



INVICTUS
ENERGY LIMITED

Invictus Awarded Three Carbon Offset Projects in Zimbabwe

3 August 2022

HIGHLIGHTS

- **Invictus awarded three carbon offset projects for 30-year term, covering a combined 301,565 hectares of indigenous forests**
- **Projects are classified under Reducing Emissions from Deforestation and forest Degradation (REDD+) framework**
- **All potential future oil and gas production from Cabora Bassa Project to be Carbon Neutral on Scope 1 & 2 emissions basis, with excess credits to be sold on Voluntary Carbon Market**
- **Potential to be first cradle to grave carbon neutral oil and gas project**
- **Profits from sales of carbon credits will be shared with the Forestry Commission of Zimbabwe and local community to fund protection of forests**

Invictus Energy Limited ("Invictus" or "the Company") is pleased to advise of the award of three carbon offset projects in Zimbabwe.

Award of Ngamo, Gwayi & Sikumi REDD+ projects

The Company has entered a 30-year contract (the "Contract") with the Forestry Commission of Zimbabwe (FCZ) for the development of the Ngamo-Gwayi-Sikumi (NGS) REDD+ project, which is renewable for a further 30 years, as part of the company's sustainable plan to manage emissions. The NGS REDD+ project will enable the Company to fully offset all Scope 1 & 2 emissions generated across the entire lifecycle of the Cabora Bassa Project.

REDD+ was created by the United Nations under its Framework Convention on Climate Change, or UNFCCC, to reduce carbon emissions from deforestation and forest degradation. It also supports local communities through socio-economic projects in line with principles on sustainable management, forest protection and nature conservation.

The NGS REDD+ project areas were awarded by the FCZ through an international tender process and cover a combined 301,565 hectares of indigenous forest in Zimbabwe's Matabeleland North province (see Figure 1).

A five-year pilot REDD+ project, administered and funded by the Global Environmental Facility

ABOUT INVICTUS ENERGY

Invictus Energy Ltd is an independent oil and gas exploration company focused on high impact energy resources in sub-Saharan Africa. Our asset portfolio consists of a highly prospective 250,000 acres within the Cabora Bassa Basin in Zimbabwe. Special Grant 4571 contains the world class multi-TCF Mukuyu (Muzarabani) and Msasa conventional gas-condensate

BOARD & MANAGEMENT

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Non-executive Chairman

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Managing Director

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& Company Secretary

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through the World Bank as part of the Hwange Sanyathi Biodiversity Corridor, was completed in the Ngamo and Sikumi forests in early 2020, including biomass assessments, which has provided proof of concept for the NGS REDD+ project.

A study by the FCZ estimates between 1992 and 2017 approximately 6.5 million hectares of forests (~25% of total) were lost, land clearance for agricultural purposes, wood for fuel energy use and other unsustainable forest land use practises.

Invictus and FCZ will develop the NGS REDD+ project to protect the indigenous forests by implementing programs to mitigate deforestation activities. The resulting benefits of these programs are quantified in the form of emission reductions which then generate carbon credits.



Figure 1 - Areas making up the Ngamo-Gwaai-Sikumi REDD+ Project

Verified Carbon Standard

Invictus has created a new division, *Miombo Forest Carbon Investments ("MFCI")*, to develop and manage the NGS REDD+ project.

It will also manage the carbon credits generated, with plans for them to be certified through Verra's internationally recognised Verified Carbon Standard (VCS) program.

Verra has developed the world's leading voluntary, rigorous international standards to verify

emissions reductions generated by carbon reduction projects, such as REDD+, are real, measurable, additional and permanent.

The VCS allows third party-validated projects to generate Verified Carbon Units (VCUs) by implementing activities that reduce deforestation against a defined baseline.

This will allow carbon credits to be registered as VCUs, which can either be used by Invictus or sold on the Voluntary Carbon Market.

The Company anticipates the completion of accreditation of the project and registration and issuance of the carbon credits to take approximately 12 months.

Invictus to offset Cabora Bassa Scope 1 & 2 emissions across project lifecycle

The NGS REDD+ project has the potential to generate more than 30 million carbon credits over its initial 30-year life (subject to independent accreditation), based on the biomass assessment completed in the pilot REDD+ project in Ngamo and Sikumi and comparable REDD+ projects operating in the region.

The Company will undertake independent verification to determine the total carbon credit pool for the NGS REDD+ as part of the planned VCS accreditation process.

The total Cabora Bassa Project Scope 1&2 emissions are estimated at less than 15 million tonnes across the entire project lifecycle, based on a hypothetical 8 trillion cubic feet natural gas development.

Assuming a successful exploration campaign, the Cabora Bassa Project could be one of the first cradle to grave carbon neutral oil and gas projects in the world (on a Scope 1 and Scope 2 basis).

The status as a full lifecycle carbon neutral project will also enhance the ability to finance the development of any discovery and broaden the range of potential financing options and lenders.

It will also allow Invictus to sell fully offset oil and gas production from its portfolio, enhancing its appeal to increasingly carbon conscious buyers.

Voluntary Carbon Market

The Voluntary Carbon Market (VCM) gives companies, non-profit organizations, governments, and individuals the opportunity to buy and sell carbon offset credits. The VCM is expected to play an increasingly important role that will enable companies to purchase carbon credits to offset unavoidable emissions and reach their net-zero or carbon neutral goals.

The estimated volume of carbon credits required globally is projected to increase at least 20-fold by 2035, with volumes increasing 30 to 40-fold from current levels in scenarios consistent with the Paris Agreement on climate change by 2050 (source: EY Net Zero Centre report 2022).

This is expected to result in a strong pricing outlook as shown in Figure 2, but is dependent on carbon credit quality and attributes as well as the types of co-benefits generated by the project.

The NGS REDD+ project is expected to generate significantly higher volumes of carbon credits than what will be required to offset the Company's own Scope 1 and Scope 2 emissions.

Excess credits generated will be sold on the Voluntary Carbon Market, creating an additional revenue stream for the Company. One carbon credit is equivalent to saving 1 tonne of CO₂ equivalent emissions (t-CO₂e).

The profits generated by the NGS REDD+ project will be shared between MFCI, FCZ and the local community to fund further protection of forests through investment in positive social, economic and environmental projects.

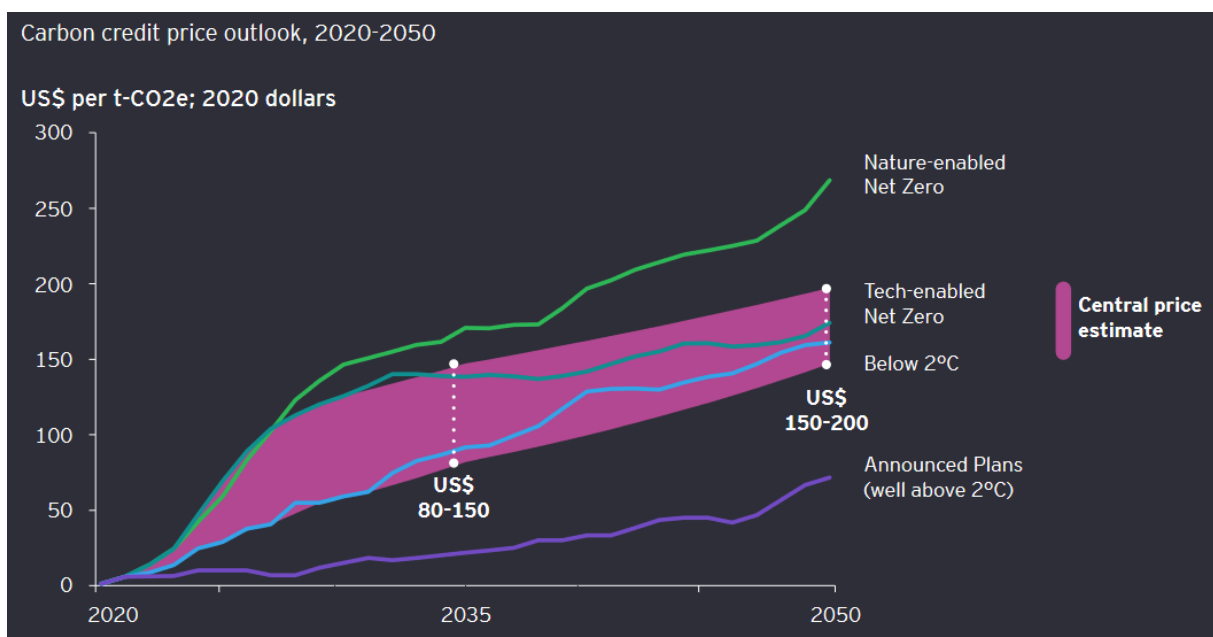


Figure 2 - Carbon Credit Price Outlook Forecast 2020-2050 (source: EY Net Zero Centre report 2022)

Managing Director Scott Macmillan commented

"The award of these carbon offset projects marks a significant milestone for Invictus and will make Cabora Bassa one of the first carbon neutral oil and gas projects from the exploration phase to decommissioning, if our upcoming drilling campaign is a success.

"We actively sought a carbon management solution that would benefit the country and communities where we operate.

"The NGS REDD+ project uniquely positions Invictus and the Cabora Bassa project as one of the first cradle to grave carbon neutral oil and gas companies and projects in the world.

"This project will not only offset our emissions, but help ensure preservation of Zimbabwe's rich biodiversity, aiding both forestry and wildlife conservation efforts, while also creating jobs and sustainable incomes for the entire region.

"Additional revenue generated from carbon credits will also aid the work Invictus is doing to improve health and education in the local communities where we operate, well beyond the initial 30-year term of the initial NGS REDD+ project.

"We look forward to partnering with the Forestry Commission and implementing this important project to protect indigenous forests in the Ngamo Gwayi and Sikumi areas."

Appendix 1 – Key Terms

Contract Term: 30 Years, renewable for a further 30 years based on performance

Commitment Fee: Total of US\$1,500,000 comprising of US\$450,000 upfront; a further US\$450,000 within 12 months; and a final US\$600,000 within 24 months of execution

Accreditation: MFCI to finance and secure internationally accepted accreditation of the NGS REDD+ project with Verra (or other recognised body)

Operatorship: MFCI to administer the project and coordinate activities between various stakeholders, maintain accreditation status and

Profit Sharing: MFCI and FCZ will share all profits from sale of carbon credits 50:50

-Ends-

Approved for release by the Board

Questions and enquiries

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About Invictus Energy Ltd (ASX: IVZ)

Invictus Energy Ltd is an independent upstream oil and gas company listed on the Australian Securities Exchange (ASX: IVZ). The Company is headquartered in Perth, Australia and has offices in Harare, Zimbabwe. Invictus is opening one of the last untested large frontier rift basins in onshore Africa – the Cabora Bassa Basin – in northern Zimbabwe through a high impact exploration program.

The Company's principal asset is SG 4571 located in the Cabora Bassa Basin in Zimbabwe which contains the world class Mukuyu prospect – the largest undrilled prospect onshore Africa independently estimated to contain 20 Tcf and 845 million barrels of conventional gas condensate (gross mean unrisks basis).

Invictus Energy is committed to operating in a safe, ethical and responsible manner, respecting the environment, our staff, contractors and the communities in which we work.

***Cautionary Statement:** *The estimated quantities of petroleum that may be potentially recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation are required to determine the existence of a significant quantity of potentially movable hydrocarbons. Prospective Resource assessments in this release were estimated using probabilistic methods in accordance with SPE-PRMS standards.*

NGS REDD+ talking points and Q&A



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KEY TALKING POINTS

- **Invictus awarded three carbon offset projects for 30-year term, covering a combined 301,565 hectares of indigenous forest, collectively known as Ngamo, Gwayi & Sikumi REDD+ project**
- **Projects are classified under Reducing Emissions from Deforestation and forest Degradation (REDD+) framework, protecting and enhancing forest carbon stocks and generating carbon credits for use as offsets or sale**
- **REDD+ pilot projects and biomass assessments completed by World Bank on Ngamo and Sikumi areas**
- **Extrapolated estimates from pilot projects could result in generation of >30 million carbon credits over initial 30-year project life based on comparable REDD+ projects in operation in the region**
- **Projects will generate enough carbon credits to fully offset Cabora Bassa Project Scope 1 & 2 emissions, with excess credits to be sold on Voluntary Carbon Market**
- **Carbon credits to be certified through Verra's internationally recognised Verified Carbon Standard (VCS) program**
- **Ability to sell carbon neutral oil and gas cargoes**
- **Likely to enhance attractiveness to investors with a strong ESG focus**
- **Profits from sales of all carbon credits will be shared with the Forestry Commission of Zimbabwe and local community to fund protection of forests**
- **Invictus to become one of the first full lifecycle carbon neutral exploration & production companies**

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What is REDD+?

- Reducing Emissions from Deforestation and forest Degradation (REDD+) created by United Nations Framework Convention on Climate Change Conference of the Parties (COP)
- Guides activities in the forestry sector to reduce emissions from deforestation and forest degradation through the sustainable management of forests
- Supports local communities through socio-economic projects in line with principles on sustainable management, forest protection and nature conservation

How many carbon credits will the project generate?

- The NGS REDD+ project has potential to generate >30 million carbon credits over the initial 30-year period based on comparable projects and land use patterns in the region
- One credit equates to 1 tonne of CO₂ emissions
- Total Cabora Bassa Project Scope 1&2 emissions have been estimated at less than 15 million tonnes for an 8 Tcf development

How large is the project area?

- The NGS REDD+ project covers a combined 301,565 hectares
- Largest area Gwayi (144,265 ha), followed by Ngamo (102,900 ha) and Sikumi (54,400 ha)
- These are three of the largest forested areas in Zimbabwe

How are carbon credits generated?

- Carbon credits generated through protection of the forests from deforestation and degradation
- Main causes of deforestation and degradation include use for firewood, clearing for agriculture and animal grazing and timber

- The Verified Carbon Standard (VCS) allows third party-validated projects to generate Verified Carbon Units (VCUs), by implementing activities that reduce deforestation against a defined baseline.

How will NGS REDD+ benefit Zimbabwe?

- Profits from sales of carbon credits will be shared with the Forestry Commission of Zimbabwe and local community to fund protection of forests
- Project will be designed to support a range of activities beyond environmental protection, including promoting the independence and wellbeing of the local communities

How will the project benefit the local community?

- Funds will be allocated towards projects aligned to UN Strategic Development Goals
- Improving clinic amenities to provide better healthcare
- Schooling and education subsidies
- New infrastructure to improve daily life – such as roads and water boreholes

How will the project generate revenue?

- Seeking to achieve certification through Verra using the Verified Carbon Standard (VCS)
- VCS certified projects can turn greenhouse gas emission reductions and removals into tradable carbon credits

How will the project be managed?

- Ngamo-Gwayi-Sikumi Carbon Investments, a subsidiary of MFCI, will operate and administer the NGS REDD+ project, including estimation and monitoring of carbon stocks, implementation of projects and working with the Forestry Commission of Zimbabwe and local communities

What are the other key responsibilities of Miombo Forest Carbon Investments?

- Secure internationally accepted certification of carbon credits
- Facilitate projects and activities to deliver socio-economic benefits through the management and sale of carbon credits
- Amplify sustainable management of forests to reduce carbon emissions

Why is this project important?

- According to Global Forest Watch, from 2001 to 2021, Zimbabwe lost 224kha of tree cover
- Equivalent to a 16% decrease in tree cover since 2000, and 87.4Mt of CO₂e emissions
- Deforestation has been the dominant driver of tree cover loss in Zimbabwe
- This loss of biodiversity can compromise the contribution of indigenous forests to mitigate climate change through carbon sequestration, affecting carbon and nitrogen cycles and livelihood sustainability

What is the impact on IVZ operations?

- The NGS REDD+ project will generate more than enough carbon credits to fully offset the Scope 1 and 2 emissions from the Cabora Bassa basin project
- Could make Cabora Bassa one of the first full lifecycle carbon neutral oil and gas developments, from cradle to grave, assuming success with the drill bit in the upcoming exploration campaign
- Further enhance the attractiveness of Invictus to ESG-focused investors, as well as buyers seeking carbon neutral oil and gas cargoes

What about Scope 3 emissions?

- NGS REDD+ will generate significantly more carbon credits than the Cabora Bassa project will utilise
- Scope in the future for Invictus to use additional carbon credits to further offset the impact of Scope 3 emissions
- Invictus' immediate focus is on reducing Scope 1 and 2 emissions to net zero as soon as practicable

What are the commercial benefits?

- Carbon credit pricing steadily increasing
- NGS REDD+ expected to generate a minimum of 30 million carbon credits over 30 years based on comparable projects and land use patterns.
- However, the total carbon credit pool is subject to independent verification through the VCS accreditation process

What other benefits are there to Invictus?

- Ability for this venture to generate significant revenues for Invictus and the Forestry Commission of Zimbabwe
- Differentiate Invictus and the Cabora Bassa project as one of the first cradle to grave carbon neutral oil and gas companies and projects
- Enhance the Company's social licence to operate

How does this project differ from tree planting projects?

- Protection of existing forests offers greater carbon sequestration compared to planting new trees, which require decades to achieve maturity to sequester significant volumes of CO₂
- Planting 10 million trees will only sequester about 3.9 mt CO₂e

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