

## QUARTERLY ACTIVITIES REPORT ENDING 30 SEPTEMBER 2022

### HIGHLIGHTS

- **Health, Safety and Environment.**

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

- **South African Strategic Investor**

KKO received firm commitments from a private South African institution to raise A\$5m (before costs) through a placement of approximately 56m fully paid ordinary shares in the Company (Placement). The Issue price of \$0.09 represents a 3.2% discount to the last closing price and 8.1% discount to the 14-day VWAP. Funds are to be used to accelerate exploration and gas resources growth.

Phefo Power (Pty) Ltd ("**Phefo**") is a South African energy investment institution that through its participation in the placement will become a substantial shareholder in the Company and will continue to increase Kinetiko's Black Economic Empowerment (BEE) credentials. This represents the largest investment by private South African institutions to date and demonstrates domestic support for Kinetiko's vision to become a major energy solution for South Africa

- **Drilling Operations**

Core hole 271-23C (previously KV-14C) was spudded on 21 September 2022 in the vicinity of Majuba power station to test the productivity potential of the surrounding gassy geology as a possible supply source to the gas co firing generator within the power station complex. Post end of quarter, the Company announced that Core hole 271-23C intersected strong gassy geology with the hole currently below 320m.

- **Corporate**

Merger completion on track with shareholder notice of meeting documentation lodged with regulators. The Company has lodged with the ASX and ASIC all documentation for approval for release of the notice of meeting for the shareholder of Kinetiko to approve the acquisition of Badimo Gas (Pty) Ltd which holds a 51% interest in the South African exploration rights. On successful completion of the shareholders meeting scheduled for late November 2022, Kinetiko will become the 100% owner of the exploration rights.

## 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 (July - September) of 2022. The activities are conducted through Afro Energy (Pty) Ltd (“**Afro Energy**”) a subsidiary of the Company.

## SOUTH AFRICAN INVESTMENT

- **KKO secures A\$5m from South African Strategic Investor**

Post end of quarter, KKO received firm commitments from a private South African institution to raise A\$5m (before costs) through a placement of approximately 56m fully paid ordinary shares in the Company (Placement).

- **Advancing Exploration**

The placement funds will be utilised to accelerate the Company’s exploration strategy with immediate exploration programs to drill 7 core wells underway. Funds will also contribute to the Company’s joint venture obligations with the Industrial Development Corporation of South Africa (IDC) to co-develop a gas production field estimated to comprise up to 20 wells and scheduled for development from H1 2023 (See ASX Announcement dated [4 April 2022](#)).

- **Strategic Investment**

Phefo Power (Pty) Ltd (Phefo) is a South African energy investment institution that through its participation in the placement will become a substantial shareholder in the Company and will continue to increase Kinetiko’s Black Economic Empowerment (BEE) credentials. Phefo is an investment group whose stakeholders comprise leading South African oil and gas executives and represents the largest investment by private South African institutions to date and demonstrates domestic support for company’s vision to become a major energy solution for South Africa.

- **Placement Details**

56,577,777 fully paid ordinary shares in the Company will be issued under the Placement pursuant to the Company’s available 15% placement capacity under ASX Listing Rule 7.1. Ordinary fully paid shares in the Company issued under the Placement (New Shares) will rank equally with the Company’s existing shares on issue.

The New Shares will be issued in two (2) tranches, the first tranche expected to settle on Friday 28 October 2022 being 37,457,777 shares and the second tranche expected to settle on Wednesday 30 November 2022 being 19,120,000 shares. The New Shares will be issued at \$0.09 each.

- **Option Right**

In addition to the Placement, the Company has also granted Phefo an option to subscribe for a further \$R30m of fully paid ordinary shares in the Company at a price that is the greater of the 14 days VWAP of the Company's shares at the time the option is exercised or \$0.09. The option expires on 28 February 2023.

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.

## **CORPORATE**

- **Merger Documentation Completion**

The Company has lodged with the ASX and ASIC all documentation for approval for release of the notice of meeting for the shareholder of Kinetiko to approve the acquisition of Badimo Gas (Pty) Ltd which holds a 51% interest in the South African exploration rights. On successful completion of the shareholders meeting scheduled for late November 2022, Kinetiko will become the 100% owner of the exploration rights.

## **EXPLORATION UPDATE**

- **Core Well 271-23C**

The Company's exploration program restarted with a core hole planned for September 2022. 271-23C will be the closest borehole to the Eskom operated Majuba power station (which is capable of being fired by gas) and is expected to prove the continuation of the gassy sandstone geology which has been shown to be prevalent in the area from historic exploratory work. Aeromagnetic surveys have illustrated strong targets for potential gassy compartments in the region, and the Company has reached an agreement with local landowner for site access to undertake drilling during Q3 and Q4-22.

Core hole 271-23C spudded (Figure 1) on 21 September 2022 to test the productivity potential of the surrounding gassy geology as a possible supply source to the gas generator within the power station complex.

Kinetiko expects to core the entire stratigraphical profile from the surface, through the dolerite and lower gassy sediments, to an approximate terminal depth of up to 450m. On completion of the drilling the Company will log the borehole and perform onsite gas emission and desorption analysis.



*Figure 1: Core well 271-23C (previously KV-14C) being drilled with the Majuba Power station in the background*

Core hole 271-23C is currently coring at below 320m meters having drilled through dolerite to 227m before breaking through to carbonaceous zones. The Company's assessment from aeromags surveys, is that the dolerite sill undulates and this correlates with thick sill encountered in this section in this borehole. However, experience also leads the Company to believe that thicker sills can correlate to deeper sands and therefore the terminal depth of this hole could be significantly deeper than the recent Korhaan wells.

Gas shows became stronger below 270m with "zebra" formation (Figure 2): coals, sand and siltstone striped with carbonaceous mud matrix. Onsite gas emission and desorption analysis is being performed on the core samples by our wellsite geologist. On completion of the drilling the Company will log the borehole and analyse the results, tying in with regional stratigraphy.



*Figure 2: Core well 271-23C visible gas emissions observed from core samples at depths between 230-280m*

- **About Majuba Power Station**

Majuba Power Station between Volksrust and Amersfoort in Mpumalanga, South Africa, is a coal-fired power plant operated by Eskom. Majuba has three 665 MW dry-cooled and three 716 MW wet-cooled power generation units with a total installed capacity of 4,110MW. In addition to coal, the Majuba Power Station can be fired by syngas which was originally designed to be produced from underground coal gasification.

- **Korhaan Project GTP Summary**

The Korhaan project exploration focused on gas-laden sandstones, coal and other carbonaceous structures over an interval of 130m to 450m. In all three wells, gas was produced from the upper zones immediately under the cased dolomite and continued to produce gas almost all the way down to terminal depth in each case. An average of over 100m of gassy sand pay-zone per well was encountered across the cluster.

Korhaan-3 and Korhaan-4 have tested at commercial production rates, while Korhaan-5 appears to have landed in a smaller compartment, which is supported by a neighboring large compartment, separated by a thin dyke wall, and currently has provided sub-commercial flow rates. Gas from Korhaan-5 can be utilised to supplement the GTP project, but plans are being assessed to re-drill the well using a slant-hole to break through the dyke into the neighboring compartment and optimise gas flow potential.

Added to the existing wells Korhaan-1 and Korhaan-2, aka “The Beast” and “Son of the Beast” (which have not shown gas depletion for over close to a decade) gas produced from these 5 wells is anticipated to over-supply the GTP project and provide the advantage of managing the production



to better support reservoir longevity.

Kinetiko is working with highly experienced Gas-To-Power (“GTP”) partners, Vutomi Energy (Pty) Ltd. The program entails using existing wells at Amersfoort to produce gas to an in-field, containerised generator linked to the existing grid running through the farmlands (Figure 3). The first phase commissioning and testing will be undertaken targeting 1MW of output. Further phases are planned for the upgrading of the conductors and transformers to enable scalable modular increased output to 5MW.

The GTP project is planned to be operated in three phases:

**Phase 1:** Proof of drive, involving gas from a single well to the generator and conduct commissioning of equipment for a few days to undertake load and compliance testing and prove reliability of the equipment and machinery.

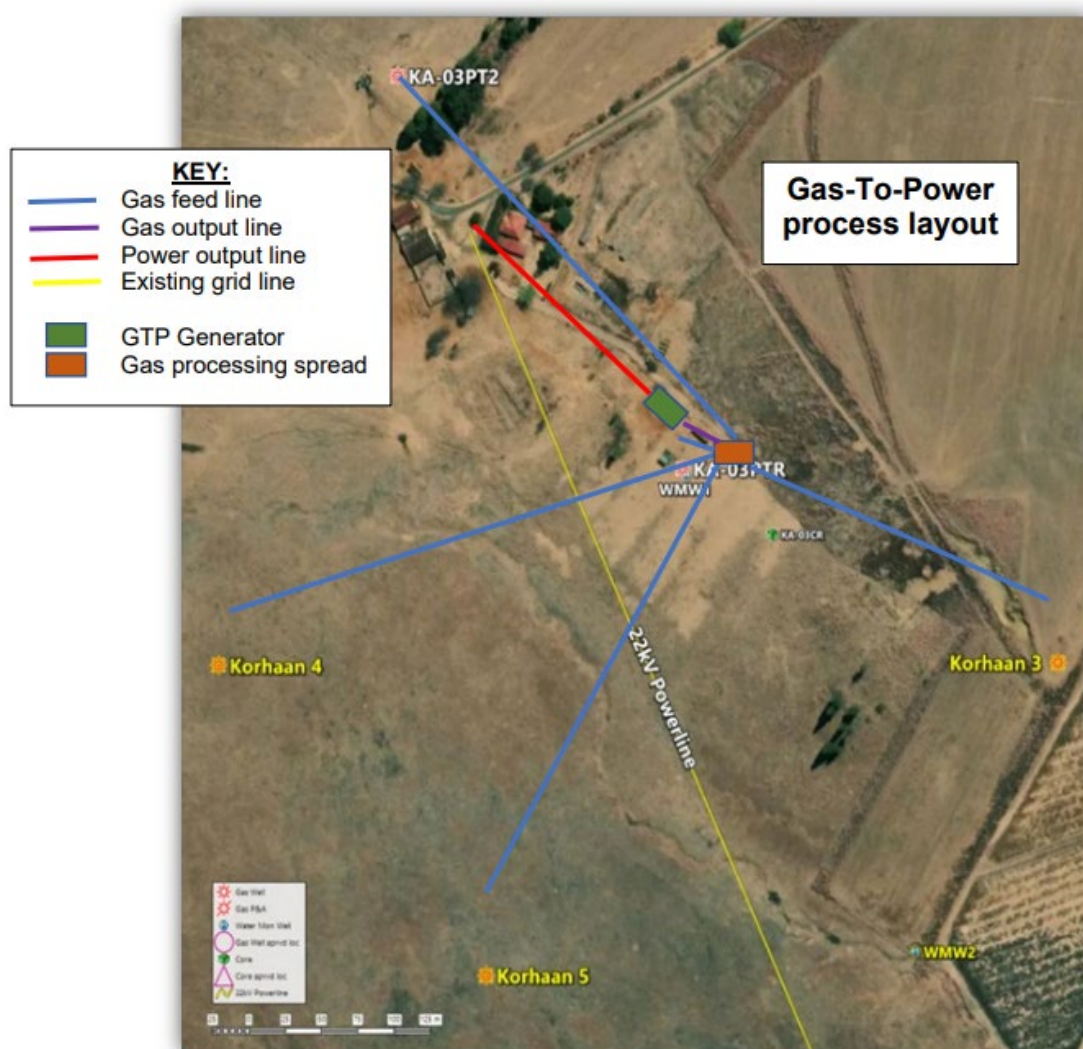
**Phase 2:** Connect and supply to the existing community electricity grid with an initial output of 1MW, which is already conceptually sold on a domestic spot price basis to an offtaker in nearby Mpumalanga.

**Phase 3:** Advance infrastructure and add machinery modules to enable a 500% increase in output (already Eskom approved).

**Status:** Eskom has issued electricity production licences and their design approvals for both levels of power output. Final permits to proceed are expected imminently.

The Vutomi generator is undergoing a full service and function testing program and will be ready to move to the site within early Q4.

The Company is finalising negotiations to procure a gas collection separator, a dehydrator system and infield water treatment solution to enable controlled gas flow to the Vutomi infrastructure versus their engine intake specifications.



*Figure 3: Planned layout for the Amersfoort GTP project*

- Expanded Exploration - ER 272 and ER 270**

Further exploration core holes are planned on Exploration Right 272 (ER 272) near the Secunda synthetic fuel plant owned by Sasol and on Exploration Right 270 (ER 270) in the South where aeromagnetic surveys have identified the most prospective gassy compartment targets the southerly dipping geological basement is anticipated to provide deeper, higher pressured gassy sands in ER270. At least three core holes are planned to be drilled in each of ER 272 and ER 270 during Q4-22 / Q1-23.

## **GAS PRODUCTION**

- Gas Reserves Certification**

The Company has engaged independent gas certification group Sproule to provide an independent evaluation of the gas reserves and/or resources of Exploration Right 271. The area of ER 271 is 1,287Km<sup>2</sup> with the total exploration rights (and applications) of the Company being 6,998Km<sup>2</sup>.

Sproule's engagement to undertake an assessment for certification of maiden gas reserves has been progressed to its final stages and the Sproule report remains on schedule to be delivered by early November.

#### **Information Required By Listing Rule 5.4.1**

During the Quarter ended September 2022, the Company had cash outflows for exploration and evaluation of \$239k. \$118k was in relation to the company spudding core well and logging operations, \$35K tenement renewals and with \$86k relating to other sundry exploration costs and tenement renewal.

During the September 2022 quarter, \$110k 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 September 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.

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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")

30 September 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1.</b>	<b>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	(121)	(121)
	(e) administration and corporate costs	(362)	(362)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
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	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(482)</b>	<b>(482)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(78)	(78)
	(d) exploration & evaluation	(239)	(239)
	(e) investments	-	-
	(f) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
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	(2)	(2)
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(319)</b>	<b>(319)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	150	150
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1)	(1)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(250)	(250)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(101)</b>	<b>(101)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,347	1,347
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(482)	(482)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(319)	(319)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(101)	(101)

## 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 (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(3)	(3)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>442</b>	<b>442</b>

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	442	1,347
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>442</b>	<b>1,347</b>

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	110
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

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

<b>7. Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(482)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(239)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(721)
8.4 Cash and cash equivalents at quarter end (item 4.6)	442
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	442
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	0.61
<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 10 <sup>th</sup> October 2022 has secured A\$5m from South African strategic investor to accelerate exploration and gas resources growth.	
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.	
<i>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.</i>	



## 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 October 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.