Kinetiko Energy Ltd

ABN: 45 141 647 529

Interim Financial report for the half-year ended

31 December 2024

Interim Financial report for the half-year ended 31 December 2024

Page

Corporate Directory

DIRECTORS

Adam Sierakowski
(Executive Chairman)

Donald Mzolisa Jones Ncube
(Non-Executive Director)

Dirk Robert Bulder
(Interim Chief Executive Officer)

Robert Scharnell
(Non-Executive Director)

COMPANY SECRETARY

Simon Whybrow

PRINCIPAL OFFICE

283 Rokeby Road
SUBIACO WA 6008

REGISTERED OFFICE

Level 24
44 St Georges Terrace
PERTH WA 6000

AUDITORS

BDO Audit 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 2024. 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
Donald Mzolisa Jones Ncube
Dirk Robert Bulder
Robert Scharnell

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 $3,838,763 (31 December 2023: loss of $2,910,325).

Review of operations

HALF-YEAR HIGHLIGHTS

Health, Safety and Environment

- No accidents, injuries, health or environmental incidents have been reported during the period.
- Safety meetings are conducted before each shift at the well site.
- During the period, the Company recorded 13,920 person-hours (measured at the worksite only) without any reportable safety incidents.

EXPLORATION UPDATE

Kinetiko Energy Ltd (ASX: KKO) ("Kinetiko" or "the Company") is developing an energy transition solution for South Africa focused on commercialising advanced shallow conventional gas projects in the Mpumalanga Province. It is pleased to provide the following update on its onshore gas exploration and production development activities for the half year ending December 2024.

Exploration and Drilling

- During this period the planned 5 well drilling campaign in Kinetiko's ER271 commenced.
- Drilling of the first well at 271-23PT was completed and reached its planned terminal depth on 16th October 2024.
- Drilling of the second well at 271-KV 06PT commenced on 24th October 2024 and reached its planned terminal depth in December 2024. And was successfully flared.

Notable Comments

- The results of the current drilling campaign maintain the company's 100% success rate of finding gas across our widening gas fairway due to the "resource-play" nature of the Company's prospective acreage.
- While 271-23PT did not produce commercial quantities of gas which was initially considered the result of an anomaly in geological formation, subsequent evaluation suggested that this result was potentially due to the drilling technique used. Consequently, Kinetiko have engaged independent experts to examine the drilling techniques employed and to advise as to the best methods to be utilised in the future.

Directors' report

Review of operations (continued)

Events Occurring After the Reporting Period

271 -23PT

- The Company has engaged industry experts that specializes in Drilling & Completion, Cement integrity, Production and Flow Assurance to independently assess and evaluate the drilling techniques and testing results employed at 271-23PT.

New and Renewal Applications

- **PR271:** The Company continues progressing its application for a Production Right for certain parts of block ER271, which have been identified.
- **ER383:** The regulatory authority The Petroleum Agency SA (PASA) has approved the scope of the company's application for an Exploration Right covering 2,383km² of the Free State and Mpumalanga provinces. The EIA has been concluded, and the Company is awaiting the outcome of public comment phase. Regulatory approval is anticipated by mid-2025.
- **ER 271:** The application for the renewal of the Exploration Right has been submitted and with approval anticipated in the next 3 months.
- **ER 272:** The application for the renewal of the Exploration Right has been submitted with approval anticipated in the next 3 months.

Production Development

- The Company is currently assessing various options to best optimize its existing Korhaan field development at Amersfoort in advance of its Production Right application and achieve maiden gas production in line with its joint venture with the Industrial Development Corporation of South Africa.

Funding

- As of 31 December 2024, Kinetiko is in a strong financial position with no debt and approximately $2.28m in available funds comprising $1.38m in cash, in addition to a further $0.50m of proportionate funding advanced to Afro Gas Development Pty Ltd to commence a joint venture with the IDC, who, in addition, has also contributed approximately $0.40m.
- During the quarter ended 31 December 2024, a resolution was signed by both parties of the joint venture to effectuate the return of original investment funds. The first tranche of funds, being approximately $1.366m to Kinetiko and approximately $1.118m to the IDC (refer to Note 3), was returned on 19 December 2024 with the balance returned in early January 2025.

Joint Venture

- The Company and the IDC are currently evaluating how best to optimize the Korhaan field development to progress the Production Right (PR) application over the identified acreage within ER 271.

CORPORATE

New Joint Venture with South African Strategic Investor

Afro Energy having executed a term sheet with the Industrial Development Corporation of South Africa ("IDC") have identified the Amersfoort field to develop a 14 well cluster that will support the application of the PR.

CEO Transition

In December the Company's CEO, Nick de Blocq, stepped down for personal reasons to be closer to family at the end of 2025 after three years of dedicated service. Nick's contributions have been instrumental in advancing Kinetiko's exploration and operational goals, and the Company extend our gratitude for his leadership.

Directors' report

Review of operations (continued)

Director Rob Bulder has stepped into the role of Interim CEO, ensuring continuity as the Company prepares for the next phase of growth. Discussions with highly experienced candidates for the permanent role are well advanced, with a focus on securing leadership that can guide Kinetiko through accelerated exploration programs leading to initial production and beyond.

REGULATORY

Afro Energy has completed its minimum program for the original Exploration Rights and completed the obligatory work program scope for the ER renewal periods and remains compliant with its obligations to the Petroleum Agency South Africa (PASA).

Afro Energy has submitted its renewal applications for both ER 271 and ER 272 with the renewal application for ER 270 scheduled for June 2025.

FUNDING

Capital Raising

No capital raisings were undertaken during the period.

OTHER

Commitment to Domestic Employment

Kinetiko employs local community members, labourers, plant, equipment, and consumables at every possible opportunity, following our policy of localising our spending wherever we can find quality goods and services at competitive rates.

During the most recent annum, Kinetiko employed South African specialist companies for various exploration activities. Some of the major suppliers are:

Company	Application
SLR Consulting	Environmental Practitioners
WSP	Environmental Practitioners
Environmental Drilling and Remediation Services	Core drilling rig, casing and related services
Ubuntu Rock Drilling	Water well drilling
Franklin Electrical / LOG	Supply and maintenance of surface and downhole equipment
Akhona Oil and Gas Services Rheopectic	Supply of Cementation Engineering and HSE Personnel
Cliffe Dekker Hofmeyr	Legal services
LOG Projects	Equipment and services

Directors' report

Review of operations (continued)

Tenure Status as at 31 December 2024

Tenement reference	Nature of interest
ER383	The scope for a new Exploration Right has been approved by PASA and the EA and EMP assessment has been concluded by SLR. It is now open for public comment.
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 2nd Renewal application was submitted on 12th February 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 Feb 23. Deed of Renewal signed on 28 June 2023 2nd Renewal application was submitted on 12th February 2025.
PR 271	Acreage to be covered under this application has been identified.
ER 270	Exploration Right granted on 03 September 2019. Renewal granting letter received on 12 Jun 23. Deed of Renewal signed on 28 June 2023. Renewal application schedule for submission June 2025.

Events Occurring After The Reporting Period

In early January 2025, access to the remaining balance of the original contributions from Kinetiko and the Industrial Development Corporation of South Africa ("IDC"), being ZAR 4.06 million and ZAR 3.25 million (approximately AUD $348,000 and AUD $279,000 respectively), was made available.

There are no other matters or circumstances that have arisen since 31 December 2024 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.

Directors' report

Auditor's independence declaration

The auditor's independence declaration is included on page 9 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: 10 March 2025

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Australia

DECLARATION OF INDEPENDENCE BY NEIL SMITH TO THE DIRECTORS OF KINETIKO ENERGY LIMITED

As lead auditor for the review of Kinetiko Energy Limited for the half-year ended 31 December 2024, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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.

Neil Smith

Director

BDO Audit Pty Ltd

Perth

10 March 2025

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Kinetiko Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Kinetiko Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, material accounting policy information 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 2024 and of its financial performance for the half-year ended on that date; and

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

Basis for conclusion

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

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

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the 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 is true and fair 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 2024 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

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

BDO Audit Pty Ltd

BDO

Neil Smith

Director

Perth, 10 March 2025

Directors' declaration

The directors of the Company declare that:

1. The financial statements and notes set out on pages 13 to 29 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 2024 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: 10 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2024

	Note	Half-year ended 31 Dec 2024 $	Half-year ended 31 Dec 2023 $
Revenue			
Other income	2(a)	327,537	180,369
Total revenue		327,537	180,369
Expenses			
Consultancy and professional costs	2(c)	(313,935)	(279,298)
Employee and contractor expenses		(332,017)	(327,899)
Occupancy expenses		(17,025)	(8,213)
Depreciation	2(b)	(50,656)	(50,478)
Project expenditure		-	(784,460)
Interest expense and finance charges		(10,318)	(3,190)
Loss in share of associate		-	(23,508)
Administration expenses		(273,111)	(98,102)
Travel expenses		(76,109)	(70,245)
Foreign exchange loss	11(iii)	-	(983,199)
Exploration and evaluation expenditure	7	(2,696,857)	(178,667)
Share based payment	16, 17	(297,513)	(270,715)
Other expenses		(35,087)	(12,720)
Total expenses		(4,102,628)	(3,090,694)
Loss before income tax expense		(3,775,091)	(2,910,325)
Income tax expense		(63,672)	-
Loss after income tax expense for the period		(3,838,763)	(2,910,325)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign balances		2,577,809	(1,444,764)
Other comprehensive loss for the period		2,577,809	(1,444,764)
Total comprehensive loss for the period net of tax		(1,260,954)	(4,355,089)
Total loss for the year attributable to:			
Owners of Kinetiko Energy Ltd		(3,869,466)	(2,951,516)
Non-controlling interest		30,703	41,191
		(3,838,763)	(2,910,325)
Total comprehensive loss attributable to:			
Owners of Kinetiko Energy Ltd		(1,291,657)	(4,396,280)
Non-controlling interest		30,703	41,191
		(1,260,954)	(4,355,089)
Loss per share attributable to equity holders of Kinetiko Energy Ltd:			
Basic loss per share (cents)		(0.27)	(0.31)

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 2024

	Note	31 December 2024 $	30 June 2024 $
CURRENT ASSETS			
Cash and cash equivalents	3(a)	2,286,434	7,211,726
Receivables	4	613,142	871,911
Other assets	5	565,751	235,046
TOTAL CURRENT ASSETS		3,465,327	8,318,683
NON CURRENT ASSETS			
Property, plant and equipment	6	615,068	191,772
Capitalised exploration and evaluation assets	7	69,024,466	66,446,657
TOTAL NON CURRENT ASSETS		69,639,534	66,638,429
TOTAL ASSETS		73,104,861	74,957,112
CURRENT LIABILITIES			
Trade and other payables	8	1,565,002	1,264,512
Borrowings	9	278,141	1,467,441
TOTAL CURRENT LIABILITIES		1,843,143	2,731,953
TOTAL LIABILITIES		1,843,143	2,731,953
NET ASSETS		**71,261,718**	**72,225,159**
EQUITY			
Contributed equity	10(a)	103,041,876	103,037,676
Reserves	11	4,863,385	1,992,263
Accumulated losses		(36,762,099)	(32,892,633)
Equity attributable to owners of Kinetiko Energy Ltd		71,143,162	72,137,306
Non-controlling interest		118,556	87,853
TOTAL EQUITY		**71,261,718**	**72,225,159**

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 2024

For the period ended 31 December 2023	Attributable to equity holders Ordinary Shares $	Reserves $	Accumulated Losses $	Non-controlling Interests $	Total Equity $
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**

For the period ended 31 December 2024	Attributable to equity holders Ordinary Shares $	Reserves $	Accumulated Losses $	Non-controlling Interests $	Total Equity $
At beginning of period	103,037,676	1,992,263	(32,892,633)	87,853	72,225,159
Profit/(loss) for the period	-	-	(3,869,466)	30,703	(3,838,763)
Movement in foreign currency translation reserve	-	2,577,809	-	-	2,577,809
Total comprehensive loss for the period	-	2,577,809	(3,869,466)	30,703	(1,260,954)
Transactions with owners in their capacity as owners					
Issue of shares during the period (refer to Note 16)	4,200	-	-	-	4,200
Release of foreign currency translation reserve	-	-	-	-	-
Share based payment (refer to Notes 16 and 17)	-	293,313	-	-	293,313
Share issue costs	-	-	-	-	-
Total contributions by owners	4,200	293,313	-	-	297,513
At end of period	**103,041,876**	**4,863,385**	**(36,762,099)**	**118,556**	**71,261,718**

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 2024

	Note	Half-year ended 31 Dec 2024 $	Half-year ended 31 Dec 2023 $
Cash flows from operating activities			
Payments to suppliers and employees		(855,339)	(741,919)
Interest received		141,982	127,241
Interest and other costs of finance paid		(10,318)	(3,190)
Payments for project expenditure		(2,213,293)	(1,458,422)
Payments relating to proposed acquisition		-	(14,462)
Payment of taxes		-	(19,941)
Net cash used in operating activities	3(b)	(2,936,968)	(2,110,693)
Cash flows from investing activities			
Payments for property, plant and equipment		(434,737)	(6,996)
Deposit paid on property, plant and equipment		(253,623)	-
Payments to acquire Afro Energy, net of cash acquired		-	(3,554,546)
Loans to associate		-	(210,832)
Other payments		-	(20,038)
Net cash used in investing activities		(688,360)	(3,792,412)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	6,500,000
Repayment of borrowings		(125,115)	-
Repayment of contributions from joint venture partners (refer to Note 9)		(1,117,610)	-
Share issue costs		(57,239)	(234,385)
Net cash (used in)/provided by financing activities		(1,299,964)	6,265,615
Net increase in cash and cash equivalents		(4,925,292)	362,510
Cash and cash equivalents at the beginning of the half-year		7,211,726	3,561,132
Cash and cash equivalents at the end of the half-year	**3(a)**	2,286,434	3,923,642

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 2024

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 10 March 2025. 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 2024.

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 2024, 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 2024.

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

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

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

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

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

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

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 2024

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

Going Concern

For the half-year ended 31 December 2024 the Group recorded a loss of $3,838,763 (31 December 2023: $2,910,325) and had net cash outflows from operating and investing activities of $3,625,328 (31 December 2023: $5,903,105). At 31 December 2024, the Group had a working capital surplus of $1,622,184 (30 June 2024: $5,586,730).

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 Directors 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.

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 2024

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

New accounting standards and interpretations

In the half-year ended 31 December 2024, 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 2024.

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 2024

2. Loss from continuing operations

	31.12.2024 $	31.12.2023 $
Loss from continuing operations before income tax includes the following items of income and expenses		
(a) Other Income		
Interest income	141,982	127,241
Foreign currency gain	171,634	53,128
Other income	13,921	-
Other income from ordinary activities	327,537	180,369
(b) Operating Expenses		
Depreciation of plant and equipment	50,656	50,478
(c) Significant Expenses		
Consulting and professional costs		
- Accounting fees	53,250	28,236
- Auditing costs	45,478	41,487
- Legal fees	25,414	23,435
- Consulting fees	140,879	108,765
- Other professional fees	48,914	77,375
	313,935	279,298

3. 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:

	31.12.2024 $	30.06.2024 $
Cash at bank	1,386,402	4,074,295
Restricted cash[1]	900,032	3,137,431
	2,286,434	7,211,726

[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.

During the half-year ended 31 December 2024, a resolution was passed by both parties to allow access to their original contributions. The first tranche of funds, being approximately $1.366 million to Kinetiko and approximately $1.118 million to the IDC, was paid on 19 December 2024 with the remaining balance paid in early January 2025.

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.

Notes to the interim financial statements for the half-year ended 31 December 2024

3. Cash and Cash Equivalents (continued)

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

	31.12.2024 $	31.12.2023 $
Loss for the half-year	(3,838,763)	(2,910,325)
Depreciation	50,656	50,478
Release of foreign currency translation reserve	-	983,199
Share based payment	297,513	270,715
Loss in share of associate	-	23,508
Changes in assets and liabilities:		
Trade and other receivables	215,317	173,881
Trade and other payables	426,328	(675,764)
Prepayments	(77,082)	(42,726)
Provisions	(10,937)	16,341
Net cash used in operating activities	(2,936,968)	(2,110,693)

4. Receivables

	31.12.2024 $	30.06.2024 $
Current		
Other receivables – VAT refundable	206,372	103,108
Other receivables – GST refundable	38,733	22,516
Other receivables	368,037	746,287
	613,142	871,911

5. Other Assets

	31.12.2024 $	30.06.2024 $
Current		
Prepayments	86,808	9,726
Deposits paid	478,943	225,320
	565,751	235,046

6. Property, Plant and Equipment

	31.12.2024 $	30.06.2024 $
Opening net book value	191,772	219,351
Additions	473,952	23,209
Depreciation charge	(50,656)	(50,788)
Closing net book value	615,068	191,772
Cost or fair value	816,477	342,525
Accumulated depreciation	(201,409)	(150,753)
	615,068	191,772

Notes to the interim financial statements for the half-year ended 31 December 2024

7. Capitalised Exploration and Evaluation Assets

	31.12.2024 $	30.06.2024 $
Opening balance	66,446,657	-
Consideration for acquisition of 51% interest	-	66,155,733
Foreign exchange differences	2,577,809	290,924
Closing balance	69,024,466	66,446,657

During the half-year ended 31 December 2024, the Group incurred $2,696,857 (2023: $178,667) in exploration and evaluation related expenditure that was expensed through the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Accounting Policy

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

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

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

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

8. Trade and Other Payables

	31.12.2024 $	30.06.2024 $
Trade payables and accruals	1,375,471	1,030,108
Trade payables and accruals – related parties	189,531	234,404
	1,565,002	1,264,512

9. Borrowings

	31.12.2024 $	30.06.2024 $
Opening Balance	1,467,441	-
Loan – Industrial Development Corporation of South Africa (IDC)[1]	-	1,342,326
Loan – Other	-	125,115
Repayment[2]	(1,242,725)	-
Foreign exchange differences	53,425	-
	278,141	1,467,441

[1] Refer to Note 14(ii) for further details. The loan represents the IDC's advances of ZAR 16.3 million as part of its ZAR 70 million commitment. The loan is unsecured, interest free and not subject to any fixed terms of repayment.

[2] During the half-year ended 31 December 2024, a partial repayment of ZAR 13.05 million (approximately AUD $1.118 million) was made in respect of the IDC loan. A further $125,115 loan to associates was also repaid.

Notes to the interim financial statements for the half-year ended 31 December 2024

10. Issued Capital

(a) Ordinary Shares

	31.12.2024 Shares	30.06.2024 Shares	31.12.2024 $	30.06.2024 $
Fully paid ordinary shares	1,432,585,103	1,432,535,103	103,041,876	103,037,676
	1,432,585,103	1,432,535,103	103,041,876	103,037,676

Period ended 31 December 2024

		Issue Price	Fully Paid Ordinary Shares	$
1 July 2024	Opening balance		1,432,535,103	103,037,676
21 November 2024	Issue of shares as a part of remuneration package	$0.084	50,000	4,200
	Share issue costs		-	-
31 December 2024	Closing balance		1,432,585,103	103,041,876

Year ended 30 June 2024

		Issue Price	Fully Paid Ordinary Shares	$
1 July 2023	Opening balance		780,563,522	39,757,715
12 September 2023	Issue of shares pursuant to Afro Energy (Pty) Ltd	$0.09	72,222,222	6,500,000
22 September 2023	Issue of shares to Badimo in respect of Afro Energy (Pty) Ltd acquisition	$0.105	495,482,590	52,025,672
30 May 2024	Issue of shares pursuant to placement facility	$0.06	84,266,769	5,056,006
	Share issue costs		-	(301,717)
30 June 2024	Closing balance		1,432,535,103	103,037,676

Notes to the interim financial statements for the half-year ended 31 December 2024

10. Issued Capital (continued)

(b) Options

Movements in options during the six months to 31 December 2024 were as follows:

Period ended 31 December 2024

Exercise price Expiry date	**10c** **31 July 2024**	**9c** **10 February 2025**	**12c** **31 July 2026**	**12c** **31 December 2026**
Opening balance	2,000,000	1,000,000	-	24,750,000
Issued during the period	-	-	2,000,000[1]	-
Expired during the period	(2,000,000)	-	-	-
Closing balance	-	1,000,000	2,000,000	24,750,000

[1] For the half-year ended 31 December 2024, 2,000,000 options were issued as part of a remuneration package. Refer to Note 16 for further details.

(c) Performance Rights

Movements in performance rights during the six months to 31 December 2024 were as follows:

Period ended 31 December 2024

Expiry date	**6 December 2029**
Opening balance	-
Issued during the period	20,000,000
Expired during the period	-
Exercised during the period	-
Closing balance	20,000,000

For the half-year ended 31 December 2024, a total of 20,000,000 performance rights were approved for issue by shareholders at the Company's 2024 Annual General Meeting. Refer to Note 17 for further details.

Notes to the interim financial statements for the half-year ended 31 December 2024

11. Reserves

	31.12.2024 $	30.06.2024 $
Share based payments reserve	1,779,568	1,486,255
Options issue reserve	215,084	215,084
Foreign currency translation reserve	2,868,733	290,924
	4,863,385	1,992,263

(i) Share based payments reserve

Opening balance	1,486,255	900,431
Movement in reserve	293,313	585,824
Closing balance	1,779,568	1,486,255

Refer to Note 17 for further details.

(ii) Options issue reserve

Opening balance	215,084	215,084
Closing balance	215,084	215,084

(iii) Foreign currency translation reserve

Opening balance	290,924	(1,080,082)
Movement in reserve	2,577,809	387,807
Release to profit or loss	-	983,199
Closing balance	2,868,733	290,924

(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.

12. 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.

Notes to the interim financial statements for the half-year ended 31 December 2024

13. Investment in Controlled Entities

For the half-year ended 31 December 2024, the consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of entity	*Country of incorporation*	*Equity holding 2024 %*	*Equity holding 2023 %*
Afro Energy (Pty) Ltd[1]	South Africa	100%	100%
Afro Gas Development SA (Pty) Ltd[2]	South Africa	55%	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.

14. Commitments and Contingencies

(i) Exploration and Evaluation Expenditure

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

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

	31.12.2024 $	**30.06.2024 $**
Within one year	2,049,862	3,336,363
One to five years	3,083,938	2,305,836
	5,133,800	5,642,199

(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.

During the half-year ended 31 December 2024, a resolution was passed by both parties to allow access to their original contributions. The first tranche of funds, being approximately $1.366 million to Kinetiko and approximately $1.118 million to the IDC, was paid on 19 December 2024 with the remaining balance paid in early January 2025.

There has been no other significant changes to the Group's contingent assets or liabilities since 30 June 2024.

15. Events Occurring After The Reporting Period

In early January 2025, access to the remaining balance of the original contributions from Kinetiko and the Industrial Development Corporation of South Africa ("IDC"), being ZAR 4.06 million and ZAR 3.25 million (approximately AUD $348,000 and AUD $279,000 respectively), was made available.

There are no other matters or circumstances that have arisen since 31 December 2024 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial periods.

Notes to the interim financial statements for the half-year ended 31 December 2024

16. Share Based Payments

Performance Rights

Following shareholder approval at the Company's Annual General Meeting on 27 November 2024, a total of 20,000,000 performance rights were granted to Directors and other management personnel. The total fair value of the performance rights was $1,360,000. Refer to Note 17 for further details.

Employee Remuneration Package

On 21 November 2024, 50,000 ordinary shares at $0.084 per share were issued to an employee as part of their remuneration package. The fair value of the shares of $4,200 was recognised as a share based payment for the half-year ended 31 December 2024. As part of the same agreement, the employee was further granted 2,000,000 unlisted options on 1 August 2024.

The unlisted options will vest upon the satisfaction of completion of 12 months of service from the issue date. Upon satisfaction of the vesting condition, the options are exercisable at any time on or before the expiry date, being 31 July 2026. Post execution of the agreement, the Board agreed to extend the expiry date of the options to 31 December 2026 to align it to the existing director and management options on issue.

The total fair value of the employee options was $64,074 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	2.42 years
Weighted average underlying share price	$0.08
Expected share price volatility	77.50%
Risk-free interest rate	3.81%
Expiry date	31 December 2026

Based on the vesting conditions of the options, $26,683 was recognised as a share based payment for the half-year ended 31 December 2024.

17. 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*	*Management Options*	*No. of Options*
Mr Adam Sierakowski	4,000,000	Mr Nicholas de Blocq	5,000,000
Mr Dirk Robert Bulder	3,000,000	Other management personnel	3,750,000
Mr Donald Ncube	3,000,000	**Total**	**8,750,000**
Mr Thomas Fontaine	3,000,000		
Mr Geoffrey Michael	3,000,000		
Total	**16,000,000**		

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.

Notes to the interim financial statements for the half-year ended 31 December 2024

17. Related Party Transactions (continued)

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, $266,630 (31 December 2023: $270,715) was recognised as a share based payment for the half-year ended 31 December 2024.

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	$56,881	$42,661	$42,661	-	-	$142,203
Amount to be Expensed in Future Periods	Nil	Nil	Nil	Nil	Nil	Nil

[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.

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	$71,101	$53,326	$124,427
Amount to be Expensed in Future Periods	Nil	Nil	Nil

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

Notes to the interim financial statements for the half-year ended 31 December 2024

17. Related Party Transactions (continued)

Performance Rights

Pursuant to the Company's 2024 Annual General Meeting on 27 November 2024, shareholder approval was granted for performance rights to be issued to Directors and other management personnel as follows:

Director Rights	*No. of Rights*	*Management Rights*	*No. of Rights*
Mr Adam Sierakowski	7,500,000	Other management personnel	7,500,000
Mr Dirk Robert Bulder	5,000,000	**Total**	**7,500,000**
Total	**12,500,000**		

The total fair value of the performance rights granted to Directors and other management personnel was $1,360,000 which was calculated using the share price of $0.068 at the date that shareholder approval was granted, being 27 November 2024.

Pursuant to the terms and conditions, the performance rights will vest and convert into shares upon the independent certification, in accordance with the PRMS Guidelines, of 2P Reserves of at least one (1) trillion cubic feet within the area comprising licences ER 270, 271, 272 and 383 ("Vesting Condition").

The performance rights were issued on 6 December 2024 and has a period of five (5) years from issue date. To the extent that the performance rights have not converted into shares on or before the expiry date, all unconverted performance rights held will automatically lapse.

As at 31 December 2024, the Board has assessed the probability of the vesting condition being achieved is 0%. Therefore no amount has been recognised in respect of the performance rights for the half-year ended 31 December 2024.