

## QUARTERLY ACTIVITIES REPORT ENDING 30 JUNE 2022

### HIGHLIGHTS

#### ○ Health, Safety and Environment.

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

#### ○ South African Investment

Afro Energy (a subsidiary of the Company) entered into a joint development agreement (“JDA”) with the Industrial Development Corporation of South Africa (“IDC”). The JDA involves the development of gas fields to produce gas for industrial, commercial, transportation or power generation applications. The IDC contribution is ZAR70m for a 45% interest in the incorporated joint venture.

The Company secured a subscription of ZAR\$10m from Phefo Power (Pty) Ltd (“Phefo Power”) and launched a proposed partially underwritten pro-rata renounceable rights issue on the basis of 1 new share for every 15 shares held (Rights Issue) to raise a further A\$3.1m. The rights issue has closed and currently \$2.1m has been raised with the shortfall still open. On completion, the Company will be well-funded through raising a total of approximately A\$4.1 million before costs to pursue further exploration and corporate opportunities as well as provide general working capital.

#### ○ Drilling Operations

The Company successfully flowed gas from each of the three Korhaan Project wells and significant gas flow rates have been achieved from Korhaan wells 4 and 3 establishing pilot production flow rates. The gas flowed from the Korhaan wells along with existing nearby production wells KA-03PTR and KA-03PT2 are anticipated to collectively deliver between 200,000 and 250,000 standard cubic feet of gas per day being sufficient to drive first pilot gas to power generation trials being completed with Vutomi Energy.

Korhaan well 3 successfully completed a number of flow and shut-in test periods with each showing increased pressure, proving the well placement within a large gas compartment with rapid recharge. The last flow rate period produced very high-quality gas (~98% methane 2% nitrogen and zero CO<sub>2</sub>) at a sustained flow rate of 83,000 cubic feet of gas per day.

There were also strong gas indications from Korhaan well 4 (“K-4”) despite equipment issues. Flow testing in June achieved a stable 3-day flow rate of 40,000 standard cubic feet per day. Following removal of the water pump well K-4 exhibited unexpectedly high unrestricted gas flows “afterburner” achieving an average flow rate over a 12-hour period of 91,000 standard cubic feet

per day. This afterburner effect indicates the potential limitation caused by equipment issues on initial gas flows.

With equipment issues resolved it's anticipated that K-4 can be retested and reach sustained flow rates in excess of 100,000 standard cubic feet per day. The flowed gas from the Korhaan wells 4 and 3 along with existing nearby wells KA-03PTR and KA-03PT2 anticipated to collectively deliver between 200,000 and 250,000 standard cubic feet per day to drive first pilot production gas field power generation.

### ○ **Corporate**

The Company completed all the conditions precedent for the completion of the merger with Badimo Gas (Pty) Ltd to acquire up to 100% of the South African projects. These included approvals from the South African resources Minister and South African Reserve Bank.

The Company now awaits the Independent Experts Report for the notice of meeting to its shareholders which is anticipated to be completed in the July, enabling the merger to be completed in Q3 this year.

### ○ **Regulatory**

Monthly environmental audits were carried out during Q2-22. No material issues to report.

## **INTRODUCTION**

Energy exploration company Kinetiko Energy Limited (ASX:KKO) ("**Kinetiko**" or "**Company**") is pleased to report on corporate developments and operational activities at its Amersfoort project and adjacent exploration rights in South Africa during the second quarter (April - June) of 2022. The activities are conducted through Afro Energy (Pty) Ltd ("**Afro Energy**") a subsidiary of the Company.

## **SOUTH AFRICAN INVESTMENT**

### ○ **Participation by Institutional Investor finalised**

Multiple year negotiations and planning towards a South African institutional investment in a joint venture to develop gas fields to produce gas for industrial, commercial, transportation or power generation applications were completed with the IDC ("**Industrial Development Corporation**") prior end of quarter. An incorporated joint venture company, Afro Gas Development SA (Pty) Ltd has been established. The IDC to contribute ZAR70m for a 45% interest in the incorporated joint venture, these funds being earmarked for the drilling of up to a further 20 exploration and production wells in the north and south of our Block ER271, as well as a portion of infrastructural costs.

The IDC is the SA Government's infrastructural investment mechanism, and it is designed to promote growth in the industrial sector of South Africa for projects which have the confidence of the Government.

#### ○ **Strategic Investment**

In April, Kinetiko announced that it had secured subscription from a South African energy investment group, Phefo Power as a shareholder via this subscription for shares. This investment will substantially bolster Kinetiko's Black Economic Empowerment ("BEE") certification. Phefo Power is an investment group whose stakeholders comprise leading South African oil and gas executives.

Pursuant to the terms of the placement, the pricing of which was negotiated in early 2020 and subject to the IDC investment, Phefo Power has subscribed for 30m fully paid ordinary shares in the Company that are subject to voluntary escrow for a period of 12 months from their date of issue. The subscription price for the Shares is ZAR\$10m.

#### ○ **Renounceable Rights Issue**

The Company launched a renounceable Rights Issue on the basis of one (1) new fully paid ordinary share for every fifteen (15) Shares held at an issue price of \$0.075 to raise up to A\$3.1m (before costs). The Rights Issue closed in early June and with the shortfall which is still open has current raised \$2.1m.

The Company has received significant interest from South African funds to participate in the shortfall and is continuing negotiations with these groups.

#### ○ **Exploration**

All the Korhaan Project holes were percussion drilled to intersect carbonaceous sandstone and coal geology at depths that ranged from 130m to 450m. The wells are conventional and have unsophisticated completions as they are open holes that test the entire Lower Karoo section and have successfully flowed low pressure gas. The ER 271 tenement is generally located in the Northern Karoo Basin of South Africa, a retro-arc foreland basin containing extensive thicknesses of Permian sediments belonging to the Karoo Supergroup. Extensive coal deposits are contained within the Ecca Group (280-250 million years). The Korhaan well project is located within the Ermelo Coalfield. The Permian age sediments of the Northern Karoo Basin are extensively intruded by Jurassic age dolerites. Gas exploration has focused on coal sandstones, coal and other carbonaceous structures at depths of 130m to 450m.

As at the end of the second quarter of 2022, the status of the wells is as follows:

#### **Korhaan Project Well Summary:**

**Korhaan-3:** Korhaan 3 was tested during May 2022 and had a successful series of multiple flow and shut-in periods. Encouragingly, each period showed an increase in both flow rate and build-up pressure, proving its placement within a large compartment with rapid recharge functionality. The last flow period produced very high-quality gas (~98% methane, 2% nitrogen and zero CO<sub>2</sub>) at a sustained rate of over 83 mscfpd gas flow with a shut-in pressure build-up of over 12 bar.

**Korhaan-4:** Korhaan-4 was the second well to be tested due to logs having shown a cumulative pay zone of 127m; but as a result of weather and equipment delays was shut in. The well was opened and re-entered in early June 2022 flow testing with multi-day and multi-cycle flow/shut periods were undertaken. This process was interrupted by a number of equipment issues including failed downhole sensors and faulty water pumps. Despite the mechanical issues flow testing in June achieved a stable 3-day flow rate of 40,000 standard cubic feet per day with a high methane content of over 98%. When preparing for the removal of the faulty water pump K-4 exhibited unexpectedly high unrestricted gas flows "afterburner" achieving an average flow rate over a 12 hour period of 91,000 standard cubic feet per day. The afterburner gas flow indicated further significant gas flow potential from K-4 and following the resolution of mechanical issues it is anticipated that K-4 can be retested and reach sustained flow rates in excess of 100 mscfpd.

**Korhaan-5:** Korhaan 5 was tested first as it showed an excellent gassy sand profile. About 113m of pay intervals of above 2m in depth were measured, with a total gassy sand interface of 142m. It had good shut-in pressure build-up of over 12.5 bar, but only stabilised gas flow at 7 Nm<sup>3</sup>/hour. A technical review is underway and the Company is considering using the same drill pad to drill a 45° slant hole to try to tap into a larger compartment.

## **GAS PRODUCTION**

### **○ Pilot Production Field Development**

Kinetiko now has now achieved gas flows to enter a pilot production phase in the near future with highly experienced Gas-to-Power partners, Vutomi Energy (Pty) Ltd. The program entails using the two historic pilot production wells KA-03PTR and KA-PT2 to join the new Korhaan wells 4 and 3 to produce gas to an in-field, containerised generator linked to the existing grid running through the adjacent farmlands. The first phase commissioning and testing will be undertaken targeting 1MW of output. Further phases are planned for the upgrading of the conductors and transformer to enable scalable modular system increased output to 5MW.

The Company has on-going discussions with additional multiple midstream customers. There is an increasing and urgent need for LNG to thermal industries and transportation, urea for fertilisers, ammonia for mining applications and the domestic market is becoming increasingly attracted to the potential for gas sourced from within Kinetiko fields. (Figure 1)



Figure 1 – Three new Korhaan wells in relation to established pilot production wells and powerline infrastructure.

**Information Required By Listing Rule 5.4.1**

During the Quarter ended June 2022, the Company had cash outflows for exploration and evaluation of \$381k. \$275k was in relation to the company spudding 3 wells and logging operations with \$106k relating to other sundry exploration costs.

During the June 2022 quarter, \$208k was paid to directors and their associates for directors' fees, company secretarial fees, corporate fees, capital raising fees and legal fees.

**TENURE INTEREST as at 30 June 2022:**

| Tenement reference | Nature of interest  |
|--------------------|---|
| ER320 (TCP 106)    | Application for conversion from TCP to exploration right approved by regulator, but an ER re-application process has now been required. |
| ER 270             | Exploration Right granted on 03 September 2019.   |
| ER 271             | Consolidation to include ER56 and ER38 granted by DMR on 19 August 2021.  |
| ER 272             | Exploration Right granted 21 August 2019.   |

## 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 33 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.

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.

-ENDS-

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

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### 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.

ASX: KKO | [kinetikoenergy.com.au](http://kinetikoenergy.com.au)





## 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")

30 June 2022

| Consolidated statement of cash flows                      | Current quarter<br>\$A'000 | Year to date (12<br>months)<br>\$A'000 |
|---|----------------------------|--|
| <b>1. Cash flows from operating activities</b>            |                            |  |
| 1.1 Receipts from customers                               | -                          | -                                      |
| 1.2 Payments for  |                            |  |
| (a) exploration & evaluation                              | -                          | -                                      |
| (b) development   | -                          | -                                      |
| (c) production  | -                          | -                                      |
| (d) staff costs   | (198)                      | (550)                                  |
| (e) administration and corporate costs                    | (130)                      | (537)                                  |
| 1.3 Dividends received (see note 3)                       | -                          | -                                      |
| 1.4 Interest received                                     | -                          | -                                      |
| 1.5 Interest and other costs of finance paid              | (1)                        | (1)                                    |
| 1.6 Income taxes paid                                     | -                          | -                                      |
| 1.7 Government grants and tax incentives                  | -                          | -                                      |
| 1.8 Other – net GST and VAT (paid) / refunded             | (3)                        | 1                                      |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(332)</b>               | <b>(1,087)</b>                         |
| <b>2. Cash flows from investing activities</b>            |                            |  |
| 2.1 Payments to acquire or for:                           |                            |  |
| (a) entities  | -                          | -                                      |
| (b) tenements   | -                          | -                                      |
| (c) property, plant and equipment                         | (11)                       | (123)                                  |
| (d) exploration & evaluation                              | (381)                      | (2,343)                                |
| (e) investments   | -                          | -                                      |
| (f) other non-current assets                              | -                          | -                                      |



| Consolidated statement of cash flows                      | Current quarter<br>\$A'000 | Year to date (12<br>months)<br>\$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 Loans to other entities                               | (6)                        | (1,027)                                |
| 2.4 Dividends received (see note 3)                       | -                          | -                                      |
| 2.5 Other – capitalised acquisition costs                 | (167)                      | (309)                                  |
| <b>2.6 Net cash from / (used in) investing activities</b> | <b>(565)</b>               | <b>(3,802)</b>                         |

|   |              |              |
|---|--------------|--------------|
| <b>3. Cash flows from financing activities</b>  |              |              |
| 3.1 Proceeds from issues of equity securities (excluding convertible debt securities)       | 2,050        | 5,798        |
| 3.2 Proceeds from issue of convertible debt securities                                      | -            | -            |
| 3.3 Proceeds from exercise of options   | -            | 287          |
| 3.4 Transaction costs related to issues of equity securities or convertible debt securities | (98)         | (282)        |
| 3.5 Proceeds from borrowings  | 250          | 250          |
| 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)   | -            | -            |
| <b>3.10 Net cash from / (used in) financing activities</b>                                  | <b>2,202</b> | <b>6,053</b> |

|   |       |         |
|---|-------|---------|
| <b>4. Net increase / (decrease) in cash and cash equivalents for the period</b> |       |         |
| 4.1 Cash and cash equivalents at beginning of period                            | 41    | 191     |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above)             | (332) | (1,087) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above)             | (565) | (3,802) |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above)            | 2,202 | 6,053   |

Appendix 5B

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

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date (12<br>months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|--|
| 4.5                                  | Effect of movement in exchange rates on cash held | 1                          | (8)                                    |
| <b>4.6</b>                           | <b>Cash and cash equivalents at end of period</b> | <b>1,347</b>               | <b>1,347</b>                           |

| 5. Reconciliation of cash and cash equivalents<br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$A'000   | Previous quarter<br>\$A'000 |
|---|--|-----------------------------|
| 5.1   | Bank balances  | 41                          |
| 5.2   | Call deposits  | -                           |
| 5.3   | Bank overdrafts  | -                           |
| 5.4   | Other (provide details)  | -                           |
| <b>5.5</b>  | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b> | <b>41</b>                   |

| 6. Payments to related parties of the entity and their associates | Current quarter<br>\$A'000  |
|---|---|
| 6.1   | Aggregate amount of payments to related parties and their associates included in item 1 |
| 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. <b>Financing facilities</b>  | <b>Total facility amount at quarter end<br/>\$A'000</b> | <b>Amount drawn at quarter end<br/>\$A'000</b> |
|---|---|--|
| <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>  |   |  |
| <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>   |   |  |
| 7.1 Loan facilities   | -   | -  |
| 7.2 Credit standby arrangements   | -   | -  |
| 7.3 Other (please specify)  | -   | -  |
| 7.4 <b>Total financing facilities</b>   | -   | -  |
| 7.5 <b>Unused financing facilities available at quarter end</b>   |   | -  |
| 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. |   |  |
| N/A   |   |  |

| 8. <b>Estimated cash available for future operating activities</b>  | <b>\$A'000</b> |
|---|----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9)   | (332)          |
| 8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))  | (381)          |
| 8.3 Total relevant outgoings (item 8.1 + item 8.2)  | (713)          |
| 8.4 Cash and cash equivalents at quarter end (item 4.6)   | 1,347          |
| 8.5 Unused finance facilities available at quarter end (item 7.5)   | -              |
| 8.6 Total available funding (item 8.4 + item 8.5)   | 1,347          |
| 8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>   | 1.88           |
| <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?   |                |
| Answer: Yes   |                |
| 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?              |                |
| Answer: The company, as per its ASX announcement dated 28 <sup>th</sup> April 2022 is currently in the process of completing the capital raise.   |                |

## 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, the company expects to be able to continue its operations and to meet its business objectives based on its responses to items 1 and 2 above.

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: 29 July 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.