Kinetiko Energy Ltd

ABN: 45 141 647 529

Interim Financial report for the half-year ended

31 December 2018

Interim Financial report for the half-year ended 31 December 2018

Corporate Directory

DIRECTORS

Adam Sierakowski
(Non-Executive Chairman)

Dr. James Searle
(Joint Acting Managing Director)

Geoffrey Michael
(Joint Acting Managing Director)

COMPANY SECRETARY

Stephen Hewitt-Dutton

PRINCIPAL OFFICE

Unit 12 / 100 Railway Road
SUBIACO WA 6008

REGISTERED OFFICE

Unit 12 / 100 Railway Road
SUBIACO WA 6008

AUDITORS

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

SHARE REGISTRY

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

STOCK EXCHANGE LISTING

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

Directors' report

The directors of Kinetiko Energy Ltd ("Kinetiko") submit herewith the financial report for the half-year ended 31 December 2018. In order to comply with the provisions of the Corporations Act 2001, the directors report is as follows:

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

Adam Sierakowski
Dr. James Searle
Geoffrey Michael

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

Operating results

The operating loss of the company for the six months amounted to $954,274 (December 2017: loss of $547,168).

Review of operations

During the half year Kinetiko made progress on a number of matters. Key developments were as follows:

Summary of Highlights

- The Company completes entitlement issue raising $801k (before costs).
- World leaders in the design and provision of process control and pumping systems Endress & Hauser AG and Franklin Electric Co. Inc teamed up to provide an innovative pumping, separation and control package that was trialled on the previously flow-tested well KA-03PT.
- Joint estimated cost of tests amounts to approximately US$675,000 (AUD$950,000) which was fully funded by Endress & Hauser AG and Franklin Electric Co.
- Substantial results included the equipment achieved enhanced new high level of water gas separation efficiency and an absolute open flow rate of 300Nm3/hr at a 2.15bar wellhead pressure without any well clean up or other optimised parameters.
- Gas quality at the exceptional level of 95.5% methane was over 1% above previous levels and could eliminate the need for treatment before commercial trading.
- The efficiency of the tested well head separator and control systems suggests there could be major commercial advantages for field development with one separator and control system package serving multiple wells.
- The Company continued its engagement with the South African Industrial Development Corporation (IDC) and other potential funders to explore a variety of funding alternatives for the Amersfoort project. The IDC reconfirmed its support to funding the project once issues unrelated to the project have been resolved; and
- Kinetiko, on behalf of Afro Energy, submitted renewal applications for exploration rights ER38 and ER56 for a further two-year period. The applications are currently under review by PASA.

Directors' report

Review of operations (continued)

Rights Issue Completed

During the quarter the Company completed a 1 for 4 non renounceable entitlement offer at an issue price of $0.02 per share. The Company is delighted by the significant ongoing support of its shareholders expressed through the strong take up of rights.

Including additional shares applied for, shareholders subscribed for a total of 40,073,288 shares totalling $801,466. This comprised 37,174,731 entitlement shares and 2,898,557 of additionally subscribed shares. In accordance with section 2.3 of the Offer Document dated 5 November 2018, the Company may, during the three month period following the Closing Date, place the Shortfall Shares which were not taken up by Eligible Shareholders.

Operations (Amersfoort Project South Africa - KKO 49%)

12/3/56ER

As part of an ongoing exploration and appraisal on its Amersfoort project, Kinetiko has commenced with activities alongside two international experts, Endress & Hauser AG, a global leader in the design and marketing of systems that are used in artificial lifting, separation and flow control in gas production and Franklin Electric Co. Inc., another global business that provides flow control instrumentation used in real-time measurement of gas, fluids and particulates (Figure 2).

Initial indications from the equipment testing are a 95% recovery of gas from produce groundwater, a significant increase from previously used separation equipment. A 99.5% methane content on the produced gas, an improvement of 1%, suggests that gas treatment could be eliminated in the commercial trading of the gas. The improved efficiency of the equipment tested further suggests that multiple wells could be produced through a single separator, another major commercial benefit.

The Endress Hauser engineering review of the equipment tests remains outstanding. The test results will enable Kinetiko to conduct planned optimised flow tests following well clean up procedures.

Kinetiko, on behalf of Afro Energy, submitted a renewal application for exploration rights ER56 for a further two-year period.

Kinetiko submitted a work program in the renewal application consisting of a 1,334 line-kilometre high-resolution aeromagnetic survey (60km2) (Figure 3) which will be obtained over a pre-defined area within ER56 to supplement the 145 km2 previously obtained in the area. In addition, and as an initial phase, Afro Energy proposed the drilling of one zone interval well under the existing approved EMP within ER56. Its positioning will be predicated on the results of the aeromagnetic survey and its interpretation. As a second phase the drilling of a further 7 wells within ER56, also under the currently approved EMP, will be determined by the outcome of the aeromagnetic survey and the geological interpretation of the interval well drilling program. The application for renewal of the exploration rights remains under review by PASA.

Exploration Rights Renewals

Kinetiko, on behalf of Afro Energy, further submitted a renewal application for exploration rights ER38 for a further two-year period.

The Kinetiko board approved the inclusion of a work program in the renewal application consisting of a 10,229 line-kilometre high-resolution aeromagnetic survey (460km2) (Figure 3) over a pre-defined area within ER38. In addition, and as an initial phase, Afro Energy proposed the drilling of one zone interval well under the existing approved EMP within ER38. The positioning will be predicated on the results of the aeromagnetic survey and its interpretation. As a next phase the drilling of a further 7 wells within ER38, also under the currently approved EMP, will be determined by the outcome of the aeromagnetic survey and the geological interpretation of the interval well drilling program. The application for renewal of the exploration rights remains under review by PASA. Except for an updated Environmental Compliancy Report, which Kinetiko contracted SLR Consulting to conduct, PASA required no further clarification of the renewal application.

Directors' report

Review of operations (continued)

ER270, 271 & 272

PASA received the outcome of the Regional Mining Environmental Committee meeting regarding the Exploration Rights applications of tenements ER270, ER271 & ER272 and has submitted a recommendation for approval to the Department of Mineral Resources. PASA is currently awaiting a response from the DMR.

Project Funding

Kinetiko is progressing the fundraising campaign to underpin the above-mentioned programs and has to date achieved the following;

- Notwithstanding the decision by the IDC's Executive Policy Committee not to fund the development of the Project at this time due to an issue unrelated to KKO or the Project, the IDC management has confirmed its support for funding the project once the above-mentioned issue has been resolved; and
- Since the commercial viability of the Project remains robust, both Kinetiko Energy and Badimo Gas are currently exploring alternative funding opportunities for the Amersfoort Project and associated activities.

Corporate

Activities at the Amersfoort Project are carried out through Afro Energy Ltd, owned by Kinetiko Energy Ltd (49%) and its South African shareholder Badimo Gas Ltd (51%).

The Company continues to work toward the reinstatement of its shares to trading on the ASX.

Events Occurring After The Reporting Period

On 6 March 2019 the Company issued 15,250,000 shares at $0.02 per share which represented shares allotted due to the shortfall from the Entitlement Issue.

There are no other matters or circumstances that have arisen since 31 December 2018 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial periods.

Dividends Paid or Recommended

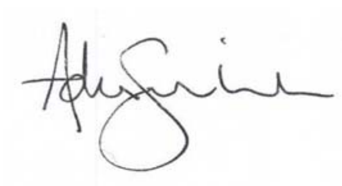
No dividends were paid during the period and no recommendation is made as to payments of future dividends.

Auditor's independence declaration

The auditor's independence declaration is included on page 7 of the half-year financial report.

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

On behalf of the Directors



Adam Sierakowski
Chairman

Date: 14 March 2019

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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF KINETIKO ENERGY LIMITED

As lead auditor for the review of Kinetiko Energy Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 14 March 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Kinetiko Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Kinetiko Energy Limited (the Company), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the company's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

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

Emphasis of matter – Material uncertainty relating to going concern

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

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 31 December 2018 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. 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 review report.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth,14 March 2019

Directors' declaration

The directors of the Company declare that:

1. The financial statements and notes set out on pages 11 to 20 are in accordance with the Corporations Act 2001, including:

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

(b) giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance, as represented by the results of its operations and its cash flow, for the half-year ended on that date.

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

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

Adam Sierakowski
Chairman

Date: 14 March 2019

Statement of Profit or Loss and Other Comprehensive Income for the six months ended 31 December 2018

	Note	Half-year ended 31 Dec 2018 $	Half-year ended 31 Dec 2017 $
Revenue			
Other income		4,942	5,262
Total Revenue		4,942	5,262
Expenses			
Consultancy and professional costs		(140,412)	(211,880)
Employee and contractor expenses		(250,219)	(253,747)
Foreign exchange loss		(2,620)	(9,552)
Occupancy expenses		(15,000)	(15,000)
Depreciation		(413)	(744)
Project expenditure	**4**	(241,875)	-
Interest expense and finance charges	6	(253,189)	(2,981)
Administration expenses		(55,488)	(58,448)
Travel expenses		-	(78)
Total expenses		(959,216)	(552,430)
Loss before income tax expense		(954,274)	(547,168)
Income tax benefit/(expense)		-	-
Loss after income tax expense for the period		(954,274)	(547,168)
Other comprehensive income/(loss)			
Other comprehensive income/(loss) for the period		-	-
Total comprehensive loss for the period net of tax		(954,274)	(547,168)
Loss per share attributable to equity holders of the company:			
Basic loss per share (cents)		(0.34)	(0.21)

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

Statement of Financial Position
as at 31 December 2018

	Note	31 December 2018 $	30 June 2018 $
CURRENT ASSETS			
Cash assets		336,829	7,303
Receivables		240,798	208,423
Other assets		541	5,582
TOTAL CURRENT ASSETS		578,168	221,308
NON CURRENT ASSETS			
Property, plant & equipment	3	3,267	3,680
Investment in associate	4	-	-
TOTAL NON CURRENT ASSETS		3,267	3,680
TOTAL ASSETS		581,435	224,988
CURRENT LIABILITIES			
Trade and other payables		794,996	1,433,391
Borrowings	5	65,000	285
Convertible note	6	-	498,658
TOTAL CURRENT LIABILITIES		859,996	1,932,334
TOTAL LIABILITIES		859,996	1,932,334
NET ASSETS		**(278,561)**	**(1,707,346)**
EQUITY			
Contributed equity	2	19,770,437	17,387,378
Reserves		759,500	759,500
Accumulated losses		(20,808,498)	(19,854,224)
TOTAL EQUITY		**(278,561)**	**(1,707,346)**

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

Statement of Changes in Equity for the half-year ended 31 December 2018

For the period ended 31 December 2017	Attributable to equity holders Ordinary Shares $	Share Based Payment Reserve $	Accumulated Losses $	Total Equity $
At beginning of period	17,387,378	759,500	(8,098,172)	10,048,706
(Loss) for the period	-	-	(547,168)	(547,168)
Total comprehensive loss for the period	-	-	(547,168)	(547,168)
Total contributions by owners	-	-	-	-
At end of period	17,387,378	759,500	(8,645,340)	9,501,538

For the period ended 31 December 2018	Attributable to equity holders Ordinary Shares $	Share Based Payment Reserve $	Accumulated Losses $	Total Equity $
At beginning of period	17,387,378	759,500	(19,854,224)	(1,707,346)
(Loss) for the period	-	-	(954,274)	(954,274)
Total comprehensive loss for the period	-	-	(954,274)	(954,274)
Transactions with owners in their capacity as owners				
Issue of shares during the period	2,415,260	-	-	2,415,260
Share issue costs	(32,201)	-	-	(32,201)
Total contributions by owners	2,383,059	-	-	2,383,059
At end of period	19,770,437	759,500	(20,808,498)	(278,561)

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

Statement of Cash flows
for the half-year ended 31 December 2018

	Half-year ended 31 Dec 2018 $	Half-year ended 31 Dec 2017 $
Cash flows from operating activities		
Payments to suppliers and employees	(350,709)	(97,142)
Interest received	4,942	5,262
Interest and other costs of finance paid	(35,097)	(1,153)
Payments for project expenditure	(241,875)	(43,835)
Net cash used in operating activities	(622,739)	(136,868)
Cash flows from investing activities		
Net cash used in investing activities	-	-
Cash flows from financing activities		
Proceeds from issue of ordinary shares	801,466	-
Release of security bonds	-	-
Proceeds from borrowings	95,000	5,000
Repayment of borrowings	(45,000)	-
Share issue costs	(32,201)	-
Proceeds from issue of convertible notes	133,000	204,000
Net cash provided by financing activities	952,265	209,000
Net increase/(decrease) in cash and cash equivalents	329,526	72,132
Cash and cash equivalents at the beginning of the half-year	7,303	76,102
Cash and cash equivalents at the end of the half-year	336,829	148,234

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

Notes to the interim financial statements for the half-year ended 31 December 2018

1. Basis of Accounting and Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 *'Interim Financial Reporting'* and other mandatory professional reporting requirements. The interim financial statements were approved by the Board of Directors on 14 March 2019. The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report for the year ended 30 June 2018.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Kinetiko Energy Ltd. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2018, together with any public announcements made during the following half-year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

New accounting standards and interpretations

In the half-year ended 31 December 2018, 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 2018.

Adoption of new and amended accounting standards

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies as a result of the adoption of the following standards:

- AASB 9 *Financial Instruments*; and
- AASB 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The impact of these standards, and the other new and amended standards adopted by the Company, has not had a material impact on the amounts presented in the Company's financial statements.

AASB 9 Financial Instruments - Impact of Adoption

AASB 9 replaces the provisions of AASB 139 that relate to the recognitions, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 from 1 July 2018 resulted in no material changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Company assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate AASB 9 categories.

There was no impact on the amounts recognised in the financial statements as a result of adoption.

AASB 15 Revenue from Contracts with Customers - Impact of Adoption

The Company has adopted AASB 15 from 1 July 2018 which has no material impact to the amounts recognised in the financial statements.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2018. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

Notes to the interim financial statements for the half-year ended 31 December 2018

1. Basis of Accounting and Statement of Compliance (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 half year ended 31 December 2018 the Company recorded a loss of $954,274 (31 December 2017: $547,168) and had net cash outflows from operating and investing activities of $622,739 (31 December 2017: $136,868). At 31 December 2018, the Company had a working capital deficiency of $281,828 (30 June 2018: $1,711,026).

The ability of the Company to continue as a going concern is dependent on securing additional funding through the issue of shares to fund its operational 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.

Management believe there are sufficient funds to meet the Company's working capital requirements and as at the date of this report. Subsequent to the date of this report the Company expects to receive additional funds via equity issues as and when the need to raise working capital arises.

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;
- Cash spending can be reduced or slowed below its current rate if required;
- Continued support from major shareholders to raise funds for working capital purposes;
- The Company is also in discussions with the Company's corporate advisors and largest shareholder in relation to raising additional funding.

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 interim financial statements for the half-year ended 31 December 2018

2. Issued Capital

(a) Ordinary Shares

Movements in share capital during the six months periods were as follows:

Period ended 31 December 2017

		Issue Price	Fully Paid Ordinary Shares	$
1 July 2017	Opening balance		254,612,064	17,387,378
31 December 2017	Closing balance		254,612,064	17,387,378

Period ended 31 December 2018

		Issue Price	Fully Paid Ordinary Shares	$
1 July 2018	Opening balance		254,612,064	17,387,378
	Conversion of convertible notes to shares[1]	$0.02	21,651,773	433,036
	Conversion of convertible notes to shares[1]	$0.02	21,809,229	436,184
	Issue of shares for debt consideration[2]	$0.02	37,228,701	744,574
	Issue of shares pursuant to placement facility	$0.02	40,073,288	801,466
	Share issue costs		-	(32,201)
31 December 2018	Closing balance		375,375,055	19,770,437

[1] Refer to Note 6 for convertible note details.
[2] 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 fees owing.

(b) Options

Movements in options during the six months to 31 December 2017 were as follows:

Period ended 31 December 2017

Exercise price	**3c**
Expiry date	**4 November 2018**
Opening balance	53,085,280
Issued during the period	-
Expired during the period	-
Exercised during the period	-
Closing balance	53,085,280

Notes to the interim financial statements for the half-year ended 31 December 2018

2. Issued Capital (continued)

(b) Options (continued)

Movements in options during the six months to 31 December 2018 were as follows:

Period ended 31 December 2018

Exercise price	**3c**
Expiry date	**4 November 2018**
Opening balance	53,085,280
Issued during the period	-
Expired during the period	(53,085,280)
Exercised during the period	-
Closing balance	-

3. Property, Plant & Equipment

	31.12.2018 $	30.06.2018 $
Opening net book value	3,680	5,154
Depreciation charge	(413)	(1,474)
Closing net book value	3,267	3,680
Cost or fair value	36,889	36,889
Accumulated depreciation	(33,622)	(33,209)
	3,267	3,680

4. Investment in Associate

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

Under the joint venture agreement, the company has a 49% direct interest in all of the assets used, the revenue generated and the expenses incurred by the joint venture. The company is also liable for 49% of any liabilities incurred by the joint venture. In addition, pursuant to the joint venture agreement, the company has 49% of the voting rights in relation to the joint venture.

During the period ended 31 December 2018, the Company incurred project expenditure of $241,875 relating to the tenements held by Afro Energy (Pty) Ltd.

Notes to the interim financial statements for the half-year ended 31 December 2018

5. Borrowings

	31.12.2018 $	30.06.2018 $
Opening balance	285	20,000
Loan - other[1]	95,000	285
Loan - director	-	-
Accrued interest	15,286	-
Repayment of loans	(45,571)	-
Reclassification to convertible note	-	(20,000)
Closing balance	65,000	285

[1] During the period ended 31 December 2018, funds were advanced to the Company from unrelated parties. Of the funds received, $45,000 plus interest calculated at 15% was repaid during the period. The balance of funds received, being $50,000, plus interest of $15,000 was repaid subsequent to 31 December 2018.

6. Convertible Note

Current	31.12.2018 $	30.06.2018 $
Opening balance	498,658	-
Face value of notes issued	133,000[2]	480,000[1]
Accrued interest expense	19,470	18,658
Conversion of notes to ordinary shares	(651,128)	-
Closing balance	-	498,658

During the period ended 31 December 2018, the Company issued further unsecured convertible notes with a face value of $133,000, 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 – 10%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, whichever is the lower.
   b. If converted at the maturity date, principal and interest will convert at 80% of the 10 day VWAP or $0.02, whichever is the lower.

[1] Of the total $480,000 notes issued during the year ended 30 June 2018, $400,000 plus accrued interest were converted to 21,651,773 ordinary shares in the Company at a price of $0.02. Of the ordinary shares issued, 4,945,793 shares were issued to Trident Capital Pty Ltd, a company of which Adam Sierakowski is a Director and shareholder.

[2] These convertible notes, together with the remaining $80,000 issued during the year ended 30 June 2018 (see above), plus their accrued interest, were converted to 21,809,229 ordinary shares in the Company 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 period. The total finance charge recognised to the statement of profit or loss and other comprehensive income was $218,092. Of the ordinary shares issued, 8,169,105 shares were issued to Trident Capital Pty Ltd, a company of which Adam Sierakowski is a Director and shareholder.

Notes to the interim financial statements for the half-year ended 31 December 2018

7. 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.

8. Commitments for Expenditure

There has been no significant changes to the Company's commitment since 30 June 2018.

9. Contingencies

There has been no significant changes to the Company's contingent liabilities since 30 June 2018.

10. Fair Values of Financial Instruments

Recurring fair value measurements

The Company does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

Fair values of financial instruments not measured at fair value

The Company does not have any financial instruments not measured at fair value in the statement of financial position.

11. Events Occurring After The Reporting Period

On 6 March 2019 the Company issued 15,250,000 shares at $0.02 per share which represented shares allotted due to the shortfall from the Entitlement Issue.

There are no other matters or circumstances that have arisen since 31 December 2018 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial periods.