



## QUARTERLY OPERATIONS REPORT ENDING 30 SEPTEMBER 2020

### QUARTER HIGHLIGHTS

- **Significant Gas Resource Growth – more than triples by 227%**
  - **Contingent Resource (2C)** increased from 1.5Tcf to **4.9Tcf up 227%**
  - **Prospective Resource (GIP)** increased from 2.4Tcf to **9.3Tcf up 287%**
- **High Resolution Aeromagnetic Survey and Interpretation Unlocks More Gas Potential**
  - Initial interpretation of the latest aeromagnetic and radiometric surveys identified 20 additional potentially gas-charged geologically defined compartments increasing the number of potential production fields to 30 in ER38 (10 fields) and ER56 (20 fields)
  - Interpretation of the survey areas ongoing, with data set and images providing previously unseen geological information that will be critical in guiding ongoing exploration.
- **Strong Shareholder Support to provide Short-Term Funding**
  - Following discussions with major shareholders, the Company is confident that significant short-term funding will be derived from the conversion of unlisted options exercised at \$0.03. If all options in this class were exercised, funds raised would be approximately \$1.5m.
  - The Company continues to advance discussions from funding institutions both inside South Africa and abroad to fund and participate in the Amersfoort project development.
- **Covid-19**

South Africa reduced its Covid-19 alert to level 1 on 21 September 2020 with resumption of most normal activities in accordance with precautions and health guidelines.

  - The Company has continued exploration observing Covid-19 restrictions and does not anticipate approved exploration work programs to be impacted.

## Summary

27 October 2020: 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 the September 2020 Quarter. Activities at the Amersfoort Project are carried out through Afro Energy (Pty) Ltd, owned by Kinetiko Energy Ltd (49%) and its South African shareholder Badimo Gas (Pty) Ltd ("Badimo") (51%).

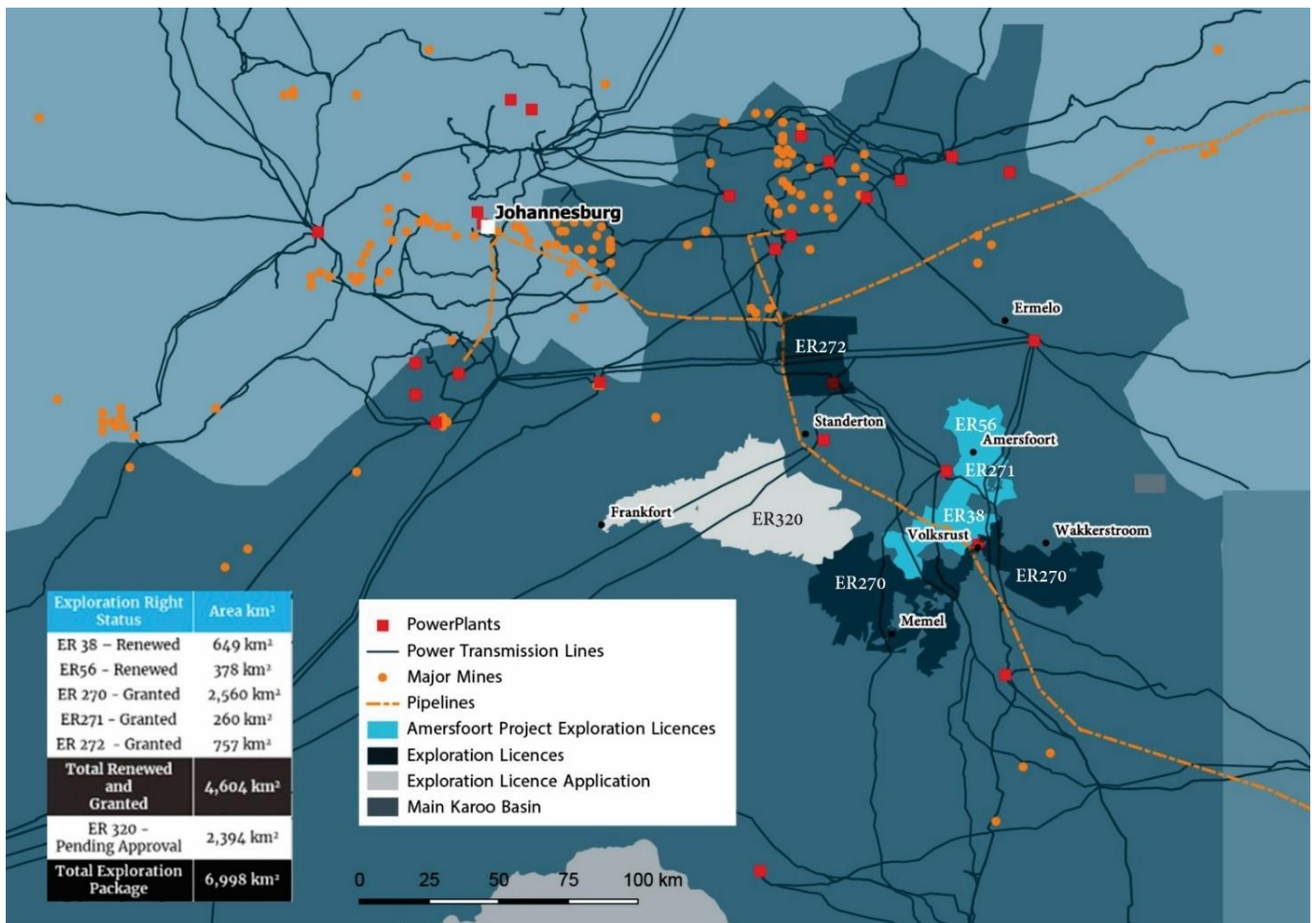


Figure 1 - Afro Energy Exploration Rights & Applications

## Significant Increase to Independent Resource Certification

Kinetiko appointed 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 (GIP) 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-03PTR 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.

Gustavson submitted an updated resource report dated 23 July 2020 according to the VALMIN/PRMS standards which increased the existing (gross) Prospective Resource GIP estimate 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).

Resource Statement Gas Gross						
	Unit=Billion Cubic Feet			Unit=Billion Cubic Meter		
Gas In Place	1C	2C	3C	1C	2C	3C
CBM	3114.2	6883.8	13097.2	88.2	194.9	370.9
Gas in Sandstone	1089.8	2422.8	4367.8	30.8	68.6	123.7
<b>Total</b>	<b>4204.0</b>	<b>9306.6</b>	<b>17465.0</b>	<b>119.0</b>	<b>263.5</b>	<b>494.6</b>
	Unit=Billion Cubic Feet			Unit=Billion Cubic Meter		
Prospective Resource	1U	2U	3U	1U	2U	3U
Gas in Sandstone	361.0	902.5	1766.7	10.2	25.6	50.0
	Unit=Billion Cubic Feet			Unit=Billion Cubic Meter		
Contingent Resources	1C	2C	3C	1C	2C	3C
CBM	2047.1	4492.0	8621.2	58.0	127.2	244.1
Gas In Sandstone	189.8	369.8	629.4	5.4	10.5	17.8
<b>Total</b>	<b>2236.9</b>	<b>4861.8</b>	<b>9250.6</b>	<b>63.4</b>	<b>137.7</b>	<b>261.9</b>

**Table 1. Gross (for 100% of project), Prospective and Contingent Resources unrisks.**

Resource Statement Gas Net to Kinetiko Energy Limited						
	Unit=Billion Cubic Feet			Unit=Billion Cubic Meter		
Gas In Place	1C	2C	3C	1C	2C	3C
CBM	1526.0	3373.1	6417.6	43.2	95.5	181.7
Gas in Sandstone	534.0	1187.2	2140.2	15.1	33.6	60.6
<b>Total</b>	<b>2060.0</b>	<b>4560.2</b>	<b>8557.9</b>	<b>58.3</b>	<b>129.1</b>	<b>242.4</b>
	Unit=Billion Cubic Feet			Unit=Billion Cubic Meter		
Prospective Resource	1U	2U	3U	1U	2U	3U
Gas in Sandstone	176.9	442.2	865.7	5.0	12.5	24.5
	Unit=Billion Cubic Feet			Unit=Billion Cubic Meter		
Contingent Resources	1C	2C	3C	1C	2C	3C
CBM	1003.1	2201.1	4224.4	28.4	62.3	119.6
Gas In Sandstone	93.0	181.2	308.4	2.6	5.1	8.7
<b>Total</b>	<b>1096.1</b>	<b>2382.3</b>	<b>4532.8</b>	<b>31.1</b>	<b>67.5</b>	<b>128.3</b>

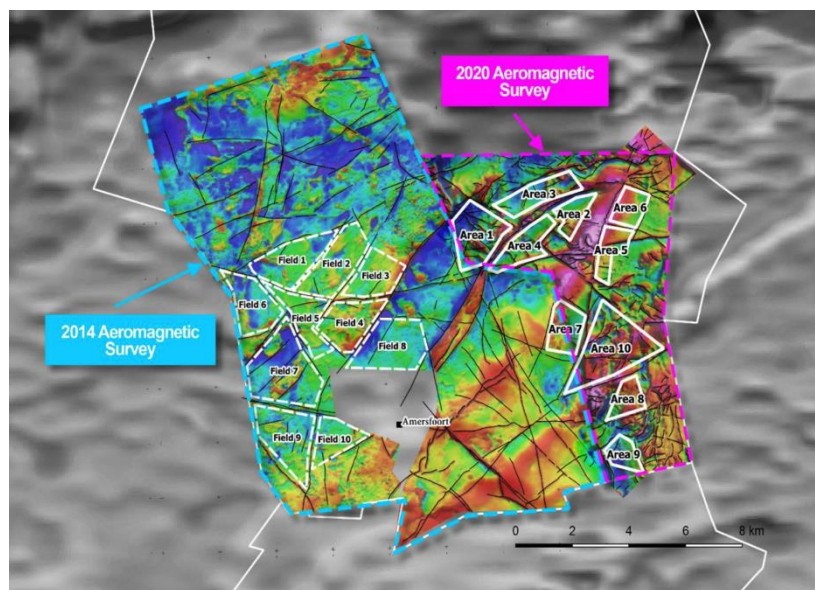
**Table 2. Net to Kinetiko Energy (for 49% of project), Prospective and Contingent Resources unrisks.**

## High Resolution Aeromagnetic Survey - Exploration Rights 38 & 56

Afro Energy contracted Xcalibur Airborne Geophysics (Pty) Ltd to conduct a high resolution aeromagnetic and radiometric survey over the pre-defined areas within ER38 and ER56. The aircraft and ground crew were mobilised on 1 July 2020 and commenced with data acquisition on 6 July 2020.

The recently completed survey on exploration right ER38 consisted of 10,229 line-kilometres survey (**417km<sup>2</sup>**).

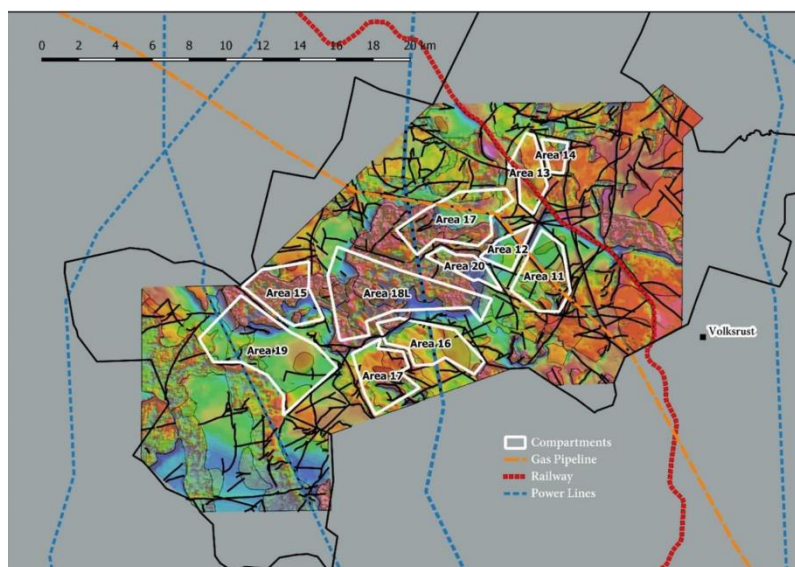
Initial interpretations of the recently completed survey have outlined 10 new compartments (termed Areas) that have been evaluated as gas charged fields taking the total number of compartments identified on ER56 to 20 (Figure 2). The previous 2014 high resolution aeromagnetic survey on ER56 provided unprecedented detail on the structural and lithologic compartmentalisation of the gas charged Karoo sandstone and coal sequences that extend across the entire license area and the definition due to advances in technology were increased in this survey. Dolerite dykes, dolerite sills, sub-vertical faults and stratigraphic closures on the flanks of basement highs were interpreted which assisted defining a number of compartments containing pressurised conventional gas accumulation with gas charged coal sequences. A TMI (total magnetic image) of the 2014 and 2020 surveys are shown in Figure 2 combining the 2014 compartments (termed "Fields") and 2020 compartments (termed "Areas") that together target a multitude of potential pilot production fields for development.



**Figure 2. High-resolution aeromagnetic & radiometric survey areas**

Initial interpretations of the ER38 portion of survey have outlined an addition 10 new compartments (termed Areas) taking the total number of compartments to 30 (Figure 3). The high-resolution aeromagnetic survey again provided unprecedented detail on the structural and lithologic compartmentalisation of the gas charged Karoo sandstone and coal sequences that extend across the entire license area. The ER38 survey area contains some major infrastructure features, a gas pipeline, power lines and a rail line which can produce linear anomalies not unlike major faults consequently for clarity they are superimposed on the TMI Image in Figure 3.

The scale of the compartments in ER38 were the largest identified to date ranging from around 2km<sup>2</sup> to over 20km<sup>2</sup> (refer to ASX Announcement 14 Oct 2020).



**Figure 3 - ER38 interpreted compartments (Areas) on a composite Total Magnetic Image (TMI) and interpreted dolerite sill image, including power, gas and rail Infrastructure.**

## Regulatory

### 12/3/320ER pending approval

PASA has positively assessed Afro Energy's application for Exploration Right 320, in terms of Section 79 of the Mineral and Petroleum Resources Development Act, to explore for Petroleum and Gas. Afro Energy is finally required to prepare an application for Environmental Impact Authorization (“EIA”) in terms of Regulation 16 of the Environmental Impact Assessment Regulations of 2014. Afro Energy has engaged SLR Consulting to complete the application, however the process has temporarily been interrupted until conflicting regulations between PASA, the Department of Mineral Resources (“DMR”), the Department of Environmental Affairs and the Department of Water and Sanitation have been resolved. Afro Energy has successfully applied for an extension of the date of submission for the EIA 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 has been rescheduled by PASA for a time in line with the resolution of the conflicting regulations between the Departments. Exploration Right 320 once approved will increase the exploration tenure of Afro Energy by approximately 35% and enable a further re-assessment by Gustavson to potential increase prospective and contingent resources.

## COVID-19 Pandemic

South Africa reduced its Covid-19 alert to level 1 on 21 September 2020 meaning that most normal activity could resume, with precautions and health guidelines be followed at all times which includes:

- All persons who are able to work from home must do so. However, persons will be permitted to perform any type of work outside the home, and to travel to and from work. For work purposes persons must observe:
  - strict adherence to health protocols and social distancing measures;
  - the return to work being phased-in in order to put in place measures to make the workplace COVID -19 ready;
  - the return to work being done in a manner that avoids and reduces risks of infection

The Company has successfully conducted planned exploration and anticipates that it can continue exploration while 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.

These 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 locations adjacent to existing energy infrastructure such as the South Africa’s second largest Majuba coal power station are indicated below. (Figure 10)

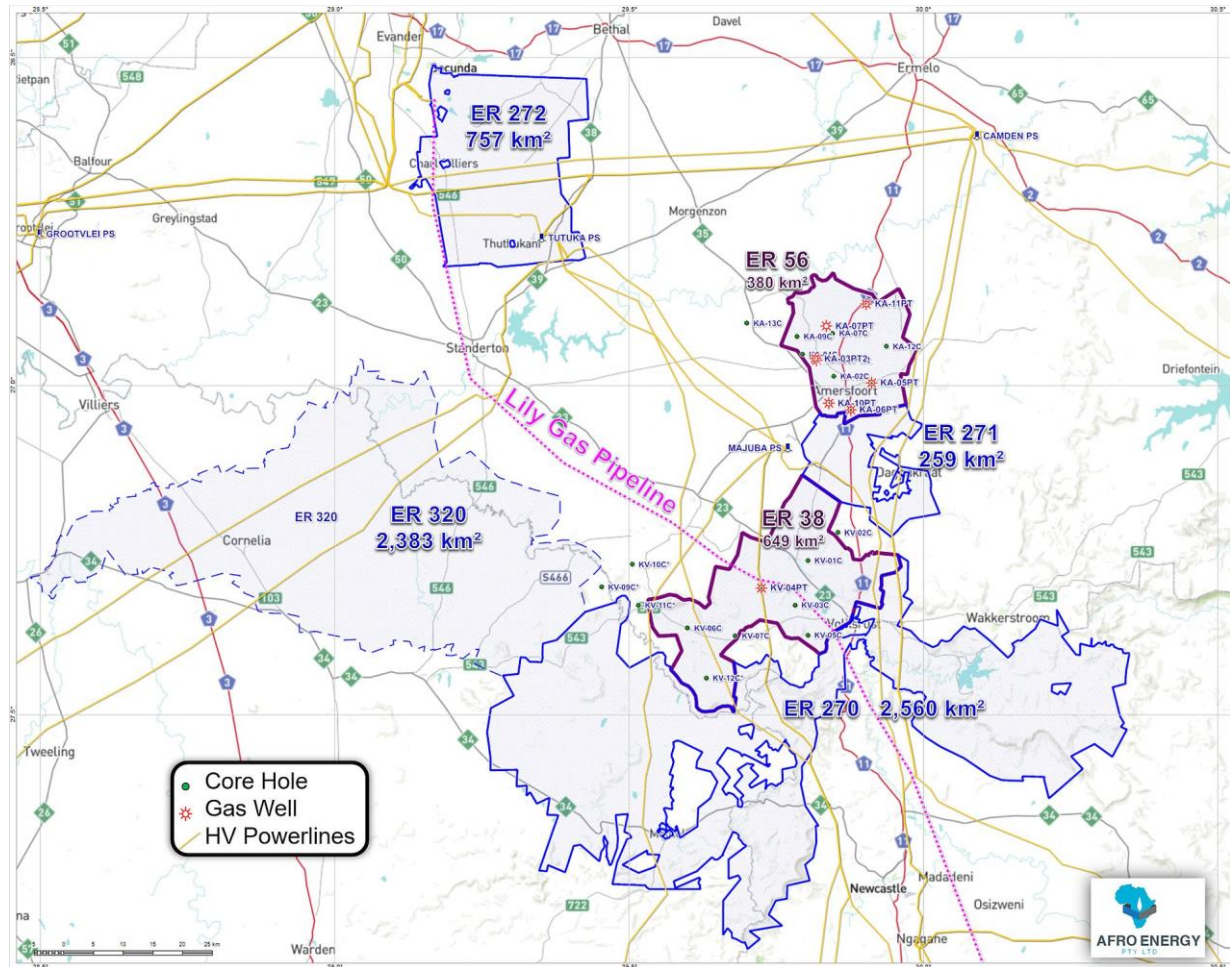


Figure 4 – Afro Energy Exploration Rights

#### Information Required By Listing Rule 5.4.1

During the Quarter ended September 2020, the Company had cash outflows for exploration and evaluation of \$357k. \$148k was in relation to the aeromagnetic survey, \$84k the updated resource calculation and \$125k was in relation to other sundry exploration costs.

During the September 2020 quarter, \$129k was paid to directors and their associates for directors' fees, company secretarial fees, corporate fees, capital raising fees and legal fees.

## Tenure Status

Clause	Area of Interest	Tenement reference	Nature of interest	Interest September 2020
Interest	Amersfoort Project – South Africa			
		30/5/2/3/38ER	3 <sup>rd</sup> renewal period granted by DMR in Aug 19.	49%
		30/5/2/3/56ER	2 <sup>nd</sup> 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%

This announcement is authorised for release to the market by the Board of Directors of Kinetiko Energy Limited.

**-ENDS-**

For more information visit: [www.kinetiko.com.au](http://www.kinetiko.com.au) or contact,

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**Competent Persons and Compliance Statements**

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.

**Previously Reported Information Footnotes**

This report includes information that relates to Exploration Results and Resources extracted from the Company's previous ASX announcement as follows:

- <sup>1</sup> ASX announcement 24/07/20 "Aeromag Survey Doubles ER56 Gas Compartmentalisation Geology".
- <sup>2</sup> ASX announcement 29/07/20 "Significant Gas Resources increase to 4.9TCF."
- <sup>3</sup> ASX announcement 14/10/20 "Aeromag Confirms Significant Increase in Gas Compartments"

This announcement is available to view on the Company's website [www.kinetikoenergy.com.au](http://www.kinetikoenergy.com.au)

The Company confirms that it is not aware of any new information or data that materially affect the information included in the relevant market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

**About Kinetiko Energy and Afro Energy**

Kinetiko Energy is an Australian gas explorer focused on advanced shallow conventional gas and coal bed methane (CBM) opportunities in rapidly developing markets in Southern Africa. South Africa has extensive gassy coal basins, extensive energy infrastructure and a growing gas demand, making it an attractive area for investment. The Company has a large potential exploration area, of which approximately 7000km<sup>2</sup> is granted and being explored.

Afro Energy (Pty) Ltd. was incorporated as a joint venture founded in 2015 by Kinetiko Energy Ltd (49%) and Badimo Gas (Pty) Ltd of South Africa (51%) as a JV company to own 100% of the exploration rights with required BEE (Black Empowerment Endowment) certification, and facilitate South African investment in order to continue to explore, develop, and commercialise gas production.

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