

KINETIKO ENERGY LTD

ABN 45 141 647 529

**Annual Report
for the Year Ended
30 June 2020**

C O N T E N T S

Corporate Directory	1
Directors' Report	2 - 20
Auditor's Independence Declaration	21
Independent Audit Report	22 - 25
Directors' Declaration	26
Statement of Profit or Loss and Other Comprehensive Income	27
Statement of Financial Position	28
Statement of Changes in Equity	29
Statement of Cash Flows	30
Notes to the Financial Statements	31 - 58
Shareholder Information	59 - 60
Corporate Governance	61 - 70

Corporate Directory

Directors

Adam Sierakowski
Dr James Searle
Geoffrey Michael

Company Secretary

Stephen Hewitt-Dutton

Public Officer

Geoffrey Michael

Principal Activity

Coal Bed Methane Exploration

Principal Place of Business

Unit 12 / 100 Railway Road
SUBIACO WA 6008

Registered Office

283 Rokeby Road
SUBIACO WA 6008

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Stock Exchange Listing

Australian Securities Exchange
Home Exchange: Perth
Code: KKO

Share Registry

Automic Registry Services
Level 2, 267 St Georges Terrace
PERTH WA 6000

Directors' Report

The directors of Kinetiko Energy Ltd ("the Company") submit herewith the financial report of the Company for the financial year ended 30 June 2020. In order to comply with the provisions of the Corporations Act, the Directors' report as follows:

Directors

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

Adam Sierakowski
Dr James Searle
Geoffrey Michael

Information on Directors

Adam Sierakowski, Non-Executive Chairman

Mr Sierakowski is a lawyer and founding director of the legal firm Price Sierakowski. He has more than 20 years of experience in legal practice, much of which he has spent as a corporate lawyer, consulting and advising on a range of transactions to a variety of large private and listed public entities. He has advised and guided many companies undertaking fundraising activities in Australia and seeking to list on the ASX.

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

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

Special responsibilities:

- None

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

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

Dr James Searle (B. Sc., PhD, MAusIMM, MAICD), Non-Executive Director and Co-Managing Director

Dr Searle is a geologist with 35 years of experience in exploration, project management, project financing and development in both the minerals and energy industries. He has spent 20 years in Executive and Non-Executive capacities as a Director, Managing Director and Chairman of ASX-listed companies. He has led exploration and development teams for successful projects in Australia, Africa and Europe.

Dr Searle has a Bachelor of Science Honours degree in soft and hard rock geology, and a PhD from the University of Western Australia. He is a Member of the Australian Institute of Mining and Metallurgy and a Member of the Australian Institute of Company Directors.

Directors' Report (continued)

Information on Directors (continued)

Dr James Searle (B. Sc., PhD, MAusIMM, MAICD), Non-Executive Director and Co-Managing Director (continued)

Special responsibilities:

- None

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

- Titanium Sands Limited, appointed 2 March 2016.

Geoffrey Michael (BA UWA), Non-Executive Director and Co-Managing Director

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

Special responsibilities:

- None

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

- None

Company Secretary

Stephen Hewitt-Dutton (B. Bus., CA, SAFin)

Mr Hewitt-Dutton has over 22 years of experience in corporate finance, accounting and company secretarial matters. He is an Associate Director of Trident Capital and holds a Bachelor of Business from Curtin University.

Before joining Trident Capital, Mr Hewitt-Dutton was an Associate Director of Carmichael Corporate where he assisted clients by providing equity market, IPO and M&A advice and assistance. He has also held Financial Controller and Company Secretary positions for both public and private companies for in excess of 15 years.

Principal Activities

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

Operating Results

The loss for the year ended 30 June 2020 after providing for income tax amounted to \$1,874,159 (2019: \$1,702,128).

Directors' Report (continued)

The directors of Kinetiko Energy Ltd ("the Company") submit herewith the operations report of the Company for the financial year ended 30 June 2020.

Review of Operations

Year Highlights

- **Application and renewal award of ER38 and ER56** – Afro Energy (Pty) Ltd ("AE"), following co-operation from its partner Badimo Gas (Pty) Ltd ("Badimo"), were granted renewal applications for the Amersfoort exploration rights ER38 and ER56 for a further two-year period being 1,029km².
- **Application and award of exploration rights ER270, ER271 and ER272** - AE was granted exploration rights ER270, ER271 and ER272 for an initial two-year period being 3,576km².
- **Approval of environmental audit for exploration rights ER38, ER56, ER270, ER271 and ER 272** – an environmental audit required by the Department of Environmental Affairs ("DOE") and the Petroleum Agency of South Africa ("PASA") was successfully concluded by SLR Consulting SLR Consulting and approved by PASA.
- **Finalisation of long outstanding audited financial accounts for AE** – Kinetiko and Badimo completed the outstanding audited financial accounts for AE.
- **Re-quotation of securities** - Kinetiko successfully achieved the re-quotation of its securities following completion of a successful capital raising of \$3,000,000.
- **Updated Independent Resource Certification** - Independent oil and gas appraisers and certifiers Gustavson and Associates LLP from Boulder, Colorado appointed to undertake an updated Resource Report on existing and newly granted exploration rights
 - **Outcome was a significant gas resource increase – to 4.9Tcf up 227%**
- **High Resolution Aeromagnetic Survey** – AE undertook preparatory work program for its planned high resolution aeromagnetic and radiometric survey over pre-defined areas within ER38 and ER56.
 - **Outcome was a doubling of the number of potential production fields to 20**

Substantial and Strategic Land Position

Perth-based energy exploration company Kinetiko Energy Limited (ASX: "KKO" or "Kinetiko") is pleased to report on corporate developments and its activities at the Amersfoort Project and adjacent tenements in South Africa (Figure 1) during for the financial year ending 30 June 2020. Activities at the Amersfoort Project are carried out through Afro Energy (Pty) Ltd ("AE"), owned by Kinetiko (49%) and its South African shareholder Badimo Gas (Pty) Ltd ("Badimo") (51%).

Directors' Report (continued)

Review of Operations (continued)

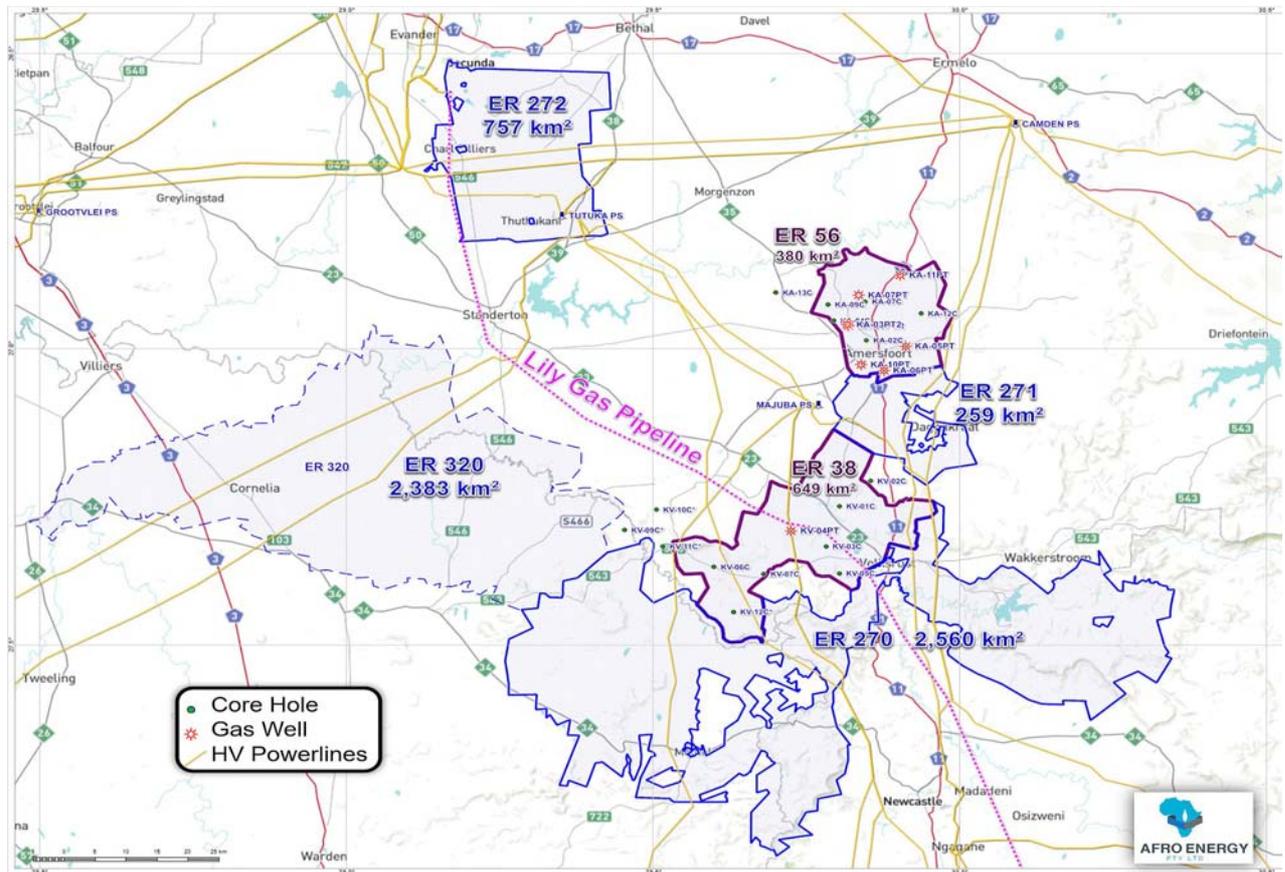


Figure 1. Afro Energy Exploration Rights & Application

Renewal of exploration rights ER38 & ER56

Following co-operation from Badimo, AE successfully submitted renewal applications for the Amersfoort exploration rights ER38 and ER56. AE received final confirmation of the award of the renewals for the two exploration rights by the Department of Mineral Resources (“DMR”) together comprising 1,029 km² for a further two-year period in early January 2020.

Grant of new exploration rights ER270, ER271 and ER272

AE was granted new exploration rights ER270, ER271 and ER272 for an initial two-year period. The exploration rights were formally granted in mid-January 2020 and together comprised 3,576km² of mainly contiguous land rights surrounding significant existing energy infrastructure. A further application for exploration right 320 remains ungranted and the Company expects the application to be granted over the next 6 months.

Directors' Report (continued)

Review of Operations (continued)

Approval of environmental audit for exploration rights ER38, ER56, ER270, ER271 and ER 272

Amendments to Regulation 54(A)(2) of the EIA regulations required all rights and permits issued in terms of the Mineral and Petroleum Resources Development Act and associated Environmental Management Programs to be subjected to auditing by a registered environmental practitioner. In this regard AE appointed SLR Consulting (South Africa) (Pty) Ltd (“SLR”) as the independent environmental consultant to conduct the environmental audit for Exploration Rights ER38, ER56, ER270, ER271 & ER272. The audits were successfully concluded by SLR and approved by PASA during the period.

Finalisation of audited financial accounts for AE

Kinetiko and Badimo completed the outstanding audited financial accounts for AE enabling Kinetiko to restate the value of its investment in AE to \$7.4m in the 31 December 2019 Financial Report.

Re-quotations of securities

Kinetiko successfully achieved the re-quotations of its securities following the renewal and granting of the Exploration Rights and completion of the outstanding AE audits on 18 April 2020 with a market capitalisation of \$10.85m and the market capitalisation at the end of the period was \$23.8m and is currently approximately \$40m.

Updated Independent Resource Certification

On 17 June 2020, the Company announced the appointment of independent international oil and gas appraisers and certifiers Gustavson Associates LLP (“Gustavson”) from Boulder, Colorado to undertake an evaluation of the Company's exploration rights in preparation of a resource report according to the VALMIN standards and update the Company's current resource certification.

The last report produced by Gustavson in August 2012 for the overall project area provided a certified (2C) (gross) Contingent Resource of 1.5 TCF and Prospective Resource Gas In Place of 2.4 TCF (ASX Announcement 12 August 2012).

New information available to be considered by Gustavson included the expansion of the addressable geology through the recently granted exploration rights ER270, ER271 and ER272 which hosts contiguous coal geology similar to that drilled on the Amersfoort project. In addition, during the second half of 2018 world leaders in gas process control and pumping systems Endress Hauser and Franklin Electrical conducted gas flow and pressure testing on well KA-03PT situated on ER56. The results of these tests established an improved 95% recovery of gas from produced groundwater from equipment previously used and a higher methane purity content.

Subsequent to the year end, Gustavson produced an updated resource report according to the VALMIN/PRMS standards which increased the existing (gross) Prospective Resource Gas In Place estimate (GIP) from 2.4 TCF to 9.3 TCF and certified (gross) Contingent Resource (2C) from 1.5 TCF to 4.9 TCF (refer to ASX Announcement 29 July 2020)

The Gustavson report upgrades to Gas In Place, Prospective and Contingent Resources is a core element of the Company's strategy to continue to explore and assess the most gas prone areas within the 4,604kms² of exploration rights currently held and later assess a further 2,394Km² of rights under application which the company is seeking to have granted.

This significant milestone confirms the huge scale of the Afro Energy exploration rights and further rights still to be assessed.

Directors' Report (continued)

Review of Operations (continued)

High Resolution Aeromagnetic Survey - Exploration Rights 38 & 56

Afro Energy initiated and prepared work programs consisting of a 1,334 line-kilometre high-resolution aeromagnetic survey on ER56 (60km²) and a 10,229 line-kilometre high-resolution aeromagnetic survey on ER38 (460km²) (Figure 2) over pre-defined areas within ER38 and ER56. The aeromagnetic survey in ER56 was planned to supplement the 145 km² previously obtained in the area. The positioning will be predicated on the results of the aeromagnetic survey and its interpretation. A further phase will then be scheduled for the drilling of 14 wells within ER38 and ER56, also under the currently approved EMP with the positioning determined by the outcome of the aeromagnetic survey and the geological interpretation of the interval well drilling program.

Additionally, Afro Energy successfully obtained the necessary support from over 400 landowners and farmers unions, which is a pre-condition prior to any airborne survey.

Afro Energy contracted Xcalibur Airborne Geophysics (Pty) Ltd to conduct the high resolution aeromagnetic and radiometric survey over the pre-defined areas within ER38 and ER56.

Subsequent to year end the survey was completed with initial results being announced to ASX on 24 September 2020. The 11,563 line kilometre aeromagnetic survey flown over two areas within ER38 and ER56 covering 520km² of the Amersfoort Project has provided further major enhancements to the imaging and interpretation of the gas prone stratigraphy. Initial interpretation of the latest aeromagnetic surveys has identified a potential 18 new geologically defined compartments analogous to the gas prone compartments in ER38 and ER56.

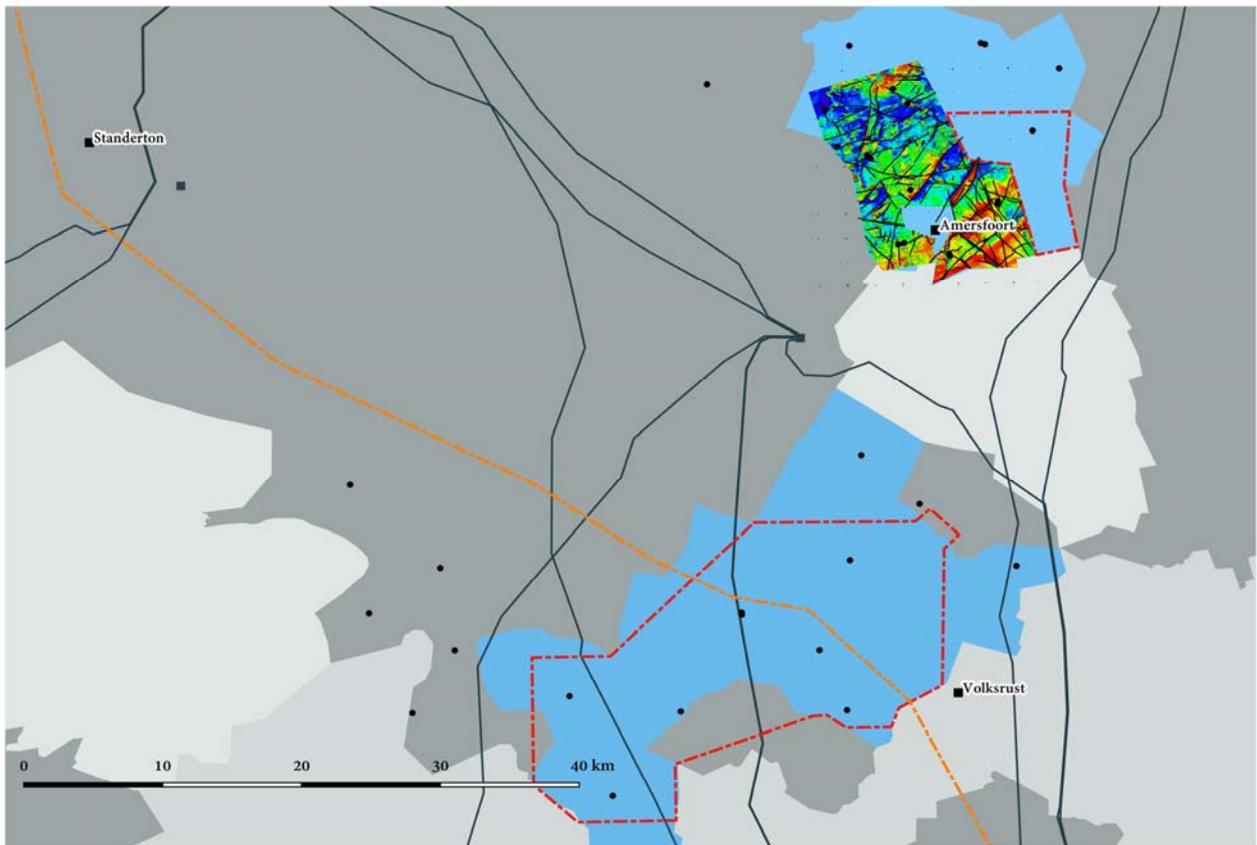


Figure 2. High-resolution aeromagnetic survey

Directors' Report (continued)

Review of Operations (continued)

Exploration Right 320

PASA has positively assessed Afro Energy's application for Exploration Rights, in terms of Section 79 of the Mineral and Petroleum Resources Development Act, to explore for Petroleum and Gas. Afro Energy appointed an Environmental Assessment Practitioner, SLR to prepare the application for Environmental Authorization in terms of Regulation 16 of the Environmental Impact Assessment Regulations of 2014. Work conducted by SLR has temporarily been interrupted until conflicting regulations between PASA, DMR, the Department of Environmental Affairs and the Department of Water and Sanitation have been resolved. AE has successfully applied for an extension of the date of submission for the EIA and EMPR to PASA to allow the relevant authorities to clarify the regulations and its related guidelines.

For the time being, the submission date of the EIA and EMPR has been rescheduled by PASA for a time in line with the resolution of the conflicting regulations between the Departments.

COVID-19 Pandemic

The COVID-19 coronavirus ("**COVID -19**") pandemic in South Africa was declared a national disaster on 15 March 2020.

On 23 March 2020, South Africa announced a new measure to combat the spread of COVID-19 in the country – a three-week nationwide lockdown with severe restrictions on travel and movement from 26 March 2020 to 16 April 2020. The South African government subsequently amended State of National Disaster Regulations for the Alert Level 5 lockdown regulations to continue the implementation thereof to 30 April 2020.

Cabinet subsequently determined that the alert level for the whole country should be lowered to Level 3 with effect from 1 June 2020. The implementation of alert level 3 involved the return to operation of most sectors of the economy, subject to observance of strict health protocols and social distancing rules.

During Alert Levels 4 and 5 in South Africa, Kinetiko was in the planning phase for its upcoming exploration activities. Activities related to the exploration program commenced within Alert Level 3 during June 2020. The company during this period was able to house its Field Manager on site to ensure any appropriate maintenance was carried out as and when required to its existing wells. The Company has successfully conducted planned exploration and anticipates that it can continue observing the COVID-19 restrictions currently in place in South Africa.

Corporate

Kinetiko has continued to promote the potential of the Amersfoort project to be developed as a stand-alone onshore gas producer where South Africa continues to be subject to constrained and affordable energy.

Recent achievements and the ongoing development of the Afro Energy joint venture have elicited a number of positive responses from potential funding institutions both inside South Africa and abroad to fund and participate in the Amersfoort project development and in particular the potential development of a pilot production field. The vast exploration acreage of the Amersfoort project and its location adjacent to existing energy infrastructure such as the Majuba coal power station (Figure 3).

Directors' Report (continued)

Review of Operations (continued)

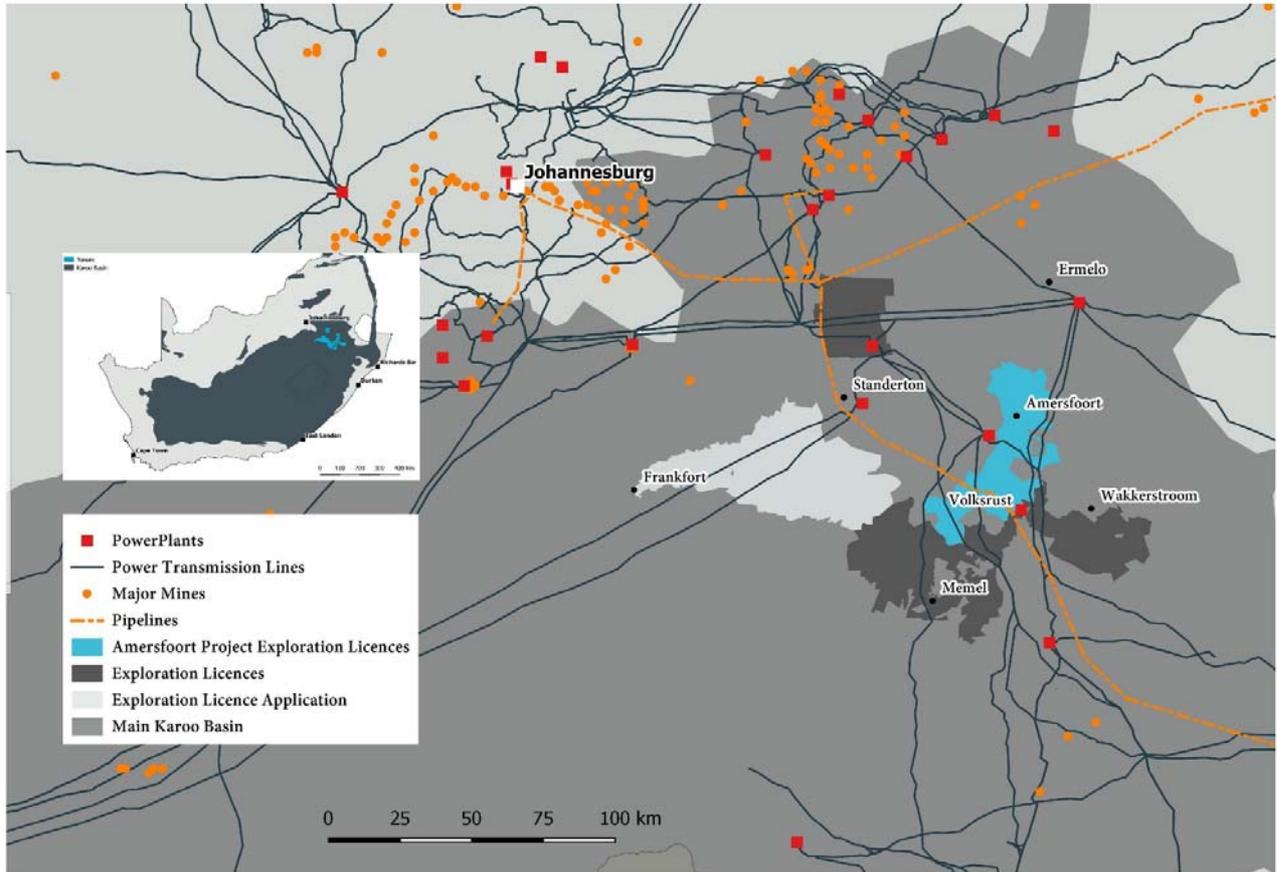


Figure 3. Kinetiko rights in Karoo coal basin surrounded by energy infrastructure

Directors' Report (continued)

Review of Operations (continued)

Schedule of mining tenements

Clause	Area of Interest	Tenement reference	Nature of interest	Interest June 2020
Interest	Amersfoort Project – South Africa			
		30/5/2/3/38ER	3 rd renewal period granted by DMR in Aug 19.	49%
		30/5/2/3/56ER	2 nd renewal period granted by DMR in Aug 19.	49%
		ER320 (TCP 106)	Application for conversion from TCP to exploration right approved by regulator. DMR expected grant of application for extension for EIA delayed due to regulatory delays.	49%
		ER 270	Exploration Right granted in Aug 19.	49%
		ER 271	Exploration Right granted in Aug 19.	49%
		ER 272	Exploration Right granted in Aug 19.	49%

Competent Persons Statement

Unless otherwise specified information in this report relating to exploration and related technical comments have been compiled by Dr James Searle, a Member of the Australian Institute of Mining and Metallurgy, and a non-executive Director of Kinetiko Energy Ltd with over 30 years' experience in metallic and energy minerals exploration and development, including over 9 years' experience in hydrocarbon exploration. Dr Searle consents to the inclusion of this information in form and context in which it appears.

Directors' Report (continued)

Significant Changes in State of Affairs

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

- In October 2019, the Company issued further unsecured convertible notes with a face value of \$180,000, as part of a capital raising exercise. The convertible notes, including accrued interest of \$5,537, were subsequently converted into ordinary shares in December 2019 at an issue price of \$0.02 per share.
- In November 2019, the Company issued 36,518,022 unlisted options at \$0.001 per option to raise \$36,518. The options are exercisable at \$0.03 per share and expire 31 December 2021.
- In December 2019, following shareholder approval granted at the 2019 Annual General Meeting, the Company issued 7,150,000 ordinary shares at an issue price of \$0.02 per share to a Director related entity in satisfaction of amounts owed in relation to corporate advisory fees owing.
- In February 2020, the Company completed a 1 for 4 Non-Renounceable Entitlement Offer at an issue price of \$0.02 per share. A total of 64,135,945 ordinary shares totalling \$1,282,719 were subsequently issued to shareholders on 3 March 2020.
- During March and April 2020, the Company issued a total of 71,036,038 ordinary shares at an issue price of \$0.02 per share representing shares allotted due to the shortfall from the Entitlement Issue and Placement Offer under the Prospectus. The total proceeds raised from the shortfall issue and placement offer amounted to \$1,420,721.
- During the year ended 30 June 2020, the Company received signed audited accounts of its investment in associate, Afro Energy for years ended 2016 – 2019, and resolved the Company's concerns surrounding the carrying value of its investment. Based on the audited accounts of Afro Energy and the financial position of that company, the Directors have reinstated the carrying value of its investment in Afro Energy at 1 July 2018 to \$7,717,594. As a result, prior year financial statements were required to be restated to rectify and partly reduce the impairment.

Matters subsequent to the end of the financial year

On 28 July 2020, the Company issued 400,000 ordinary shares upon the exercising of unlisted options by shareholders for a total sum of \$12,000.

On 28 August 2020, the Company obtained shareholder approval at a General Meeting to issue a further 14,967,258 options, on the same terms and conditions as above, to related parties. The issue price is \$0.001 per option.

The full impact of the COVID-19 pandemic continues to evolve at the date of this report. The Company is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity and future results of operations.

No other matters or circumstance has arisen since 30 June 2020 that has affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Likely developments and expected results of operations

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

Directors' Report (continued)

Dividends Paid or Recommended

No dividends were paid during the financial year (2019: nil) and no recommendation is made as to payments of future dividends.

Meetings of Directors

During the financial year, 8 meetings of Directors were held. Attendances by each director were as follows:

	Number eligible to attend	Number Attended
Adam Sierakowski	8	8
Dr James Searle	8	7
Geoffrey Michael	8	8

Directors' Shareholdings

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

Director	Ordinary Shares	Unlisted Options
Adam Sierakowski	81,636,129	5,738,427
Dr James Searle	20,233,334	3,800,000
Geoffrey Michael	37,046,123	5,428,831

Share Options

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

Grant date	Expiry date	Exercise price	Number under option
5 November 2019*	31 December 2021	\$0.03	36,118,022
23 September 2020*	31 December 2021	\$0.03	14,967,258
			<u>51,085,280</u>

* Options are unlisted.

Remuneration Report (Audited)

The directors are pleased to present the Company's 2020 remuneration report which sets out remuneration information for the company's Non-Executive directors, managing director and other key management personnel.

The report contains the following sections:

- (a) Principals used to determine the nature and amount of remuneration
- (b) Compensation of key management personnel
- (c) Services agreements
- (d) Shareholdings of key management personnel
- (e) Options on issue
- (f) Loans to key management personnel
- (g) Loans from key management personnel
- (h) Other transactions with key management personnel
- (i) Use of remuneration consultants
- (j) Voting and comments made at the Company's 2019 Annual General Meeting

Directors' Report (continued)

Remuneration Report (continued)

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

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

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

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

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

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

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

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

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

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

Directors' Report (continued)

Remuneration Report (continued)

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

Directors' fees

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

Performance based remuneration

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

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

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

Remuneration governance

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

(b) *Compensation of key management personnel*

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

Name of Director

Adam Sierakowski	Non-Executive Chairman
Dr James Searle	Non-Executive Director and Co-Managing Director
Geoffrey Michael	Non-Executive Director and Co-Managing Director

Company Secretary

Stephen Hewitt-Dutton

Directors' Report (continued)

Remuneration Report (continued)

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

The emoluments for each Director and key management personnel of the Company for the year ended 30 June 2020 are as follows:

Year ended 30 June 2020	Short-term			Post Employment Superannuation	Total
	<i>Salary & Fees</i>	<i>Profit Share & Bonuses</i>	<i>Non Cash</i>	<i>Share Based Payments</i>	
	\$	\$	\$	\$	\$
Directors					
A Sierakowski	72,000	-	-	-	72,000
Dr J Searle	60,000	-	-	-	60,000
G Michael	60,000	-	-	-	60,000
Company Secretary					
S Hewitt-Dutton	48,000	-	-	-	48,000
	<u>240,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,000</u>

The emoluments for each Director and key management personnel of the Company for the year ended 30 June 2019 are as follows:

Year ended 30 June 2019	Short-term			Post Employment Superannuation	Total
	<i>Salary & Fees</i>	<i>Profit Share & Bonuses</i>	<i>Non Cash</i>	<i>Share Based Payments</i>	
	\$	\$	\$	\$	\$
Directors					
A Sierakowski	72,000	-	-	-	72,000
Dr J Searle	60,000	-	-	-	60,000
G Michael	60,000	-	-	-	60,000
Company Secretary					
S Hewitt-Dutton	48,000	-	-	-	48,000
	<u>240,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>240,000</u>

(c) *Service agreements*

The agreements related to remuneration are set out below:

Current Agreements

- (i) The Company has agreed with Ageus Pty Ltd, a company in which Geoffrey Michael has an interest, to pay \$5,000 per month for Mr Michael's services as Director.

Directors' Report (continued)

Remuneration Report (continued)

(c) *Service agreements (continued)*

- (ii) The Company has agreed with Trident Capital Pty Ltd, a company in which Mr Adam Sierakowski is a Director and shareholder, to pay \$6,000 per month for Mr Sierakowski's services as Non-Executive Chairman, \$4,000 per month for Mr Stephen Hewitt-Dutton's services as Company Secretary and \$10,000 per month for corporate advisory services as per mandate for a period of 12 months commencing 1 September 2016. The Mandate for corporate advisory services were extended for further periods of 12 months commencing 1 September 2017 and 1 September 2018. During the year ended 30 June 2020, the Company subsequently extended the Mandate for corporate advisory services for a further period of 12 months commencing 1 September 2019.
- (iii) The Company has agreed to pay Earthsciences Pty Ltd, a company controlled by Dr James Searle, \$5,000 per month for Dr Searle's services as Director.

Terminated Agreements

- (i) There were no terminated agreements during the year ended 30 June 2020.

(d) *Shareholdings of key management personnel*

2020	Balance at 01/07/19	Shares Purchased ¹	Shares Issued ²	Shares Issued ³	Shares Disposed	Balance at 30/06/20
	No.	No.	No.	No.	No.	No.
Directors						
A Sierakowski	65,520,975	7,435,683	7,150,000	1,529,471	-	81,636,129
Dr J Searle	20,233,334	5,058,333	-	-	(5,058,333)	20,233,334
G Michael	32,046,123	5,000,000	-	-	-	37,046,123
Company Secretary						
S Hewitt- Dutton	922,500	600,000	-	-	-	1,522,500
	<u>118,722,932</u>	<u>18,094,016</u>	<u>7,150,000</u>	<u>1,529,471</u>	<u>(5,058,333)</u>	<u>140,438,086</u>

¹ Shares purchased during the year via the Prospectus.

² Shares issued during the year in satisfaction of corporate advisory fees owing as per shareholder approval on 27 November 2019. The shares were issued to Trident Capital Pty Ltd, a Company of which Adam Sierakowski holds a beneficial interest in. Refer to Note 14.

³ Shares issued during the year upon the conversion of convertible notes. Refer to Note 13.

Directors' Report (continued)

Remuneration Report (continued)

(e) *Options on issue*

2020	Balance at 01/07/19	Options Issued	Options Purchased	Options Disposed	Options Expired	Balance at 30/06/20
	No.	No.	No.	No.	No.	No.
Directors						
A Sierakowski	-	-	-	-	-	-
Dr J Searle	-	-	-	-	-	-
G Michael	-	-	-	-	-	-
Company Secretary						
S Hewitt- Dutton	-	-	400,000	-	-	400,000
	-	-	400,000	-	-	400,000

(f) *Loans to key management personnel*

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

(g) *Loans from key management personnel*

Convertible notes issued by the Company in respect of funds loaned by Adam Sierakowski to the Company are contained in Note (h)(vii) below.

Details of a loan advanced by Stephen Hewitt-Dutton to the Company are contained in Note (h)(viii) below.

There were no other loans from key management personnel during the year.

Directors' Report (continued)

Remuneration Report (continued)

(h) *Other transactions with key management personnel*

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

	2020 \$	2019 \$
(i) Payments to Trident Management Services Pty Ltd, a company of which Adam Sierakowski is a Director and shareholder, for company secretarial services provided.	48,000	48,000
(ii) Payments to Price Sierakowski Pty Ltd, a company of which Adam Sierakowski is a Director and shareholder, for legal services provided.	94,340	10,349
(iii) Payments to Trident Capital Pty Ltd, a company of which Adam Sierakowski is a Director and shareholder, for corporate advisory services as per mandate.	120,000	120,000
(iv) Payments to Trident Capital Pty Ltd, a company of which Adam Sierakowski is a Director and shareholder, for capital raising fees as per the Company's Prospectus dated 30 January 2020.	37,560	-
(v) Payments to Cirrena Pty Ltd, a company of which Geoff Michael has an interest in, for the provision of IT consulting services.	-	1,800
(vi) Payments to Cirrena Pty Ltd, a company of which Geoff Michael has an interest in, for office occupancy costs.	30,000	30,000
(vii) During the year, further convertible notes with a face value of \$30,000 were issued to Adam Sierakowski and Wawsaw Superannuation Fund, an entity of which Adam Sierakowski is a trustee and beneficiary. Interest on the convertible notes was calculated at 12% p.a. and repaid via the issue of ordinary shares. Movements for the year are as follows:		
Opening balance	-	175,889
Funds received	30,000	33,000
Accrued interest	593	3,951
Funds repaid via conversion of debt to equity (1,529,471 shares at \$0.02 per share)	(30,593)	(212,840)
Closing balance	-	-

Directors' Report (continued)

Remuneration Report (continued)

(h) *Other transactions with key management personnel (continued)*

	2020 \$	2019 \$
(viii) During the year, SHD Nominees Pty Ltd, an entity associated with Stephen Hewitt-Dutton, advanced funds to the Company. The loan was unsecured, interest calculated at 15% p.a. and repaid in full on 10 March 2020. Movements for the year are as follows:		
Opening balance	-	-
Funds received	30,000	45,000
Interest paid	485	286
Funds repaid	(30,485)	(45,286)
Closing balance	-	-
(ix) During the year, 7,150,000 shares were issued, at an issue price of \$0.02 per share, to Trident Capital Pty Ltd, a company of which Adam Sierakowski is a Director and shareholder, in satisfaction of amounts owed in relation to corporate advisory fees owing.	143,000	-

Amounts outstanding at reporting date

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

(i) Payables	202,798	424,587
--------------	---------	---------

(i) *Use of remuneration consultants*

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

(j) *Voting and comments made at the Company's 2019 Annual General Meeting*

The approval of the remuneration report was passed as indicated in the results of Annual General Meeting (AGM) dated 27 November 2019. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

The Company's resolution to re-elect Geoffrey Michael as a Director was passed on a show of hands.

End of audited remuneration report

Indemnification of Officers and Auditors

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

Directors' Report (continued)

Non-Audit Services

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

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

No non-audit services have been provided by the Company's auditors in the year ended 30 June 2020. Remuneration paid to the Company's auditors is detailed in Note 18 of this report.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included in this Financial Report on page 21.

Auditor Fees

During the year, the total amounts paid or payable to the auditor, BDO Audit (WA) Pty Ltd, for audit services provided was \$48,364 (2019: \$29,034).

Environmental Regulations

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

The Company has considered its compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the period of 1 July 2019 to 30 June 2020, the Directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

Proceedings on Behalf of the Company

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

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

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



DIRECTOR

Dated at Perth, 29 September 2020

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

As lead auditor of Kinetiko Energy Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



Jarrad Prue
Director

BDO Audit (WA) Pty Ltd
Perth, 29 September 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Kinetiko Energy Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Kinetiko Energy Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Company in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Material uncertainty related to going concern

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

Key audit matters

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

30 June 2019 Qualified opinion - prior period error

Key audit matter	How the matter was addressed in our audit
<p>The financial report of the Company for the year ended 30 June 2019 expressed a qualified audit opinion dated 27 September 2019 on that financial report. The qualified audit opinion related to the investment in associate balance that we were unable to obtain sufficient appropriate audit evidence to verify the carrying value of the investment because audited financial information of the associate was not available.</p> <p>As disclosed in Note 1 in the financial report at 30 June 2020, during the year the Company received audited financial information of its investment in associate and have reinstated the previously impaired carrying value of its investment at 1 July 2018.</p> <p>We considered this a key audit matter due to the significance of the reinstatement of the carrying value of the investment and the risk that we would be unable to obtain sufficient appropriate audit evidence to remove the qualified audit opinion from our audit report at 30 June 2020.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • Discussing with management the process and steps taken to identify and quantify the reinstatement of the carrying value of its investment in associate; • Obtaining and reviewing management's workings relating to the reinstatement of the carrying value of its investment in associate; • Corroborating the carrying value of the investment balance and the Company's share of equity accounted losses to the audited financial information of the associate; • Evaluating the Company's impairment assessment of the reinstated investment balance in accordance with the requirements of Australian Accounting Standards; and • Assessing the adequacy of the related disclosures in Note 1 and Note 10 in the financial report at 30 June 2020. <p>As a result of the above, this matter has now been resolved and our audit opinion for 30 June 2020 is not modified in respect of this matter.</p>



Carrying Value of Investment in Associate

Key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 10, the Company's investment in associate (Afro Energy Pty Ltd) has a significant carrying value as at 30 June 2020.</p> <p>The company is required to assess whether any impairment indicators are present in accordance with ASAB 128 Investments in Associates and Joint Ventures ("AASB 128") which may indicate the Group's investment in associate is impaired.</p> <p>We have determined this is a key audit matter given its financial significance to the Group and the judgements and estimates required in assessing the carrying value of the investment.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none">• Considering the existence of any indicators of impairment in accordance with AASB 128;• Reviewing ASX Announcements, Board of Directors meetings minutes, joint venture minutes and considering management's assessment of impairment indicators; and• Assessing the adequacy of related disclosures in Note 10 and Note 1 to the Financial Statements.

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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



Auditor's responsibilities for the audit of the Financial Report

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

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

https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 19 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Kinetiko Energy Limited, for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'J Prue', written over the printed name 'Jarrad Prue'.

Jarrad Prue

Director

Perth, 29 September 2020

Directors' Declaration

The directors of the company declare that:

- a) The financial statements and notes, as set out on pages 27 to 58 comply with Accounting Standards and the Corporations Act 2001 and other mandatory professional reporting requirements;
- b) gives a true and fair view of the company's financial position as at 30 June 2020 and of its performance for the year ended to 30 June 2020; and
- c) in the Directors' opinion, the financial statements and notes are prepared in accordance with International Financial Reporting Standards and Interpretations as adopted by the International Accounting Standards Board.

In the Directors' opinion:

- (i) At the date of the declaration there are reasonable grounds to believe that the Company will be able to pay its debts as when they become due and payable; and
- (ii) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the Corporations Act for the financial year ending 30 June 2020.

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



DIRECTOR

Dated at Perth, 29 September 2020

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	30 June 2020 \$	30 June 2019 Restated ¹ \$
Other Income			
Other income from ordinary activities	2(a)	2,837	10,483
Total Income		<u>2,837</u>	<u>10,483</u>
Expenses			
Depreciation	2(b)	(530)	(817)
Administration expenses		(98,178)	(79,306)
Consultancy and professional costs	2(c)	(196,660)	(168,513)
Employment and contractor expenses		(519,830)	(532,926)
Travel expenses		(15,857)	(16,135)
Occupancy expenses		(30,000)	(30,000)
Foreign exchange loss		(49,269)	(4,978)
Project expenditure	10	(582,974)	(457,614)
Interest expense and finance charges		(6,792)	(253,209)
Impairment of loan to associate	8	(162,662)	-
Total expenses		<u>(1,662,752)</u>	<u>(1,543,498)</u>
Share of net loss from associated entities	10	(214,244)	(169,113)
Loss before income tax expenses		<u>(1,874,159)</u>	<u>(1,702,128)</u>
Income tax benefit/(expense)	4	-	-
Loss after Income Tax Expense for the year		<u>(1,874,159)</u>	<u>(1,702,128)</u>
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign balances		(827,668)	-
Total comprehensive loss for the year net of tax		<u>(2,701,827)</u>	<u>(1,702,128)</u>
Loss per share for loss from continuing operations attributable to equity holders of the company:			
Basic loss per share (cents)	5	(0.5)	(0.5)
Diluted loss per share (cents)	5	(0.5)	(0.5)

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

¹ See Note 1 for restatement as a result of change in correction of error in prior year.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	Note	30 June 2020 \$	30 June 2019 Restated ¹ \$	1 July 2018 Restated ¹ \$
CURRENT ASSETS				
Cash and cash equivalents	6(a)	1,114,767	77,334	7,303
Receivables	8	249,793	196,489	208,423
Other		701	138	5,582
TOTAL CURRENT ASSETS		<u>1,365,261</u>	<u>273,961</u>	<u>221,308</u>
NON CURRENT ASSETS				
Property, plant & equipment	9	2,333	2,863	3,680
Investment in associate	10	6,506,569	7,548,481	7,717,594
TOTAL NON CURRENT ASSETS		<u>6,508,902</u>	<u>7,551,344</u>	<u>7,721,274</u>
TOTAL ASSETS		<u>7,874,163</u>	<u>7,825,305</u>	<u>7,942,582</u>
CURRENT LIABILITIES				
Trade & other payables	11	558,153	822,988	1,433,391
Borrowings	12	-	-	285
Convertible Notes	13	-	-	498,658
TOTAL CURRENT LIABILITIES		<u>558,153</u>	<u>822,988</u>	<u>1,932,334</u>
TOTAL LIABILITIES		<u>558,153</u>	<u>822,988</u>	<u>1,932,334</u>
NET ASSETS		<u>7,316,010</u>	<u>7,002,317</u>	<u>6,010,248</u>
EQUITY				
Contributed equity	14	23,060,577	20,081,575	17,387,378
Reserves	15(b)	(31,650)	759,500	759,500
Accumulated losses	15(a)	(15,712,917)	(13,838,758)	(12,136,630)
TOTAL EQUITY		<u>7,316,010</u>	<u>7,002,317</u>	<u>6,010,248</u>

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

¹ See Note 1 for restatement as a result of change in correction of error in prior year.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020**

Year ended 30 June 2020	Ordinary Shares \$	Accumulated Losses \$	Reserves \$	Total Equity/(Deficit) \$
Balance at 1 July 2019 – restated	20,081,575	(13,838,758)	759,500	7,002,317
Other comprehensive loss				
Loss for the year	-	(1,874,159)	-	(1,874,159)
Movement in foreign currency translation reserve	-	-	(827,668)	(827,668)
Total comprehensive loss for the year	-	(1,874,159)	(827,668)	(2,701,827)
Transactions with owners in their capacity as owners				
Shares issued during the year	3,031,977	-	-	3,031,977
Share issue costs	(52,975)	-	-	(52,975)
Options issued during the year	-	-	36,518	36,518
Share based payments	-	-	-	-
Total contributions by owners	2,979,002	-	36,518	3,015,520
Balance at 30 June 2020	23,060,577	(15,712,917)	(31,650)	7,316,010
Year ended 30 June 2019				
	Ordinary Shares \$	Accumulated Losses \$	Reserves \$	Total Equity/(Deficit) \$
Balance at 1 July 2018	17,387,378	(19,854,224)	759,500	(1,707,346)
Restatement of investment – Note 1	-	7,717,594	-	7,717,594
Restated opening balance	17,387,378	(12,136,630)	759,500	6,010,248
Other comprehensive loss				
Loss for the year	-	(1,702,128)	-	(1,702,128)
Movement in foreign currency translation reserve	-	-	-	-
Total comprehensive loss for the year	-	(1,702,128)	-	(1,702,128)
Transactions with owners in their capacity as owners				
Shares issued during the year	2,741,070	-	-	2,741,070
Share issue costs	(46,873)	-	-	(46,873)
Options issued during the year	-	-	-	-
Share based payments	-	-	-	-
Total contributions by owners	2,694,197	-	-	2,694,197
Balance at 30 June 2019	20,081,575	(13,838,758)	759,500	7,002,317

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

Note	30 June 2020	30 June 2019
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(1,234,270)	(684,946)
Interest received	2,837	10,483
Interest and other costs of finance paid	(1,255)	(15,648)
Payments for project expenditure	(462,485)	(430,100)
Net cash used in operating activities	6(b) (1,695,173)	(1,120,211)
Cash flows from investing activities		
Loans to associate	(325,953)	-
Net cash used in investing activities	(325,953)	-
Cash flows from financing activities		
Proceeds from issue of ordinary shares	2,703,440	1,106,466
Proceeds from issue of options	36,518	-
Proceeds from security deposits	154,016	(2,351)
Proceeds from borrowings	30,000	95,000
Repayment of borrowings	(30,000)	(95,000)
Proceeds from convertible notes	180,000	133,000
Share issue costs	(15,415)	(46,873)
Net cash provided by financing activities	3,058,559	1,190,242
Net increase/(decrease) in cash and cash equivalents	1,037,433	70,031
Cash and cash equivalents at the beginning of the financial year	77,334	7,303
Cash and cash equivalents at the end of the financial year	6(a) 1,114,767	77,334

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

Note 1: Summary of Significant Accounting Policies

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

The financial statements were authorised for issue by the Directors on 29 September 2020.

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

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

Notes

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

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

Notes

6. Cash and cash equivalents
7. Financial risk management

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

Notes

8. Receivables
9. Property, plant & equipment
10. Investment in associate
11. Trade and other payables
12. Borrowings
13. Convertible notes

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

Notes

14. Contributed equity
15. Reserves and accumulated losses

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 1: Summary of Significant Accounting Policies (continued)

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

Notes

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

Key estimates and judgements

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

Note 4: Income Tax Expense

Note 10: Investment in Associate

Note 16: Share Based Payments

Basis of preparation

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

Restatement of financial information – Investment in Afro Energy

During the year ended 30 June 2018, based on the lack of information available at the time and the uncertainty surrounding the recoverability value of the investment, the Company resolved that the entire carrying amount of the investment in Afro Energy (Pty) Ltd ('Afro Energy') be impaired.

During the year ended 30 June 2020, the Company received signed audited accounts of its investment in associate, Afro Energy for years ended 2016 - 2019 and resolved the Company's concerns surrounding the carrying value of its investment.

Based on the audited accounts of Afro Energy and the financial position of that company, the Directors have determined that the recoverable amount of its investments was \$7,717,594 rather than zero as recorded in the 30 June 2019 Financial Statements and have therefore reinstated the carrying value of its investment in Afro Energy at 1 July 2018 to \$7,717,594.

As a result, prior year financial statements were required to be restated to rectify this matter and correct the impairment recorded in respect of this investment. Refer to Note 10 for further details.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 1: Summary of Significant Accounting Policies (continued)

Going Concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

For the year ended 30 June 2020 the Company recorded a loss of \$1,874,159 (2019: \$1,702,128) and had net cash outflows from operating and investing activities of \$2,021,126 (2019: \$1,120,211). At 30 June 2020, the Company had a working capital surplus of \$807,108 (2019: deficit of \$549,027).

The full impact of the COVID-19 pandemic continues to evolve at the date of this report. The Company is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity and future results of operations during 2020. Management continues to actively monitor the global situation and its impact on the Company's financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for the 2020 financial year.

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

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

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

- The Company believe they can raise additional funding through debt or equity which is actively pursued;
- The Company has a recent proven history of successfully raising capital;
- The majority of creditors have provided confirmation that they will extend payment terms until such time that the company has the ability to pay; and
- Cash spending can be reduced or slowed below its current rate if required.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 1: Summary of Significant Accounting Policies (continued)

New, revised or amending Accounting Standards and Interpretations adopted

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

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

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

Foreign Currency

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 2: Loss from continuing operations

	2020 \$	2019 \$
Loss from continuing operations before income tax includes the following items of income and expenses		
<i>(a) Other Income</i>		
Interest income	2,837	10,483
Other income from ordinary activities	2,837	10,483
<i>(b) Operating Expenses</i>		
Depreciation of plant and equipment	530	817
<i>(c) Significant Expenses</i>		
Consulting and professional costs		
- Auditing costs	48,364	29,034
- Legal fees	107,532	118,958
- Other professional fees	40,764	20,521
	196,660	168,513
Impairment of loan to associate (refer Note 8)	162,662	-

Accounting Policy

Interest Income

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

Note 3: Segment Information

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

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

Accounting Policy

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 4: Income Tax Expense

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

	2020 \$	2019 Restated \$
Loss from operations	(1,874,159)	(1,702,128)
Income tax benefit calculated at 27.5%	(515,394)	(468,085)
Non-deductible legal fees	29,572	32,713
Non-deductible impairment of loan to associate	44,732	-
	(441,090)	(435,372)
Movements in unrecognised timing differences	(67,563)	(21,209)
Unused tax losses not recognised as a deferred tax asset	508,653	456,581
Income tax (benefit)/expense reported in the Statement of Profit or Loss and Other Comprehensive Income	-	-

(b) Unrecognised deferred tax balances:

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

	2020 \$	2019 \$
Unrecognised deferred tax asset – tax losses	1,465,787	1,328,590
Unrecognised deferred tax asset – other temporary differences	22,290	89,914
Net deferred tax assets not brought to account	1,488,077	1,418,504

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

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

Accounting Policy

Current tax

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 4: Income Tax Expense (continued)

Deferred tax

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

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

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

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

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

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

Current and deferred tax for the period

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

Key Estimates and Judgements

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 5: Loss per Share

	2020 Cents Per Share	2019 Cents Per Share
Basic loss per share:	(0.5)	(0.5)
Diluted loss per share:	(0.5)	(0.5)

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

	2020 \$	2019 Restated \$
Loss for the year after income tax	(1,874,159)	(1,702,128)

	2020 No.	2019 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	377,838,615	333,752,229

Accounting Policy

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

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

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

Note 6: Cash and Cash Equivalents

(a) Reconciliation of Cash

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

	2020 \$	2019 \$
Cash at bank and in hand	1,114,767	77,334

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

Accounting Policy

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 6: Cash and Cash Equivalents (continued)

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

	2020	2019
	\$	Restated
	\$	\$
Loss for the year	(1,874,159)	(1,702,128)
Depreciation	530	817
Finance charges	-	218,092
Impairment of loan to associate	162,662	-
Changes in assets and liabilities:		
Trade and other payables	(160,097)	143,080
Receivables	(39,374)	17,952
Provisions	1,584	27,419
Prepayments	(563)	5,444
Investment in associate	214,244	169,113
Net cash used in operating activities	<u>(1,695,173)</u>	<u>(1,120,211)</u>
<i>(c) Non-Cash Financing and Investing Activities</i>		
Conversion of debt to equity	185,537	869,220
Issue of shares to satisfy trade and other payables	143,000	765,385
	<u>328,537</u>	<u>1,634,605</u>

Note 7: Financial Risk Management

Financial risk management and policies

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

The Company holds the following financial instruments:

	2020	2019
	\$	\$
Financial assets		
Cash and cash equivalents	1,114,767	77,334
Trade and other receivables	249,793	196,489
	<u>1,364,560</u>	<u>273,823</u>
Financial liabilities		
Trade payables and accruals	558,153	822,988
Borrowings	-	-
Convertible notes	-	-
	<u>558,153</u>	<u>822,988</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 7: Financial Risk Management (continued)

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

(a) Credit risk

Management does not actively manage credit risk.

The Company has no significant exposure to credit risk from external parties at year end. The maximum exposure to credit risk at the reporting date is equal to the carrying value of financial assets at 30 June 2020.

Cash at bank is held with internationally regulated banks. As at 30 June 2020, all cash and cash equivalents were held with AA rated banks.

Other receivables are of a low value and all amounts are current. There are no trade receivables.

(b) Capital risk

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

During the year ended 30 June 2020, the Company's strategy was to keep borrowings to a minimum. The company's equity management is determined by funds required to undertake exploration activities and meet its corporate and other costs.

(c) Liquidity risk

Maturity profile of financial instruments

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 7: Financial Risk Management (continued)

(c) Liquidity risk (continued)

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

As at 30 June 2020	<1 year	1 – 5 years	Over 5 years	Total	Weighted average effective interest rate %
Financial Assets:					
Cash	1,114,767	-	-	1,114,767	0.17
Receivables & other	249,793	-	-	249,793	1.91
	<u>1,364,560</u>	<u>-</u>	<u>-</u>	<u>1,364,560</u>	
Financial Liabilities:					
Trade payables & accruals	558,153	-	-	558,153	
Borrowings	-	-	-	-	
Convertible notes	-	-	-	-	
	<u>558,153</u>	<u>-</u>	<u>-</u>	<u>558,153</u>	
As at 30 June 2019					
	<1 year	1 – 5 years	Over 5 years	Total	Weighted average effective interest rate %
Financial Assets:					
Cash	77,334	-	-	77,334	0.44
Receivables & other	196,489	-	-	196,489	6.74
	<u>273,823</u>	<u>-</u>	<u>-</u>	<u>273,823</u>	
Financial Liabilities:					
Trade payables & accruals	822,988	-	-	822,988	
Borrowings	-	-	-	-	
Convertible notes	-	-	-	-	
	<u>822,988</u>	<u>-</u>	<u>-</u>	<u>822,988</u>	

(d) Interest rate risk

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

(e) Foreign exchange risk

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

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. If the foreign exchange rates strengthened or weakened by 20% with all other variables held constant the Company's net asset value would have been \$58,000 higher or \$58,000 lower.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 7: Financial Risk Management (continued)

(e) Foreign exchange risk (continued)

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

	2020	2019
Cash - ZAR	1,162,946	81,536
Receivables - ZAR	3,963,817	1,528,998
Trade payables - ZAR	(1,462,582)	(302,502)
Trade payables – USD	(12,500)	-

(f) Fair value estimation

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

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

Note 8: Receivables

	2020	2019
	\$	\$
<i>(a) Current</i>		
Other receivables – VAT refundable	37,457	19,565
Other receivables – GST refundable	30,098	10,749
Other debtor	18,947	12,159
Environmental bonds ¹	-	154,016
Loan – Associated entity	325,953	-
Less: Provision for impairment of loan	(162,662)	-
	<u>249,793</u>	<u>196,489</u>

¹ Environmental bonds held relate to tenements 56ER and 38ER.

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

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

Accounting Policy

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 10: Investment in Associate (continued)

The carrying amount of equity-accounted investments in associates for the year ended 30 June 2020 is as follows:

	2020	2019
	\$	Restated
	\$	\$
Opening balance	8,030,663	-
Restatement of investment	-	7,717,594
Contributions to investment	-	-
Loss for the year	(214,244)	(169,113)
Foreign exchange revaluation	(1,309,850)	482,182
Closing balance	<u>6,506,569</u>	<u>8,030,663</u>

Note that the loan component of \$2,935,189 as at 30 June 2018 has not been reinstated as the Directors are unable to show the short term recoverability of this amount. Similarly, further advances since 1 July 2018 have been provided for where the Company has determined that the advances are not recoverable.

Summarised Financial Information for Afro Energy (Pty) Ltd

Set out below is the summarised financial information for Afro Energy (Pty) Ltd as at 30 June 2020. The financial year end date was previously 29 February but was changed to 30 June in the year ended 30 June 2020.

Summarised Financial Position

	2020	2019
	\$	\$
Current Assets		
Cash and cash equivalents	53	163
Trade and other payables	25,457	38
Non – Current Assets		
Capitalised exploration	2,991,072	3,116,638
Total Assets	<u>3,016,582</u>	<u>3,116,839</u>
Current Liabilities		
Trade and other payables	93,549	-
Non – Current Liabilities		
Provisions	46,081	30,025
Loan from joint venture partners	4,462,445	4,379,842
Total Liabilities	<u>4,602,075</u>	<u>4,409,867</u>
Net Deficiency of Assets	<u>(1,585,493)</u>	<u>(1,293,028)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 10: Investment in Associate (continued)

Summarised Financial Performance

	Extrapolated 30 June 2020 (12 months) \$	30 June 2020 (4 months) \$	29 Feb 2020 (12 months) \$
Revenue	-	-	-
Other operating expenses	(458,011)	(96,030)	(87,969)
Finance Costs	(279,222)	(80,901)	(296,348)
Loss before income tax expense	<u>(737,233)</u>	<u>(176,931)</u>	<u>(384,317)</u>
Income tax expense	-	-	-
Loss after income tax expense	<u>(737,233)</u>	<u>(176,931)</u>	<u>(384,317)</u>
Company share of loss	<u><u>(361,244)</u></u>	<u><u>(86,696)</u></u>	<u><u>(188,315)</u></u>

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

Accounting Policy – Investment in Associate

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 10: Investment in Associate (continued)

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

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

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

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

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

Accounting Policy – Exploration and Evaluation Expenditure

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 10: Investment in Associate (continued)

Key estimates and judgements

Exploration and Evaluation Expenditure

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

Investments in Associates

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

Royalty Obligations – Associated Company

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

Note 11: Trade and other payables

	2020	2019
	\$	\$
Trade payables and accruals	355,355	398,401
Trade payables and accruals – related parties	202,798	424,587
	<u>558,153</u>	<u>822,988</u>

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

Trade payables are normally settled on 30 day terms. Trade payables are currently being settled in excess of 90 day terms. The amount of payables at reporting date exceeding normal trading terms is \$1,482.

Accounting Policy

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

Note 12: Borrowings

	2020	2019
	\$	\$
Opening balance	-	285
Loan – unrelated party	-	50,000
Loan – company secretary (refer Note 17)	30,000	45,000
Accrued interest	485	15,286
Repayment of loans	(30,485)	(110,571)
Closing balance	<u>-</u>	<u>-</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 13: Convertible Notes

	2020 \$	2019 \$
Opening balance	-	498,658
Face value of notes issued	180,000	133,000
Accrued interest expense	5,537	19,470
Conversion of notes to ordinary shares	(185,537) ¹	(651,128) ²
Closing balance	-	-

During the year ended 30 June 2020, the Company issued further unsecured convertible notes with a face value of \$180,000, as part of a capital raising exercise.

Terms of the convertible note are as follows:

- i. Maturity date – 6 months from the date of the advance
- ii. Interest payable – 12%pa
- iii. Conversion:
 - (a) If converted at the holders election prior to the maturity date, principal and interest will convert at the 10 day VWAP or last fundraising price of shares issued, which is the lower.
 - (b) If converted at the maturity date, principal and interest will convert at 80% of the 10 day VWAP of \$0.02, whichever is the lower.

¹ The convertible notes issued during the year ended 30 June 2020, plus their accrued interest, were converted to 9,276,673 ordinary shares in the Company at a price of \$0.02. Of the ordinary shares issued, 1,529,471 shares were issued to the Wawsaw Superannuation Fund, an entity of which Adam Sierakowski is a Trustee and Beneficiary.

² During the year ended 30 June 2019, a total of 43,461,002 ordinary shares were issued to noteholders upon conversion of convertible notes to ordinary shares in the Company at a price of \$0.02. Of the total ordinary shares issued, 13,114,898 shares were issued to Trident Capital Pty Ltd, a company of which Adam Sierakowski is a Director and Shareholder. Of the shares issued to Trident Capital Pty Ltd, 8,169,105 shares were issued at a price of \$0.02 with the balance of 4,945,793 shares issued at a price of \$0.01. The difference of \$0.01, being the conversion price as noted in the convertible note agreements less the price that the notes were converted at, was recognised as a finance charge during the year. The total finance charge recognised to the Statement of Profit or Loss and Other Comprehensive Income was \$218,092.

Accounting Policy

Convertible Notes issued by the Company comprise of notes that can be converted to share capital and convertible note embedded derivatives whose fair value changes with the Company's underlying share price.

The embedded derivative component of a convertible note is recognised initially at the fair value of a similar liability that does not have an equity conversion option. Subsequent to initial recognition, the fair value of the embedded derivative is valued using valuation techniques that include reference to the company's underlying share price at reporting date and/or at conversion date. The convertible note derivative is measured at fair value through profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 13: Convertible Notes (continued)

Convertible notes issued by the Company include embedded derivatives (option to convert to variable number of shares in the Company) and are recognised as financial liabilities at fair value through profit or loss. On initial recognition, the fair value of the convertible note will equate to the proceeds received and subsequently the liability is measured at fair value at each reporting period until settlement. The fair value movements are recognised on the profit or loss as finance costs.

The convertible note derivative liability is removed from the Statement of Financial Position when the obligations specified in the Contract are discharged. This can occur at maturity date, when the convertible notes convert to equity. Convertible Note Derivative Liabilities are classified as current or non-current based on the maturity date of the convertible note.

Note 14: Contributed Equity

(a) *Issued Capital*

Movements in share capital were as follows:

Year ended 30 June 2020		Issue Price	Fully Paid Ordinary Shares	\$
1 July 2019	Opening Balance		391,665,600	20,081,575
20 December 2019	Issue of shares to satisfy trade and other payables ¹	\$0.02	7,150,000	143,000
20 December 2019	Conversion of convertible notes to shares ²	\$0.02	9,276,673	185,537
12 February 2020	Issue of shares pursuant to placement offer	\$0.02	2,900,000	58,000
3 March 2020	Issue of shares pursuant to non-renounceable entitlements issue	\$0.02	64,135,945	1,282,719
18 March 2020	Issue of shares pursuant to shortfall from entitlement issue	\$0.02	14,467,325	289,347
30 April 2020	Issue of shares pursuant to placement offer and shortfall from entitlement issue	\$0.02	53,668,713	1,073,374
	Share issue costs		-	(52,975)
30 June 2020	Closing Balance		<u>543,264,256</u>	<u>23,060,577</u>

¹ Following shareholder approval on 27 November 2019, the Company issued 7,150,000 ordinary shares to Trident Capital Pty Ltd, a company of which Adam Sierakowski is a Director and Shareholder, in satisfaction of amounts owed in relation to corporate advisory fees owing.

² Refer to Note 13 for convertible note details.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 14: Contributed Equity (continued)

(a) *Issued Capital (continued)*

Year ended 30 June 2019		Issue Price	Fully Paid Ordinary Shares	\$
1 July 2018	Opening Balance		254,612,064	17,387,378
15 October 2018	Conversion of convertible notes to shares	\$0.02	30,346,104	606,922
23 November 2018	Issue of shares to satisfy trade and other payables ¹	\$0.02	37,228,701	744,574
27 November 2018	Conversion of convertible notes to shares ²	\$0.02	13,114,898	262,298
12 December 2018	Issue of shares pursuant to non-renounceable entitlements issue	\$0.02	40,073,288	801,466
24 January 2019	Issue of shares to satisfy trade and other payables ³	\$0.02	1,040,545	20,811
6 March 2019	Issue of shares pursuant to shortfall from entitlements issue	\$0.02	15,250,000	305,000
	Share issue costs		-	(46,874)
30 June 2019	Closing Balance		<u>391,665,600</u>	<u>20,081,575</u>

¹ Following shareholder approval on 23 November 2018, the Company issued 24,430,305, 6,473,396 and 6,325,000 ordinary shares to entities associated with Adam Sierakowski, Geoffrey Michael and James Searle respectively, in satisfaction of amounts owed in relation to director and corporate advisory fees owing.

² The Company issued 13,114,898 ordinary shares to Trident Capital Pty Ltd, a company of which Adam Sierakowski is a Director and Shareholder, upon conversion of convertible notes.

³ The Company issued 1,040,545 ordinary shares in satisfaction of amounts owed in relation to professional service fees owing.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At the shareholders meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands. Refer to Note 7(b) for the Company's capital risk policy.

Accounting Policy

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 14: Contributed Equity (continued)

(b) Options

The following unlisted options were on issue during the year ended 30 June 2020.

Exercise price	3c
Expiry date	<u>31 December 2021</u>
Opening balance	-
Issued during the year	36,518,022
Expired during the year	-
Exercised during the year	-
Closing balance	<u><u>36,518,022</u></u>

Subsequent to year end, the Company announced it would seek shareholder approval to issue a further 14,967,258 options, on the same terms and conditions as above, to related parties. The issue price is \$0.001 per option.

The following unlisted options expired unexercised during the year ended 30 June 2019.

Exercise price	3c
Expiry date	<u>4 November 2018</u>
Opening balance	53,085,280
Issued during the year	-
Expired during the year	(53,085,280)
Exercised during the year	-
Closing balance	<u><u>-</u></u>

Note 15: Reserves and Accumulated Losses

15a) Accumulated Losses

	2020 \$	2019 Restated \$
Balance at beginning of financial year	<u>(13,838,758)</u>	<u>(12,136,630)</u>
Net Loss	<u>(2,021,159)</u>	<u>(1,702,128)</u>
Balance at end of financial year	<u><u>(15,859,917)</u></u>	<u><u>(13,838,758)</u></u>

15b) Reserves

Share Based Payments Reserve	755,500	755,500
Options Issue Reserve	40,518	4,000
Foreign Currency Translation Reserve	<u>(827,668)</u>	<u>-</u>
Total Reserves	<u><u>(31,650)</u></u>	<u><u>759,500</u></u>

(i) Share Based Payments Reserve

Balance at beginning of financial year	755,500	755,500
Movement for year	<u>-</u>	<u>-</u>
Share Based Payments Reserve	<u><u>755,500</u></u>	<u><u>755,500</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 15: Reserves and Accumulated Losses (continued)

15b) Reserves (continued)

	2020 \$	2019 \$
<u>(ii) Options Issue Reserve</u>		
Balance at beginning of financial year	4,000	4,000
Movement for year	36,518	-
Options Issue Reserve	<u>40,518</u>	<u>4,000</u>
<u>(iii) Foreign Currency Translation Reserve</u>		
Balance at beginning of financial year	-	-
Movement for year	(827,668)	-
Foreign Currency Translation Reserve	<u>(827,668)</u>	<u>-</u>

(iv) Nature and purpose of reserves

Share Based Payments Reserve

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

Options Issue Reserve

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

Foreign Currency Translation Reserve

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

Note 16: Share Based Payments

Key estimates and judgements

Employees

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

External Consultants

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 17: Key Management Personnel Disclosures and Related Party Transactions

Refer to Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Company's Key Management Personnel (KMP) for the year ended 30 June 2020.

	2020	2019
	\$	\$
Short term employee benefits	240,000	240,000
	<u>240,000</u>	<u>240,000</u>

Investments in associated entities

Investments in associated entities are set out in Note 10.

Key management personnel

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

Loans from related parties

There were no loans outstanding as at reporting date in relation to funds borrowed from related parties.

During the year, the Company issued further convertible notes with a face value of \$30,000 to Adam Sierakowski. Refer to Note 17(vii) below for further details.

	2020	2019
	\$	\$
Loan from Stephen Hewitt-Dutton		
Opening balance	-	-
Funds received	30,000	45,000
Interest paid	485	286
Funds repaid	<u>(30,485)</u>	<u>(45,286)</u>
Closing balance	<u>-</u>	<u>-</u>

The loan was unsecured, interest calculated at 15% p.a. and repaid in full on 10 March 2020.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

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

Other transactions with key management personnel

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

	2020	2019
	\$	\$
(i) Payments to Trident Management Services Pty Ltd, a company of which Adam Sierakowski is a Director and shareholder, for company secretarial services provided.	48,000	48,000
(ii) Payments to Price Sierakowski Pty Ltd, a company of which Adam Sierakowski is a Director and shareholder, for legal services provided.	94,340	10,349
(iii) Payments to Trident Capital Pty Ltd, a company of which Adam Sierakowski is a Director and shareholder, for corporate advisory services as per mandate.	120,000	120,000
(iv) Payments to Trident Capital Pty Ltd, a company of which Adam Sierakowski is a Director and shareholder, for capital raising fees as per the Company's Prospectus dated 30 January 2020.	37,560	-
(v) Payments to Cirrena Pty Ltd, a company of which Geoff Michael has an interest in, for the provision of IT consulting services.	-	1,800
(vi) Payments to Cirrena Pty Ltd, a company of which Geoff Michael has an interest in, for office occupancy costs.	30,000	30,000
(vii) During the year, further convertible notes with a face value of \$30,000 were issued to Adam Sierakowski and Wawsaw Superannuation Fund, an entity of which Adam Sierakowski is a trustee and beneficiary. Interest on the convertible notes was calculated at 12% p.a. and repaid via the issue of ordinary shares. Movements for the year are as follows:		
Opening balance	-	175,889
Funds received	30,000	33,000
Accrued interest	593	3,951
Funds repaid via conversion of debt to equity (1,529,471 shares at \$0.02 per share)	<u>(30,593)</u>	<u>(212,840)</u>
Closing balance	<u>-</u>	<u>-</u>
(viii) During the year, 7,150,000 shares were issued, at an issue price of \$0.02 per share, to Trident Capital Pty Ltd, a company of which Adam Sierakowski is a Director and shareholder, in satisfaction of amounts owed in relation to corporate advisory fees owing.	143,000	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

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

Other transactions with key management personnel (continued)

	2020	2019
	\$	\$
<u>Amounts outstanding at reporting date</u>		
Aggregates amount payable to Key Management Personnel and their related entities at reporting date.		
(i) Payables	202,798	424,587

Note 18: Remuneration of Auditors

	2020	2019
	\$	\$
BDO Audit (WA) Pty Ltd		
Audit or review of the financial report	48,364	29,034
	<u>48,364</u>	<u>29,034</u>

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

Note 19: Commitments and contingencies

The Company had no commitments or contingent liabilities as at 30 June 2020.

Note 20: Events Occurring After Reporting Period

On 28 July 2020, the Company issued 400,000 ordinary shares upon the exercising of unlisted options by shareholders for a total sum of \$12,000.

On 28 August 2020, the Company obtained shareholder approval at a General Meeting to issue a further 14,967,258 options, on the same terms and conditions as above, to related parties. The issue price is \$0.001 per option.

The full impact of the COVID-19 pandemic continues to evolve at the date of this report. The Company is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity and future results of operations.

No other matters or circumstance has arisen since 30 June 2020 that has affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 21: Other Accounting Policies

Summary of other significant accounting policies

Employee benefits

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

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

Goods and services tax

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

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

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

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

Provisions

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

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

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

Leases

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 21: Other Accounting Policies (continued)

i) Right-of-use assets

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

ii) Lease liabilities

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

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

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

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

New and Amended Standards and Interpretations adopted

For the year ended 30 June 2020, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2019.

As a result of new or amended standards which became applicable for the current reporting period, the Company has adopted AASB 16 *Leases* from 1 July 2019. The impact of the adoption of AASB 16 on the Company's financial statements is disclosed below.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 (continued)**

Note 21: Other Accounting Policies (continued)

AASB 16 Leases - Impact of Adoption

The Company's adoption of AASB 16 from 1 July 2019 has resulted in no material changes in accounting policies and has not had a material impact on the amounts presented in the Company's financial statements.

Following the Company's review of all its leases which may have been affected by AASB 16 from 1 July 2019, the Company has identified that although the leasing of office premises is subject to AASB 16, as the lease is on a month-to-month tenancy arrangement, the Company has applied the short-term lease recognition exemption. Therefore no adjustments are required to the amounts recognised in the financial statements.

New Accounting Standards and Interpretations not yet mandatory or early adopted

There have been no new Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, which has not been early adopted by the Company for the annual reporting period ended 30 June 2020.

KINETIKO ENERGY LTD ABN 45 141 647 529

SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is as at 23 September 2020.

Shareholdings as at 23 September 2020

Substantial shareholders

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

Shareholder Name	Number of Shares	Percentage	Date of Notice
BRENDAN D GORE & ASSOCIATED ENTITIES	93,372,148	17.17%	04/08/2020
AGEUS PTY LTD M & A A/C	37,046,123	6.82%	30/04/2020
ADAM SIERAKOWSKI & ASSOCIATED ENTITIES	81,636,129	15.03%	30/04/2020

Unmarketable parcels

The number of shareholders holding less than a marketable parcel is 33.

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

Unquoted Securities

Securities	Number of Options	Number of Holders	Holders with more than 20%
Options exercisable at \$0.03, expiry 31 Dec 2021	51,085,280	39	-

Voting rights

All ordinary shares carry one vote per share without restriction.

On-market buyback

There is no current on-market buy-back.

Stock Exchange listing

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

Distribution of security holders category	Number of Holders	Percentage
1 - 1,000	11	0.00%
1,001 – 5,000	16	0.01%
5,001 – 10,000	46	0.07%
10,001 – 100,000	271	2.35%
100,001 and over	267	97.57%
	611	100.00%

KINETIKO ENERGY LTD ABN 45 141 647 529

SHAREHOLDER INFORMATION

Twenty largest shareholders – Ordinary Shares

Name	Number of ordinary shares held	Percentage of capital held
MR BRENDAN DAVID GORE <GORE FAMILY NO 2 A/C>	85,780,455	15.78%
AGEUS PTY LTD <M AND A A/C>	37,046,123	6.82%
TRIDENT CAPITAL PTY LTD	26,293,101	4.84%
EARTHSCIENCES PTY LTD <SEARLE SUPER FUND A/C>	20,233,334	3.72%
IML HOLDINGS PTY LTD	17,790,645	3.27%
AEGEAN CAPITAL PTY LTD <THE SPARTACUS A/C>	17,637,893	3.24%
MR ADAM SIERAKOWSKI	17,555,288	3.23%
MR ROBERT JAMES MACMILLAN	12,350,000	2.27%
HOLDREY PTY LTD <DON MATHIESON FAMILY A/C>	10,821,395	1.99%
PENISH PTY LTD <PETRIDES FAMILY A/C>	10,422,718	1.92%
JGST PTY LTD <JGST FAMILY SETTLEMENT A/C>	10,305,925	1.90%
MFM AUSTRALIA PTY LIMITED MCKELVEY FAMILY NO 2 A/C>	10,018,272	1.84%
AUBURY PTY LTD	10,000,000	1.84%
SHARIC SUPERANNUATION PTY LTD <FARRIS SUPER FUND A/C>	8,483,705	1.56%
BLUE SAINT PTY LTD	7,650,000	1.41%
IML HOLDINGS PTY LTD	7,218,488	1.33%
BOTSKY PTY LTD <N BOTICA NO 3 FAMILY A/C>	7,031,250	1.29%
SDMO AUSTRALIA PTY LTD <THE BOTICA SUPER FUND A/C>	6,000,000	1.10%
GOLDFIRE ENTERPRISES PTY LTD	5,600,209	1.03%
HOLDREY PTY LTD <THE DON MATHIESON FAMILY A/C>	5,568,003	1.02%
TOTAL	333,806,804	61.40%

Schedule of mining tenements

Area of Interest	Tenement reference	Nature of interest	Interest
Amersfoort Project – South Africa	30/5/2/3/38ER	3 rd renewal period granted by DMR in August 2019.	49%
	30/5/2/3/56ER	2 nd renewal period granted by DMR in August 2019.	49%
	ER320 (TCP 106)	Application for conversion from TCP to exploration right approved by regulator. DMR expected grant of application for extension for EIA delayed due to regulatory delays.	49%
	ER 270	Exploration right granted in August 2019.	49%
	ER 271	Exploration right granted in August 2019.	49%
	ER 272	Exploration right granted in August 2019.	49%

CORPORATE GOVERNANCE

The Board is responsible for establishing the Company's corporate governance framework, the key features of which are set out below. In establishing its corporate governance framework, the Board has referred to the 3rd edition of the ASX Corporate Governance Councils' Corporate Governance Principles and Recommendations.

The corporate governance statement set out below discloses the extent to which the Company follows the recommendations. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at www.kinetiko.com.au, under the section marked "Corporate Governance":

- (a) Board Charter;
- (b) Board Performance Evaluation Policy;
- (c) Code of Conduct;
- (d) Audit Committee Charter;
- (e) Remuneration and Nomination Committee Charter;
- (f) Security Trading Policy;
- (g) Continuous Disclosure Policy;
- (h) Shareholder Communication and Investor Relations Policy;
- (i) Risk Management Policy; and
- (j) Diversity Policy.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1

The Company has established the respective roles and responsibilities of its Board and management, and those matters expressly reserved to the Board and those delegated to management, and has documented this in its Board Charter.

The responsibilities of the Board include but are not limited to:

- (a) setting and reviewing strategic direction and planning;
- (b) reviewing financial and operational performance;
- (c) identifying principal risks and reviewing risk management strategies; and
- (d) considering and reviewing significant capital investments and material transactions.

In exercising its responsibilities, the Board recognises that there are many stakeholders in the operations of the Company, including employees, shareholders, co-ventures, the government and the community.

The Board has delegated responsibility for the business operations of the Company to the Chief Executive Officer (currently the Joint Managing Directors). The Chief Executive Officer is accountable to the Board.

Recommendation 1.2

The Company undertakes appropriate checks before appointing a person, or putting forward to shareholders a candidate for election as a director and provides shareholders with all material information in its possession relevant to a decision on whether or not to elect a director.

The checks which are undertaken, and the information provided to shareholders, are set out in the Company's Remuneration and Nomination Committee Charter.

Recommendation 1.3

The Company has a written agreement with each of the Directors and senior executives setting out the terms of their appointment. The material terms of any employment, service or consultancy agreement the Company, or any of its child entities, has entered into with its Chief Executive Officer, any of its directors, and any other person or entity who is a related party of the Chief Executive Officer or any of its directors will be disclosed in accordance with ASX Listing Rule 3.16.4 (taking into consideration the exclusions from disclosure outlined in that rule).

Recommendation 1.4

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary is responsible for the application of best practice in corporate governance and also supports the effectiveness of the Board by:

- (a) ensuring a good flow of information between the Board, its committees, and Directors;
- (b) monitoring policies and procedures of the Board;
- (c) advising the Board through the Chairman of corporate governance policies; and
- (d) conducting and reporting matters of the Board, including the despatch of Board agendas, briefing papers and minutes.

Recommendation 1.5

The Company has a Diversity Policy, the purpose of which is:

- (a) to outline the Company's commitment to creating a corporate culture that embraces diversity and, in particular, focuses on the composition of its Board and senior management; and
- (b) to provide a process for the Board to determine measurable objectives and procedures which the Company will implement and report against to achieve its diversity goals.

The Board intends to set measurable objectives for achieving diversity, specifically including gender diversity and will review and report on the effectiveness and relevance of these measurable objectives. However, due to the current size of the Board and management, these measurable objectives have not yet been set.

Recommendation 1.6

The Chair will be responsible for evaluating the performance of the Board, Board committees and individual directors in accordance with the process disclosed in the Company's Board performance evaluation policy.

This policy is to ensure:

- (a) individual Directors and the Board as a whole work efficiently and effectively in achieving their functions;
- (b) the executive Directors and key executives execute the Company's strategy through the efficient and effective implementation of the business objectives; and
- (c) committees to which the Board has delegated responsibilities are performing efficiently and effectively in accordance with the duties and responsibilities set out in the board charter.

This policy will be reviewed annually.

During the reporting period, an evaluation of the Board, its committees and individual directors has not taken place in accordance with the Company's policy, however a review is currently being completed.

Recommendation 1.7

The Chief Executive Officer will be responsible for evaluating the performance of the Company's senior executives in accordance with the process disclosed in the Company's Process for Performance Evaluations, which is currently being developed by the Board.

The Chair will be responsible for evaluating the performance of the Company's Chief Executive Officer in accordance with the process disclosed in the Company's Process for Performance Evaluations, which is currently being developed by the Board.

Due to the current size of the Board and management, the Company does not have a Chief Executive Officer and accordingly an evaluation has not been conducted.

Principle 2: Structure the board to add value

Recommendation 2.1

Due to the size of the Board, the Company does not have a separate nomination committee. The roles and responsibilities of a nomination committee are currently undertaken by the Board.

The duties of the full Board in its capacity as a nomination committee are set out in the Company's Remuneration and Nomination Committee Charter which is available on the Company's website.

When the Board meets as a remuneration and nomination committee is carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by a Remuneration and Nomination Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of a Nomination Committee and is disclosed on the Company's website.

Recommendation 2.2

The mix of skills and diversity which the Board is looking to achieve in its composition is:

- (a) a broad range of business experience; and
- (b) technical expertise and skills required to discharge duties.

Recommendation 2.3

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles and Recommendations.

Currently the Board is structured as follows:

- (a) Adam Sierakowski (Non-executive Chairman);
- (b) James Searle (Non-Executive Director); and
- (c) Geoff Michael (Non-Executive Director).

The Chairman, Mr Adam Sierakowski has been a director of the Company since 8 December 2010. He is a director and shareholder of Trident, a provider of material professional services, and accordingly, is not independent. Dr James Searle and Mr Geoff Michael have been directors of the Company since 25 January 2010.

Recommendation 2.4

Currently, the Board considers that membership weighted towards relevant expertise is appropriate at this stage of the Company's operations. Accordingly, the Board does not have a majority of independent directors.

Recommendation 2.5

As noted above, Mr Sierakowski is not an independent Chairman. Mr Sierakowski is considered to be the most appropriate person to Chair the Board because of his public company experience.

Recommendation 2.6

It is a policy of the Company, that new Directors undergo an induction process in which they are given a full briefing on the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

Principle 3: Act ethically and responsibly

Recommendation 3.1

The Company is committed to promoting good corporate conduct grounded by strong ethics and responsibility. The Company has established a Code of Conduct (Code), which addresses matters relevant to the Company's legal and ethical obligations to its stakeholders. It may be amended from time to time by the Board, and is disclosed on the Company's website.

The Code applies to all Directors, employees, contractors and officers of the Company.

The Code will be formally reviewed by the Board each year.

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1

Due to the size of the Board, the Company does not have a separate Audit Committee. The roles and responsibilities of an audit committee are undertaken by the Board.

The full Board in its capacity as the audit committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The duties of the full Board in its capacity as the audit committee are set out in the Company's Audit Committee Charter which is available on the Company's website.

When the Board meets as an audit committee is carries out those functions which are delegated to it in the Company's Audit Committee Charter. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee and is disclosed on the Company's website.

Recommendation 4.2

Before the Board approves the Company financial statements for each financial period it will receive from the Chief Executive Officer and the Chief Financial Officer or equivalent a declaration that, in their opinion, the financial records of the Company for the relevant financial period have been properly maintained and that the financial statements for the relevant financial period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and the consolidated entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3

Under section 250RA of the Corporations Act, the Company's auditor is required to attend the Company's annual general meeting at which the audit report is considered, and does not arrange to be represented by a person who is a suitably qualified member of the audit team that conducted the audit and is in a position to answer questions about the audit. Each year, the Company will write to the Company's auditor to inform them of the date of the Company's annual general meeting. In accordance with section 250S of the Corporations Act, at the Company's annual general meeting where the Company's auditor or their representative is at the meeting, the Chair will allow a reasonable opportunity for the members as a whole at the meeting to ask the auditor (or its representative) questions relevant to the conduct of the audit; the preparation and content of the auditor's report; the accounting policies adopted by the Company in relation to the preparation of the financial statements; and the independence of the auditor in relation to the conduct of the audit. The Chair will also allow a reasonable opportunity for the auditor (or their representative) to answer written questions submitted to the auditor under section 250PA of the Corporations Act.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1

The Company is committed to:

- (a) ensuring that shareholders and the market are provided with full and timely information about its activities;
- (b) complying with the continuous disclosure obligations contained in the Listing Rules and the applicable sections of the Corporations Act; and
- (c) providing equal opportunity for all stakeholders to receive externally available information issued by the Company in a timely manner.

The Company has adopted a Disclosure Policy, which is disclosed on the Company's website. The Disclosure Policy sets out policies and procedures for the Company's compliance with its continuous disclosure obligations under the ASX Listing Rules, and addresses financial markets communication, media contact and continuous disclosure issues. It forms part of the Company's corporate policies and procedures and is available to all staff.

The Chief Executive Officer manages the policy. The policy will develop over time as best practice and regulations change and the Company Secretary will be responsible for communicating any amendments. This policy will be reviewed by the Board annually.

Principle 6: Respect the rights of security holders

Recommendation 6.1

The Company provides information about itself and its governance to investors via its website at www.kinetiko.com.au. The Company is committed to maintaining a Company website with general information about the Company and its operations and information specifically targeted at keeping the Company's shareholders informed about the Company. In particular, where appropriate, after confirmation of receipt by ASX, the following will be posted to the Company website:

- (a) relevant announcements made to the market via ASX;
- (b) media releases;
- (c) investment updates;
- (d) Company presentations and media briefings;
- (e) copies of press releases and announcements for the preceding three years; and
- (f) copies of annual and half yearly reports including financial statements for the preceding three years.

Recommendation 6.2

The Company has a Shareholder Communication and Investor Relations Policy which aims to ensure that Shareholders are informed of all major developments of the Company. The policy is disclosed on the Company's website.

Information is communicated to Shareholders via:

- (a) reports to Shareholders;
- (b) ASX announcements;
- (c) annual general meetings; and
- (d) the Company website.

This Shareholder Communication and Investor Relations policy will be formally reviewed by the Board each year. While the Company aims to provide sufficient information to Shareholders about the Company and its activities, it understands that Shareholders may have specific questions and require additional information. To ensure that Shareholders can obtain all relevant information to assist them in exercising their rights as Shareholders, the Company has made available a telephone number and relevant contact details (via the website) for Shareholders to make their enquiries.

Recommendation 6.3

The Board encourages full participation of Shareholders at meetings to ensure a high level of accountability and identification with the Company's strategies and goals.

However, due to the size and nature of the Company, the Board does not consider a policy outlining the policies and processes that it has in place to facilitate and encourage participating at meetings of shareholders to be appropriate at this stage.

Recommendation 6.4

Shareholders are given the option to receive communications from, and send communication to, the Company and its share registry electronically. To ensure that shareholders can obtain all relevant information to assist them in exercising their rights as shareholders, the Company has made available a telephone number and relevant contact details (via the website) for shareholders to make their enquiries.

Principle 7: Recognise and manage risk

Recommendation 7.1

Due to the size of the Board, the Company does not have a separate Risk Committee. The Board is responsible for the oversight of the Company's risk management and control framework.

When the Board meets as a risk committee is carries out those functions which are delegated to it in the Company's Audit Committee Charter. Items that are usually required to be discussed by a Risk Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities in relation to the risk management system of the Audit Committee and is disclosed on the Company's website.

The Board has adopted a Risk Management Policy, which is disclosed on the Company's website. Under the policy, responsibility and control of risk management is delegated to the appropriate level of management within the Company with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and control framework.

The risk management system covers:

- (a) operational risk;
- (b) financial reporting;
- (c) compliance / regulations; and
- (d) system / IT process risk.

A risk management model is also being developed and will provide a framework for systematically understanding and identifying the types of business risks threatening the Company as a whole, or specific business activities within the Company.

Recommendation 7.2

The Board will review the Company's risk management framework annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure that the Company is operating within the risk appetite set by the Board.

- (a) Arrangements put in place by the Board to monitor risk management include, but are not limited to:
- (b) monthly reporting to the Board in respect of operations and the financial position of the Company;
and
- (c) quarterly rolling forecasts prepared;

Recommendation 7.3

The Company does not have, and does not intend to establish, an internal audit function. To evaluate and continually improve the effectiveness of the Company's risk management and internal control processes, the Board relies on ongoing reporting and discussion of the management of material business risks as outlined in the Company's Risk Management Policy.

Recommendation 7.4

Given the speculative nature of the Company's business, it is subject to general risks and certain specific risks.

The Company will identify and monitor those economic, environmental and/or social sustainability risks to which it has a material exposure, and disclosed how it intends to manage those risks.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1

Due to the size of the Board, the Company does not have a separate remuneration committee. The roles and responsibilities of a remuneration committee are currently undertaken by the Board.

The duties of the full board in its capacity as a remuneration committee are set out in the Company's Remuneration and Nomination Committee Charter which is available on the Company's website

When the Board meets as a remuneration committee is carries out those functions which are delegated to it in the Company's Remuneration and Nomination Committee Charter. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required.

The Board has adopted a Remuneration and Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee and is disclosed on the Company's website.

Recommendation 8.2

Details of the Company's policies on remuneration will be set out in the Company's "Remuneration Report" in each Annual Report published by the Company. This disclosure will include a summary of the Company's policies regarding the deferral of performance-based remuneration and the reduction, cancellation or clawback of the performance-based remuneration in the event of serious misconduct or a material misstatement in the Company's financial statements.

Recommendation 8.3

The Company's Security Trading Policy includes a statement on the Company's policy on prohibiting participants in the Company's Employee Incentive Plan entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the Employee Incentive Plan.

Security Trading Policy

In accordance with ASX Listing Rule 12.9, the Company has adopted a trading policy which sets out the following information:

- (a) closed periods in which directors, employees and contractors of the Company must not deal in the Company's securities;
- (b) trading in the Company's securities which is not subject to the Company's trading policy; and
- (c) the procedures for obtaining written clearance for trading in exceptional circumstances.

The Company's Security Trading Policy is available on the Company's website.