



QUARTERLY OPERATIONS REPORT ENDING 31 DECEMBER 2021

HIGHLIGHTS

- **Health, Safety and Environment.**

No material accidents, injuries or environmental incidents have been reported during the period.

- **Covid – 19**

Afro Energy will continue exploration activities observing South Africa's latest Covid-19 restrictions and regulations. Kinetiko continues to progress its exploration activities.

- **Funding**

Kinetiko is debt free and has cash of approximately \$1.013m having mobilized two drill rigs to its Amersfoort site its spudded three new wells known as the Korhaan project.

- **Exploration**

Two drill rigs were mobilised for drilling activities to approved site locations for gas wells adjacent to existing pilot production wells on Amersfoort project ER56. The three new wells know as Korhaan 3, 4 & 5 were all successfully spudded despite some challenging unseasonable poor weather conditions.

In addition to the drilling campaign, the Company flew aeromagnetic surveys on newly granted exploration rights ER 270 and ER 272 for the purpose of targeting further gas compartments. These surveys were completed in December 2021 and exceptional results were obtained with a further 42 prospective gas compartments being identified.

- **Production Off Take**

Afro energy (Pty) Ltd executed a term sheet to joint venture with Vutomi Energy (Pty) Ltd to produce gas to a gas reticulation engine to produce electrical energy for sale to third party customers.

- **Corporate**

Badimo Gas (Pty) Ltd and Kinetiko Energy Ltd executed a binding Restructure Agreement to enable Kinetiko acquiring Badimo's 51% equity interest in Afro Energy to increase its interest to 100%. KKO shareholders will now be sought to approve the merger and the issue of 597,704,812 consideration shares.

INTRODUCTION

31 January 2021: Perth-based energy exploration company Kinetiko Energy Limited (ASX:“KKO”) (“Kinetiko”) is pleased to report on corporate developments and operation activities at its Amersfoort project and adjacent exploration rights in South Africa (Figure 1) during the December 2021 quarter. The activities are conducted through Afro Energy (Pty) Ltd (“Afro Energy”) an incorporated joint owned by Kinetiko Energy Ltd of Australia (49%) and Badimo Gas (Pty) Ltd (“Badimo”) of South Africa (51%) but contracted to be acquired 100% by Kinetiko.

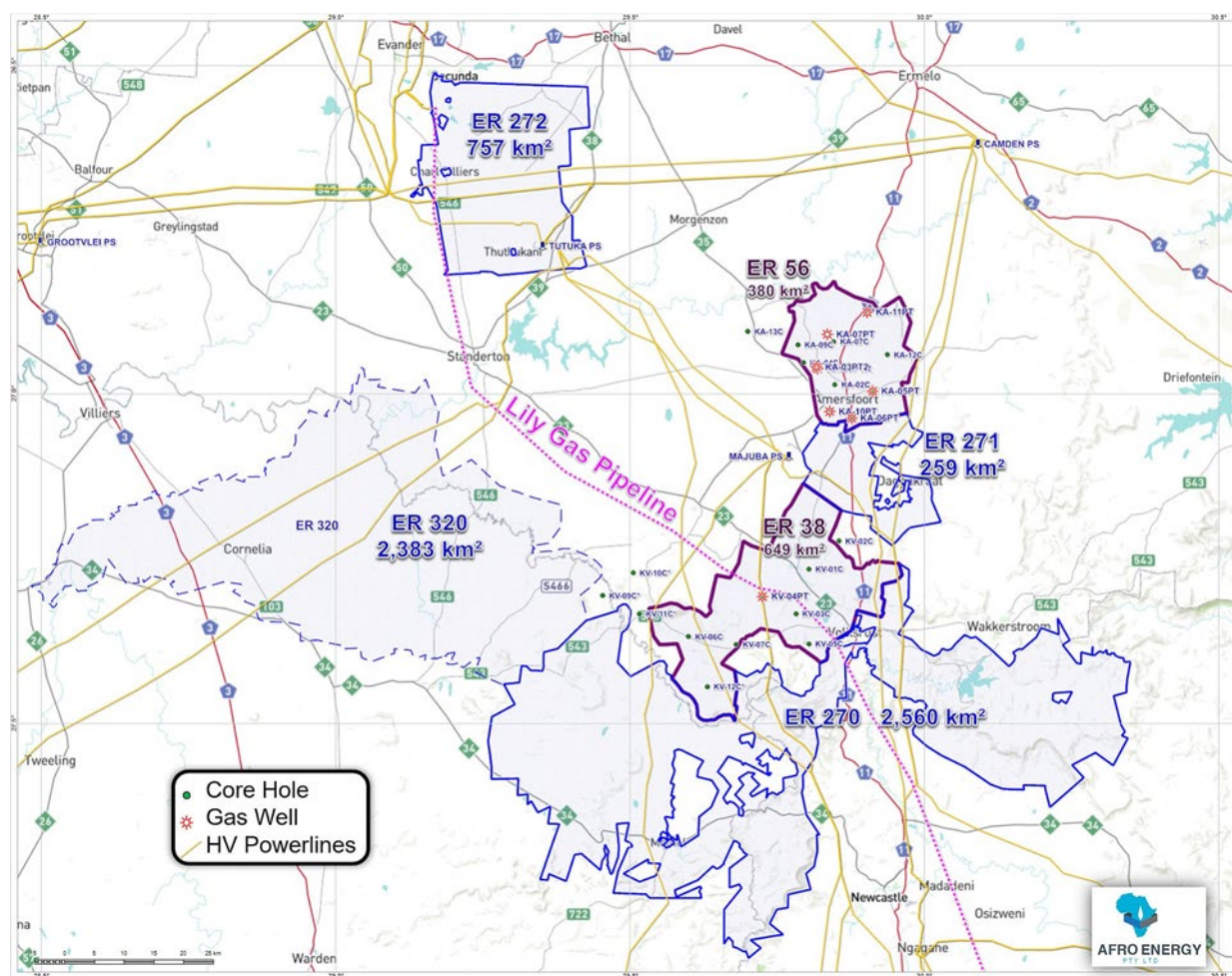


Figure 1 - Afro Energy Exploration Rights & Applications

FUNDING

Kinetiko is debt free and has cash of approximately \$1.013m at the end of the period, which is adequate to complete the Korhaan exploration and gas drilling program which has already been successfully undertaken.

In addition, negotiations continue to advance with a South African institutional investor to fund a pilot production field to an amount of approximately AUD \$7.0m. These negotiations are expected to close before the end of the March 2022 quarter.

These achievements and the ongoing merger of the Afro Energy joint venture have elicited a number of positive responses from potential South African funding institutions to fund and participate in the future exploration and production development. Afro Energy remains in discussions with a number of interested funding parties.

EXPLORATION

- **Drilling**

Rigs were mobilised for drilling activities to approved and known gassy site locations wells adjacent to existing pilot production wells on Amersfoort project ER56 (now ER271 North) (Figure 2). The new wells were the first drilled on the project in 8 years and with the deployment of updated technology and geological data. Significant exploration success was achieved during the quarter and is summarized below for each well.

Well Korhaan-4

Having successfully completed the spudding and drilling of the production section from 130m to 443m, significant preliminary gas flows were established under choked conditions. Following a quick clean-up of the well, a suite of logging tools (including gamma ray, neutron, density and optical televiewer) were run to establish stratigraphy, locations of water and gas ingress and coal seams.

The planned flow test on Korhaan-4 will be undertaken by running a pump into the well to pull down the water and allowing the maximum comingled gas flow. It is expected that the well-testing will be performed over a period of at least one week to enable time to establish pressure and flow stability in low-perm conditions which is planned in the first two weeks of February.

From the strength of the flow rate results and groundwater fractures identified, plans will then be made to conduct a more sophisticated completion solution involving the casing and

perforation of only the gassy zones which is expected to further increase flow rates and minimise or negate water ingress.

Well Korhaan-5

Following the spudding of this well it was drilled to a depth of 150m, and successfully cased and cemented the dolerite sill. Drilling operations continued with the construction of a well cellar and drill out of the plug / float collar in preparation for re-entry in January 2022. All indications were that similar geology will be encountered in Korhaan-5 to that observed in Korhaan 4.

Similarly to Korhaan-4, the well test on Korhaan-5 will be undertaken by running a pump into the well to pull down the water and allowing the maximum comingled gas flow. It is expected that the well-testing will be performed over a period of at least one week to enable time to establish pressure stability in low-perm conditions. Flow testing is planned in the first two weeks of February.

From the strength of the flow rate results plans will then be made to conduct a more sophisticated completion solution involving the casing and perforation of only the gassy zones which is expected to further increase flow rates and minimize or negate water ingress.

Well Korhaan-3

Following a successful spudding of Korhaan 3 the well was prepared for clean out to current depth of 102m before completing the surface section to approx. 130m-150m.

All indications were that the three new wells could exhibit significant gassy geology and with successful flow tests in early 2022 become potential gas production wells. (Figure 3)

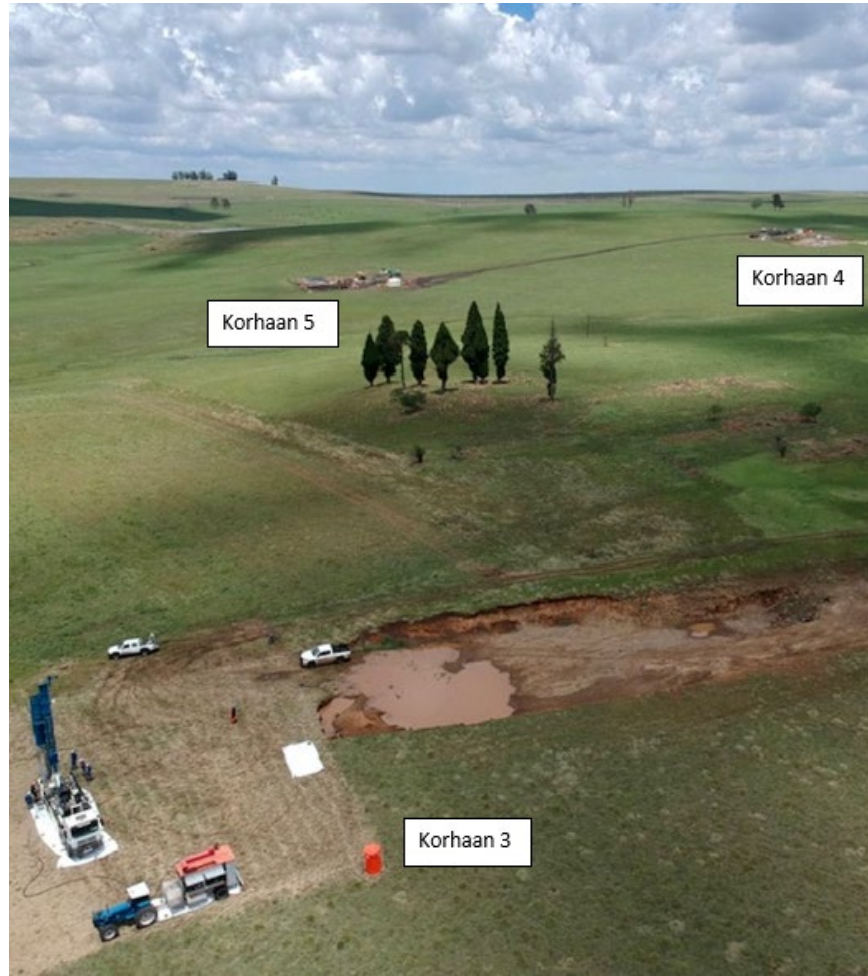


Figure 2 : Korhaan Project Wells



Figure 3 : Korhaan-3 Significant gas flows under downhole-choked conditions

- **Aeromagnetic Surveys**

In addition to drilling, the company will continue to fly aeromagnetic surveys on newly granted exploration rights ER 270 and ER 272 for the purpose of targeting further gas compartments. These flown surveys are anticipated to be undertaken during Oct/Nov and data procured during Dec.

After completing the data acquisition over three discrete survey areas in blocks ER270 and ER272, the information and geophysical interpretation was carried out with significant results announced on 27 January 2022. Interpretation results identified 42 new prospective gas compartments taking the total number discovered to date to 79.

GAS PRODUCTION

- **Off take from gas production JV terms sheet**

Afro Energy executed a joint venture term sheet with Vutomi Energy (Pty) Ltd with the intention that gas produced by Afro Energy from small scale production scenarios would be used to power gas reticulation generators to produce electrical energy to be sold to third party customers.

- **Pilot Production Field Development**

Afro Energy has modelled a 15-20 well pilot production field on ER56 which it has been seeking institutional funding to develop. Positive responses have been received from potential funding institutions both inside South Africa and abroad to fund and participate in the development of a pilot production field.

One of the potential investors has proceeded to a decision to invest stage having undertaken a successful due diligence and it anticipated a final agreement will be reached within this year.

CORPORATE

- **Proposed Acquisition of Badimo by Kinetiko**

Badimo Gas (Pty) Ltd and Kinetiko Energy Ltd executed binding formal agreements with the Badimo to increase its shareholding in Afro Energy from 49% to 100%.

The acquisition significantly de-risks the development of the South African gas exploration projects and brings together all the experience and expertise of the historic joint venture parties. Once finalised, the proposed acquisition will streamline the exploration and

development of nearly 7,000km² of the geologically and infrastructure rich land position which hosts currently 4.9Tcf (2C) gas resource.

The respective boards and major shareholders of both Badimo and Kinetiko are supportive of the acquisition and have been working together to complete the satisfaction of the conditions to the merger where good progress has been made and the parties to the merger transaction believe it can be complete this year.

In addition, negotiations continue to advance with a South African institutional investor to fund a pilot production field to an amount of approximately AUD\$7.0m. These negotiations are expected to close before the end of the year.

These achievements and the ongoing merger 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. Afro energy remains in discussions with a number of interested funding parties.

Competent Persons and Compliance Statements

Unless otherwise specified information in this report relating to operations, exploration and related technical comments have been compiled by CEO, Mr Nick de Blocq, who has over 30 years' experience in energy minerals exploration and production, including various executive roles. Mr de Blocq consents to the inclusion of this information in the form and context in which it appears.

Previously Reported Information Footnotes

This announcement is available to view on the Company's website 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.

For more information visit: www.kinetiko.com.au or contact,

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TENURE STATUS: as at 31 December 2021

<u>Tenement reference</u>	<u>Nature of interest</u>
30/5/2/3/38ER	Consolidation to ER271 granted by DMR on 19 August 2019.
30/5/2/3/56ER	Consolidation to ER271 granted by DMR on 19 August 2019.
ER320 (TCP 106)	Application for conversion from TCP to exploration right approved by regulator. Application for EIA delayed due to regulatory delays.
ER 270	Exploration Right granted on 03 September 2019.
ER 271	Consolidation to include ER56 and ER38 granted by DMR on 19 August 2019.
ER 272	Exploration Right granted in 21 August 2019.

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 7000km² 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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Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

KINETIKO ENERGY LIMITED

ABN

45 141 647 529

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(98)	(243)
(e) administration and corporate costs	(146)	(373)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – net GST and VAT (paid) / refunded	(76)	(90)
1.9 Net cash from / (used in) operating activities	(320)	(706)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(112)	(112)
(d) exploration & evaluation	(906)	(1,154)
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	(24)	(45)
2.4 Dividends received (see note 3)	-	-
2.5 Other – capitalised acquisition costs	(50)	(113)
2.6 Net cash from / (used in) investing activities	(1,092)	(1,424)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,848
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	257	287
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(184)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	257	2,951

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,165	191
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(320)	(706)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,092)	(1,424)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	257	2,951

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	3	1
4.6	Cash and cash equivalents at end of period	1,013	1,013

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,013	2,165
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,013	2,165

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	73
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	<div style="border: 1px solid black; min-height: 100px; padding: 5px;">N/A</div>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(320)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(906)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,226)
8.4 Cash and cash equivalents at quarter end (item 4.6)	1,013
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	1,013
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.83
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<div style="border: 1px solid black; min-height: 30px; padding: 5px;">Answer: Yes</div>	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
<div style="border: 1px solid black; min-height: 30px; padding: 5px;">Answer: The company is investigating both debt and equity opportunities to secure future capital.</div>	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, from existing and potential funding opportunities

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2022

Authorised by the Board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.