. The new board composition reflects Kinetiko's strategic emphasis on advancing energy transition solutions for South Africa and exploiting gas projects in the region.

Production Right Application

The Company's engaged consultants WSP who have been building the Environmental Impact Assessment (**EIA**) in support of the Production Right being granted for ER271. This process along with community engagement is expected to continue through the first half of 2024. The Company still anticipates have a production right in place for first gas production in early 2025.

Employment

Here below we illustrate the employment effect of our operational status across the 2023 annum to date:

	Management	**Exploration**	**Environmental**	**Casual Employment**	**Skilled**	**Legal**	**Race & Gender**	**Sub Total**
Local RSA Employment	3	1	0	4	0	2	5 x White males 5 x Black males	10
Expatriates	2					2	1 x Black male	**4**
Operations Consultants	2		2				2 x White males 2 x Black males	**4**
Suppliers	6	3	5		16	2	2 x Black females 19 x Black males 9 x White males 2 x White females	**32**
Total Employment	**13**	**4**	**7**	**4**	**16**	**6**		**50**

Afro Energy employs local community members, labourers, plant, equipment and consumables in every possible opportunity proximate to our drilling following our policy to localise our spend wherever we can find quality goods and services at competitive rates. We also encourage our suppliers to do the same wherever they can, given the limitations of trained and qualified operators whom they utilize.

Directors' report

Review of operations (continued)

Afro Energy has employed South African specialist companies for various exploration activities during the most recent annum; some of the major suppliers are tabulated below:

Company	Application
SLR Consulting	Environmental Practitioners
WSP	Environmental Practitioners
Infin Drilling (Pty) Ltd	Core drilling rig, casing running and related services
Franklin Electrical / LOG	Supply and maintenance of surface and downhole equipment
Akhona Oil and Gas Services	Supply of Cementation Engineering and HSE Personnel
Cliffe Dekker Hofmeyr	Legal services
OTC	Owner's Engineer – internal techno-economic advice
Proconics	Engineering and compliance engineers

Schedule of mining tenements as at 31 December 2023

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. Re-application was started in Q4-23 by re-building the Scoping Document (SLR).
ER 270	Exploration Right granted on 03 September 2019. Renewal granting letter received on 16 Feb 23. Deed of Renewal signed on 28 June 2023 – valid to 27 June 2025.
ER 271	Approval granted by Dept of Mineral Resources and Energy (DMRE) on 19 August 2021 for consolidation of ER38 and ER56. Renewal granting letter received on 20 June 23. Deed of Renewal signed on 28 June 2023 – valid to 27 June 2025. Production Right contract has been issued to WSP.
ER 272	Exploration Right granted on 21 August 2019. Renewal granting letter received on 16 Feb 23. Deed of Renewal signed on 28 June 2023 – valid to 27 June 2025.

Directors' report

Events Occurring After The Reporting Period

In January 2024, following shareholder approval granted at the Company's 2023 Annual General Meeting, 24,750,000 unlisted Director and Management options exercisable at $0.12 per share on or before 31 December 2026 were issued by the Company (refer to Note 19 for further details).

There are no other matters or circumstances that have arisen since 31 December 2023 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial periods.

Dividends Paid or Recommended

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

Auditor's independence declaration

The auditor's independence declaration is included on page 15 of the half-year financial report.

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

On behalf of the Directors

Adam Sierakowski
Chairman

Date: 14 March 2024

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Fax: +61 8 6382 4601
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Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

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

As lead auditor for the review of Kinetiko Energy Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth

14 March 2024

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5 Spring Street
Perth, WA 6000
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Kinetiko Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Kinetiko Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and

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

Basis for conclusion

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

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

Material uncertainty relating to going concern

We draw attention to Note 1 in the half-year financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 14 March 2024

Directors' declaration

The directors of the Company declare that:

1. The financial statements and notes set out on pages 19 to 37 are in accordance with the *Corporations Act 2001*, including:

(a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) giving a true and fair view of the company's financial position as at 31 December 2023 and of its performance, as represented by the results of its operations and its cash flow, for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Adam Sierakowski
Chairman

Date: 14 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2023

	Note	Half-year ended 31 Dec 2023 $	Half-year ended 31 Dec 2022 $
Revenue			
Other income	3(a)	180,369	3,984
Total revenue		180,369	3,984
Expenses			
Consultancy and professional costs	3(c)	(279,298)	(150,643)
Employee and contractor expenses		(327,899)	(283,833)
Occupancy expenses		(8,213)	(10,445)
Depreciation	3(b)	(50,478)	(20,166)
Project expenditure	8	(784,460)	(772,041)
Interest expense and finance charges		(3,190)	(1,662)
Loss in share of associate	8	(23,508)	(31,262)
Administration expenses		(98,102)	(200,567)
Travel expenses		(70,245)	(26,684)
Foreign exchange loss	13(iii)	(983,199)	(13,721)
Exploration and evaluation expenditure	9	(178,667)	-
Share based payment	19	(270,715)	-
Other expenses	3(c)	(12,720)	(74,758)
Total expenses		(3,090,694)	(1,585,782)
Loss before income tax expense		(2,910,325)	(1,581,798)
Income tax expense		-	-
Loss after income tax expense for the period		(2,910,325)	(1,581,798)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign balances		(1,444,764)	(173,302)
Other comprehensive loss for the period		(1,444,764)	(173,302)
Total comprehensive loss for the period net of tax		(4,355,089)	(1,755,100)
Total loss for the year attributable to:			
Owners of Kinetiko Energy Ltd		(2,951,516)	(1,581,798)
Non-controlling interest		41,191	-
		(2,910,325)	(1,581,798)
Total comprehensive loss attributable to:			
Owners of Kinetiko Energy Ltd		(4,396,280)	(1,755,100)
Non-controlling interest		41,191	-
		(4,355,089)	(1,755,100)
Loss per share attributable to equity holders of Kinetiko Energy Ltd:			
Basic loss per share (cents)		(0.31)	(0.22)

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

Consolidated Statement of Financial Position
as at 31 December 2023

	Note	31 December 2023 $	30 June 2023 $
CURRENT ASSETS			
Cash and cash equivalents	4(a)	3,923,642	3,561,132
Receivables	5	372,373	500,603
Other assets	6	63,830	21,104
TOTAL CURRENT ASSETS		4,359,845	4,082,839
NON CURRENT ASSETS			
Receivables	5	-	606,581
Other assets	6	-	798,852
Property, plant and equipment	7	175,869	219,351
Investment in associate	8	-	7,512,742
Capitalised exploration and evaluation assets	9	64,614,086	-
TOTAL NON CURRENT ASSETS		64,789,955	9,137,526
TOTAL ASSETS		69,149,800	13,220,365
CURRENT LIABILITIES			
Trade and other payables	10	433,338	999,416
Borrowings	11	1,305,401	-
TOTAL CURRENT LIABILITIES		1,738,739	999,416
TOTAL LIABILITIES		1,738,739	999,416
NET ASSETS		**67,411,061**	**12,220,949**
EQUITY			
Contributed equity	12(a)	98,049,002	39,757,715
Reserves	13	(155,417)	35,433
Accumulated losses		(30,523,715)	(27,572,199)
Equity attributable to owners of Kinetiko Energy Ltd		67,369,870	12,220,949
Non-controlling interest		41,191	-
TOTAL EQUITY		**67,411,061**	**12,220,949**

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

Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2023

For the period ended 31 December 2022	Ordinary Shares $	Reserves $	Accumulated Losses $	Total Equity $
	Attributable to equity holders			
At beginning of period	31,743,101	633,230	(23,236,665)	9,139,666
Loss for the period	-	-	(1,581,798)	(1,581,798)
Movement in foreign currency translation reserve	-	(173,302)	-	(173,302)
Total comprehensive loss for the period	-	(173,302)	(1,581,798)	(1,755,100)
Transactions with owners in their capacity as owners				
Issue of shares during the period	8,349,000	-	-	8,349,000
Share issue costs	(524,558)	-	-	(524,558)
Total contributions by owners	7,824,442	-	-	7,824,442
At end of period	**39,567,543**	**459,928**	**(24,818,463)**	**15,209,008**

For the period ended 31 December 2023	Ordinary Shares $	Reserves $	Accumulated Losses $	Non-controlling Interests $	Total Equity $
	Attributable to equity holders				
At beginning of period	39,757,715	35,433	(27,572,199)	-	12,220,949
Profit/(loss) for the period	-	-	(2,951,516)	41,191	(2,910,325)
Movement in foreign currency translation reserve	-	(1,444,764)	-	-	(1,444,764)
Total comprehensive loss for the period	-	(1,444,764)	(2,951,516)	41,191	(4,355,089)
Transactions with owners in their capacity as owners					
Issue of shares during the period	58,525,672	-	-	-	58,525,672
Release of foreign currency translation reserve	-	983,199	-	-	983,199
Share based payment	-	270,715	-	-	270,715
Share issue costs	(234,385)	-	-	-	(234,385)
Total contributions by owners	58,291,287	1,253,914	-	-	59,545,201
At end of period	**98,049,002**	**(155,417)**	**(30,523,715)**	**41,191**	**67,411,061**

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

Consolidated Statement of Cash Flows for the half-year ended 31 December 2023

	Note	Half-year ended 31 Dec 2023 $	Half-year ended 31 Dec 2022 $
Cash flows from operating activities			
Payments to suppliers and employees		(741,919)	(827,342)
Interest received		127,241	3,984
Interest and other costs of finance paid		(3,190)	(1,662)
Payments for project expenditure		(1,458,422)	(782,436)
Payments relating to proposed acquisition		(14,462)	(118,543)
Payment of taxes		(19,941)	-
Net cash used in operating activities	4(b)	(2,110,693)	(1,725,999)
Cash flows from investing activities			
Payments for property, plant and equipment		(6,996)	(78,671)
Payments to acquire Afro Energy, net of cash acquired		(3,554,546)	-
Loans to associate		(210,832)	(19,703)
Other payments		(20,038)	-
Net cash used in investing activities		(3,792,412)	(98,374)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		6,500,000	8,194,200
Repayment of borrowings		-	(250,000)
Share issue costs		(234,385)	(89,760)
Net cash provided by financing activities		6,265,615	7,854,440
Net increase in cash and cash equivalents		362,510	6,030,067
Cash and cash equivalents at the beginning of the half-year		3,561,132	1,347,785
Cash and cash equivalents at the end of the half-year	**4(a)**	3,923,642	7,377,852

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

Notes to the interim financial statements for the half-year ended 31 December 2023

1. Basis of Accounting and Statement of Compliance

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

The half-year financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards including AASB 134 *'Interim Financial Reporting'* and other mandatory professional reporting requirements. The interim financial statements were approved by the Board of Directors on 14 March 2024. The accounting policies applied by the Group in this interim financial report are the same as those applied by the Company in its financial report for the year ended 30 June 2023.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Group As such, it does not contain information that represents relatively insignificant changes occurring during the half-year. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2023, together with any public announcements made during the following half-year in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

Basis of consolidation

The consolidated financial statements comprise of the financial statements of Kinetiko Energy Ltd ("Kinetiko" or "the Company") and its controlled entities ("the Group") as at 31 December 2023.

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

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

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

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

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

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

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 Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Notes to the interim financial statements for the half-year ended 31 December 2023

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

Going Concern

For the half-year ended 31 December 2023 the Group recorded a loss of $2,910,325 (31 December 2022: $1,581,798) and had net cash outflows from operating and investing activities of $5,903,105 (31 December 2022: $1,824,373). At 31 December 2023, the Group had a working capital surplus of $2,621,106 (30 June 2023: $3,083,423).

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

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

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

- The 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.

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

Adoption of new accounting policies

During the half-year ended 31 December 2023, the new accounting policies adopted by the Group are set out below.

Exploration and evaluation costs

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

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

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

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

Notes to the interim financial statements for the half-year ended 31 December 2023

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

Borrowings and borrowing costs

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

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

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

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

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

Foreign operations

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

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

Critical accounting judgements, estimates and assumptions

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

Exploration and evaluation costs

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

Notes to the interim financial statements for the half-year ended 31 December 2023

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

Asset acquisition not constituting a Business

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

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

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

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

Fair value of asset acquisition

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

New accounting standards and interpretations

In the half-year ended 31 December 2023, the Group 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 2023.

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

Notes to the interim financial statements for the half-year ended 31 December 2023

2. Acquisition of 51% in Afro Energy (Pty) Ltd

During the half-year ended 31 December 2023, Kinetiko Energy Limited completed the acquisition of the remaining 51% interest in Afro Energy (Pty) Ltd ("Afro Energy") from Badimo Gas (Pty) Ltd ("Badimo) ("the Acquisition") and, in turn, owns 100% of the exploration rights to the flagship Amersfoort Gas Project.

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

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

	$
Cash and cash equivalents	3,015,745
Trade and other receivables	87,778
Capitalised exploration and evaluation assets – refer to Note 9	66,155,733
Trade and other payables	(73,798)
Borrowings	(1,336,449)
Net identifiable assets acquired and liabilities assumed	67,849,009

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

	$
Cash consideration for acquisition	6,500,000
Issue of shares at prevailing share price of 10.5 cents	52,025,672
Carrying value of existing 49% interest – refer to Note 8	7,586,117
Settlement of loan from Mr Ncube as part of restructure	824,674
Provision of loan to Afro Energy in respect of operational activities	833,443
Other costs	79,103
Total consideration transferred	67,849,009

3. Loss from continuing operations

	31.12.2023 $	31.12.2022 $
Loss from continuing operations before income tax includes the following items of income and expenses		
(a) Other Income		
Interest income	127,241	3,984
Foreign currency gain	53,128	-
Other income from ordinary activities	180,369	3,984
(b) Operating Expenses		
Depreciation of plant and equipment	50,478	20,166
(c) Significant Expenses		
Consulting and professional costs		
- Accounting fees	28,236	27,258
- Auditing costs	41,487	27,823
- Legal fees	23,435	24,982
- Other professional fees	186,140	70,580
	279,298	150,643
Other expenses – acquisition related expenses[1]	12,720	74,758
	12,720	74,758

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

Notes to the interim financial statements for the half-year ended 31 December 2023

4. Cash and Cash Equivalents

(a) Reconciliation of Cash

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

	31.12.2023 $	30.06.2023 $
Cash at bank	945,762	3,561,132
Restricted cash[1]	2,977,880	-
	3,923,642	3,561,132

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

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

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

	31.12.2023 $	31.12.2022 $
Loss for the half-year	(2,910,325)	(1,581,798)
Share of loss for the half-year for investment in associate	23,508	31,262
Depreciation	50,478	20,166
Release of foreign currency translation reserve	983,199	-
Share based payment	270,715	-
Changes in assets and liabilities:		
Trade and other receivables	173,881	27,337
Trade and other payables	(675,764)	(185,542)
Prepayments	(42,726)	(41,157)
Provisions	16,341	3,733
Net cash used in operating activities	(2,110,693)	(1,725,999)

Notes to the interim financial statements for the half-year ended 31 December 2023

5. Receivables

	31.12.2023 $	30.06.2023 $
Current		
Other receivables – VAT refundable	124,803	108,777
Other receivables – GST refundable	21,582	26,102
Other receivables	225,988	365,724
	372,373	500,603
Non-Current		
Loan – Associated entity[1]	-	606,581
	-	606,581

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

During the half-year ended 31 December 2023, the Company completed the acquisition of the remaining 51% interest in Afro Energy and therefore holds 100% of the issued capital of Afro Energy. The loan to associate formed part of the consideration for the acquisition (refer to Note 2).

None of the other receivables are past due or impaired.

6. Other Assets

	31.12.2023 $	30.06.2023 $
Current		
Prepayments	63,830	21,104
	63,830	21,104
Non-Current		
Loan – Other related party[1]	-	798,852
	-	798,852

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

During the half-year ended 31 December 2023, the loan formed part of the consideration for the acquisition of Afro Energy (Pty) Ltd (refer to Note 2).

Notes to the interim financial statements for the half-year ended 31 December 2023

7. Property, Plant and Equipment

	31.12.2023 $	30.06.2023 $
Opening net book value	219,351	170,095
Additions	6,996	134,144
Proceeds on disposals	-	(46,308)
Profit on disposals	-	8,284
Depreciation charge	(50,478)	(46,864)
Closing net book value	175,869	219,351
Cost or fair value	326,312	319,316
Accumulated depreciation	(150,443)	(99,965)
	175,869	219,351

8. Investment in Associate

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

During the half-year ended 31 December 2023 and prior to the Company's acquisition of the 51% interest in Afro Energy, the Company continued to increase project expenditure in relation to the tenements held by Afro Energy. The total project expenditure that was expensed through the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period was $784,460.

The carrying amount of equity-accounted investments in associates for the six months to 31 December 2023 is as follows:

	31.12.2023 $	30.06.2023 $
Opening balance	7,512,742	6,648,687
Contributions to investment	-	1,625,171
Loss for the period	(23,508)	(63,123)
Foreign exchange revaluation	96,883	(697,993)
Transfer to investment in subsidiary – Afro Energy (refer to Note 2)	(7,586,117)	-
Closing balance	-	7,512,742

9. Capitalised Exploration and Evaluation Assets

	31.12.2023 $	30.06.2023 $
Opening balance	-	-
Consideration for acquisition of 51% interest – refer to Note 2	66,155,733	-
Foreign exchange differences	(1,541,647)	-
Closing balance	64,614,086	-

Subsequent to the Company's acquisition of the 51% interest in Afro Energy (Pty) Ltd, the Group incurred $178,667 in exploration and evaluation related expenditure that was expensed through the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Notes to the interim financial statements for the half-year ended 31 December 2023

10. Trade and Other Payables

	31.12.2023 $	30.06.2023 $
Trade payables and accruals	365,652	936,425
Trade payables and accruals – related parties	67,686	62,991
	433,338	999,416

11. Borrowings

	31.12.2023 $	30.06.2023 $
Loan – Industrial Development Corporation of South Africa (IDC)[1]	1,305,305	-
Loan – Other	96	-
	1,305,401	-

[1] Refer to Note 16(ii) for further details. The loan represents the IDC's advances of ZAR 16.3 million as part of its ZAR 70 million commitment (approximately AUD $5.6 million). The loan is unsecured, interest free and not subject to any fixed terms of repayment.

12. Issued Capital

(a) Ordinary Shares

	31.12.2023 Shares	30.06.2023 Shares	31.12.2023 $	30.06.2023 $
Fully paid ordinary shares	1,348,268,334	780,563,522	98,049,002	39,757,715
	1,348,268,334	780,563,522	98,049,002	39,757,715

Period ended 31 December 2023

		Issue Price	Fully Paid Ordinary Shares	$
1 July 2023	Opening balance		780,563,522	39,757,715
	Issue of shares pursuant to Afro Energy (Pty) Ltd acquisition	$0.09	72,222,222	6,500,000
	Issue of shares to Badimo in respect of Afro Energy (Pty)Ltd acquisition	$0.105	495,482,590	52,025,672
	Share issue costs		-	(234,385)
31 December 2023	Closing balance		1,348,268,334	98,049,002

Notes to the interim financial statements for the half-year ended 31 December 2023

12. Issued Capital (continued)

Year ended 30 June 2023

		Issue Price	Fully Paid Ordinary Shares	$
1 July 2022	Opening balance		684,073,969	31,743,101
	Issue of shortfall shares from rights issue	$0.075	2,000,000	150,000
	Issue of shares pursuant to placement (Tranche 1)	$0.09	37,457,777	3,371,200
	Issue of shares for corporate advisory services	$0.09	1,720,000	154,800
	Issue of shares pursuant to placement (Tranche 2)	$0.09	19,120,000	1,720,800
	Issue of shares pursuant to share subscription agreement	$0.09	32,802,220	2,952,200
	Issue of shares for corporate advisory services	$0.09	2,628,889	236,600
	Issue of shares for corporate advisory services	$0.09	760,667	68,460
	Share issue costs		-	(639,446)
30 June 2023	Closing balance		780,563,522	39,757,715

(b) Options

Movements in options during the six months to 31 December 2023 were as follows:

Period ended 31 December 2023

Exercise price Expiry date	**13c** **7 July 2023**	**10c** **31 July 2024**	**9c** **10 February 2025**
Opening balance	3,000,000	2,000,000	1,000,000
Issued during the period	-	-	-
Expired during the period	(3,000,000)	-	-
Exercised during the period	-	-	-
Closing balance	-	2,000,000	1,000,000

For the half-year ended 31 December 2023, 24,750,000 Director and Management options were approved for issue by shareholders at the Company's 2023 Annual General Meeting. These options were subsequently issued in January 2024. Refer to Note 19 for further details.

Notes to the interim financial statements for the half-year ended 31 December 2023

13. Reserves

	31.12.2023 $	30.06.2023 $
Share based payments reserve	1,171,146	900,431
Options issue reserve	215,084	215,084
Foreign currency translation reserve	(1,541,647)	(1,080,082)
	(155,417)	35,433

(i) Share based payments reserve		
Opening balance	900,431	868,438
Movement in reserve	270,715[1]	31,993
Closing balance	1,171,146	900,431

[1] Refer to Note 19 for further details.

(ii) Options issue reserve		
Opening balance	215,084	172,268
Movement in reserve	-	42,816
Closing balance	215,084	215,084

(iii) Foreign currency translation reserve		
Opening balance	(1,080,082)	(407,476)
Movement in reserve	(1,444,764)	(672,606)
Release to profit or loss	983,199	-
Closing balance	(1,541,647)	(1,080,082)

(iv) Nature and purpose of reserves

Share based payments reserve

The share based payments reserve is used to recognise the fair value of shares and options granted as remuneration and in satisfaction of loans advanced to the Company.

Options issue reserve

The options issue reserve is used to recognise the fair value of options issued during the period.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign investments in subsidiaries and previously associates.

Notes to the interim financial statements for the half-year ended 31 December 2023

14. Segment Information

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

Based on the above, management has determined that the company has one operating segment being gas exploration in South Africa undertaken in its own right or through its interest in Afro Energy (Pty) Ltd. As the Group 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.

15. Investment in Controlled Entities

For the half-year ended 31 December 2023, the consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of entity	***Country of incorporation***	***Equity holding***	
		2023 %	***2022 %***
Afro Energy (Pty) Ltd[1]	South Africa	100%	49%
Afro Gas Development SA (Pty) Ltd[2]	South Africa	55%	-

[1] The entity was incorporated in 2015.
[2] The entity was incorporated on 12 October 2021 of which Afro Energy (Pty) Ltd holds a 55% interest in the entity. The remaining 45% interest is held by the Industrial Development Corporation of South Africa.

16. Commitments and Contingencies

(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.

The minimum expenditure requirements committed at the reporting date but not recognised as liabilities is as follows:

	31.12.2023 $	**30.06.2023 $**
Within one year	3,056,000	887,069
One to five years	3,440,000	3,360,302
	6,496,000	4,247,371[1]

[1] The minimum expenditure requirements was based on the Company's 49% direct interest in Afro Energy as at 30 June 2023.

Notes to the interim financial statements for the half-year ended 31 December 2023

16. Commitments and Contingencies

(ii) Afro Gas Development SA (Pty) Ltd

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

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

As at reporting date, IDC has advanced ZAR 16.3 million (approximately AUD $1.3 million) as part of its ZAR 70 million commitment (approximately AUD $5.6 million), and Afro Energy has contributed ZAR 20 million (approximately AUD $1.6 million) out of its ZAR 85 million (approximately AUD $6.8 million) commitment.

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

17. Events Occurring After The Reporting Period

In January 2024, following shareholder approval granted at the Company’s 2023 Annual General Meeting, 24,750,000 unlisted Director and Management options exercisable at $0.12 per share on or before 31 December 2026 were issued by the Company (refer to Note 19 for further details).

There are no other matters or circumstances that have arisen since 31 December 2023 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial periods.

18. Share Based Payments

Half-year ended 31 December 2023

Refer to Note 19 for further details for the half-year ended 31 December 2023.

Half-year ended 31 December 2022

On 21 November 2022, 1,720,000 ordinary shares at $0.09 per share were issued to a corporate advisor, AC2 Solutions Pty Ltd, as consideration for corporate advisory services provided to the Company in relation to the placement announced on 10 October 2022.

The total fair value of the shares issued to the corporate advisor of $154,800 was charged to share issue costs.

Notes to the interim financial statements for the half-year ended 31 December 2023

19. Related Party Transactions

Director and Management Options

Pursuant to the Company's 2023 Annual General Meeting on 24 November 2023, shareholder approval was granted for unlisted options to be issued to Directors and Management as follows:

Director Options	*No. of Options*
Mr Adam Sierakowski	4,000,000
Mr Dirk Robert Bulder	3,000,000
Mr Donald Ncube	3,000,000
Mr Thomas Fontaine	3,000,000
Mr Geoffrey Michael	3,000,000
Total	**16,000,000**

Management Options	*No. of Options*
Mr Nicholas de Blocq	5,000,000
Other management personnel	3,750,000
Total	**8,750,000**

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

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

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

Based on the vesting conditions of the options, $270,715 was recognised as a share based payment for the half-year ended 31 December 2023.

Director Options

	Mr Sierakowski	**Mr Bulder**	**Mr Ncube**	**Mr Fontaine[1]**	**Mr Michael[2]**	**Total**
Number Issued	4,000,000	3,000,000	3,000,000	3,000,000	3,000,000	16,000,000
Grant Date	24 Nov 2023	24 Nov 2023	24 Nov 2023	24 Nov 2023	24 Nov 2023	
Vesting Date	1 Dec 2024	1 Dec 2024	1 Dec 2024	24 Nov 2023	27 Nov 2023	
Vesting Period (days)	373	373	373	Immediately	3	
Value per Option	$0.03444	$0.03444	$0.03444	$0.03444	$0.03444	
Total Value of Rights	$137,770	$103,328	$103,328	$103,328	$103,328	$551,082
Amount Expensed in Current Period	$13,666	$10,250	$10,250	$103,328	$103,328	$240,822
Amount to be Expensed in Future Periods	$124,104	$93,078	$93,078	Nil	Nil	$310,260

[1] The approval to grant Director Options to Mr Fontaine was conditional upon his re-election as a Director under the Notice of Meeting. Although the resolution to re-elect Mr Fontaine was not passed, the Board subsequently resolved to proceed with the issue of the options as a show of appreciation for the contribution and technical input provided by Mr Fontaine during his tenure as a Director. As a result of the options vesting immediately, the full value of the options issued has been expensed as a share based payment during the half-year ended 31 December 2023.

[2] Mr Michael resigned as a Director of the Company on 27 November 2023. Although Mr Michael resigned as a Director prior to the completion of the vesting condition, the Board subsequently resolved to proceed with the issue of the options and therefore the full value of the options issued has been expensed as a share based payment during the half-year ended 31 December 2023.

Notes to the interim financial statements for the half-year ended 31 December 2023

19. Related Party Transactions (continued)

Management Options

	Mr de Blocq	Other management personnel	Total
Number Issued	5,000,000	3,750,000	8,750,000
Grant Date	24 Nov 2023	24 Nov 2023	
Vesting Date	1 Dec 2024	1 Dec 2024	
Vesting Period (days)	373	373	
Value per Option	$0.03444	$0.03444	
Total Value of Rights	$172,213	$129,160	$301,373
Amount Expensed in Current Period	$17,083	$12,810	$29,893
Amount to be Expensed in Future Periods	$155,130	$116,350	$271,480

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

Director Service Agreements
During the half-year ended 31 December 2023, the Company entered into the following service agreements:

(i) Mr Donald Ncube & Mr Dirk Robert Bulder
Non-executive director fees of $60,000 per annum each (exclusive of GST) commencing from their appointment on 21 September 2023.

(ii) Mr Robert Scharnell
Non-executive director fees of $60,000 per annum (exclusive of GST) commencing from his appointment on 24 November 2023.

There have been no other significant changes to the Company's related party transactions since 30 June 2023.